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Report to the Subcommittee on Economic Development, Public Buildings, and Emergency Management House Committee on Transportation and Infrastructure

April 2001

FEDERAL BUILDINGS

Funding Repairs and Alterations Has Been a Challenge--Expanded Financing Tools Needed

GAO-01-452

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G A O
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United States General Accounting Office
Washington, DC 20548

April 12, 2001

The Honorable Steven C. LaTourette
Chairman
The Honorable Jerry F. Costello
Ranking Democratic Member
Subcommittee on Economic Development, Public Buildings, and Emergency Management
Committee on Transportation and Infrastructure
House of Representatives

This report responds to your request for information on the General Services Administration's (GSA) Repairs and Alterations Program. As you know, GSA is responsible for keeping its federal buildings in good repair to ensure that the value of these assets is preserved and that tenants occupy safe and modern space. As agreed, our objectives were to (1) examine GSA's process for assessing and selecting prospectus-level repair and alteration design projects[1] for funding, (2) identify any obstacles that impede GSA from satisfying its repair and alteration requirements, and (3) document consequences associated with deferring needed repairs and alterations at selected buildings. You requested this work because you wanted a better understanding of how GSA decides which prospectus-level projects should be recommended for funding. You were also concerned that federal buildings may be deteriorating and becoming functionally obsolete, even though GSA spent an average of about $606 million annually over the last 7 fiscal years on prospectus- and nonprospectus-level repairs and alterations.

Our work focused primarily on the process and procedures that GSA used to identify, prioritize, and select the prospectus-level repair and alteration design projects that were included in its fiscal year 2001 budget request. We analyzed data on the design projects that GSA's regions proposed that year and then completed a detailed analysis of how and why GSA selected

[1]Prospectus-level projects involve major work that is estimated to cost more than a statutorily prescribed amount, which GSA's Administrator is authorized to adjust annually, and was $1.99 million for the fiscal year 2001 projects. GSA must provide detailed support for each prospectus-level project that it plans to undertake and have the Office of Management and Budget (OMB) approve and Congress fund these projects before starting work. Nonrecurring repairs and alterations that cost more than $10,000, but less than the prospectus-level threshold, are commonly referred to as nonprospectus-level projects.

certain projects that were included in that year's budget request. We reviewed prior reports detailing problems that GSA has encountered in performing repairs and alterations at its buildings. In addition, we held discussions with GSA headquarters and regional officials about the obstacles that impede their ability to complete all needed building repairs and alterations and their efforts to improve this program. Also, in consultation with you, we selected and visited six federal buildings located throughout the country and completed detailed analyses of the repairs and alterations needed at each building. GSA requested and received prospectus-level repair and alteration funding in fiscal year 1999, 2000, or 2001 for projects in these 6 buildings. We performed our work from July 2000 to February 2001, in accordance with generally accepted government auditing standards. More details about our objectives, scope, and methodology can be found in appendix I. We requested comments on a draft of this report from the Acting Administrator of GSA, the Director of OMB, and a Special Assistant to the President and Director, Office of Administration in the Executive Office of the President (EOP). We received comments on the draft report from GSA, OMB, and EOP, which are discussed near the end of the letter.

Results in Brief

For fiscal year 2001, GSA assessed the merits of 27 prospectus-level repair and alteration design projects proposed by its regional staff and selected 12 to recommend for funding. In examining these projects GSA officials used a multifaceted process that relied on empirical data and professional judgment coupled with specific selection criteria and computer analysis that compared competing projects. The criteria included factors such as a project's economic return and urgency, which include health and safety concerns or issues. During the assessment process, each project was given a numerical score and ranked in priority order. The projects with the higher scores usually became the candidates for funding. When GSA officials recommended projects that were not initially among those with the highest rankings, they provided an explanation for their decision. Unfortunately, there were more needed projects than available funding. Consequently, the 15 projects that were not recommended for funding will remain in the growing repair and alteration inventory. GSA data indicated this inventory totals billions of dollars for prospectus- and nonprospectus-level projects.

GSA has faced long-standing obstacles—inadequate program data, the lack of a multiyear repair and alteration plan, and limited funding—in reducing this multibillion-dollar inventory. GSA is working to improve the quality of

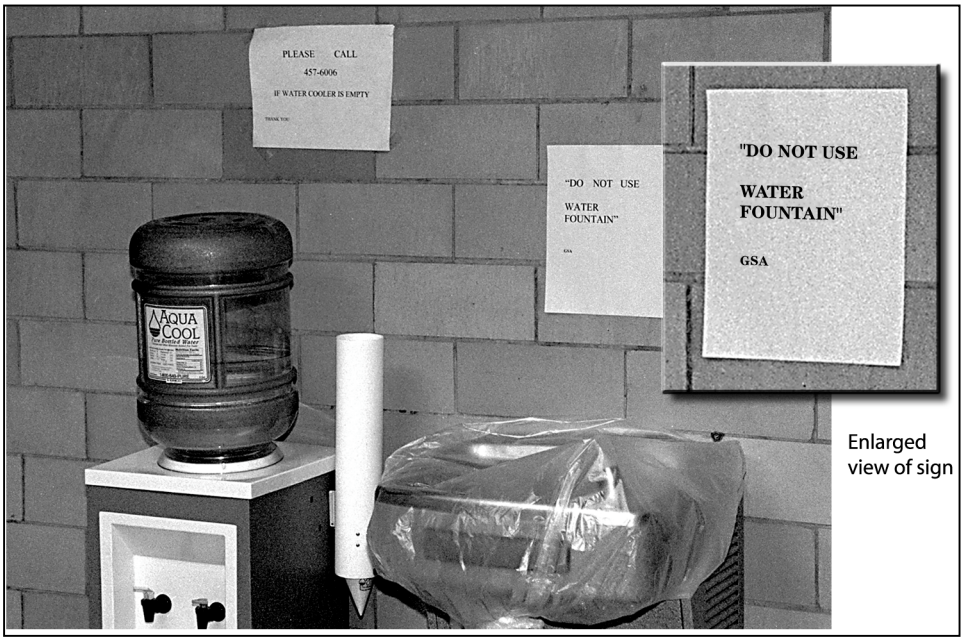
its repair and alteration program data and to develop a multiyear plan that identifies and prioritizes the most critically needed repair and alteration projects nationwide. However, GSA officials pointed out that even when they make these improvements, funding limitations would likely remain a major obstacle to reducing the inventory of repairs and alterations at its buildings. The Federal Buildings Fund (FBF) is the revolving fund used to finance repairs and alterations, as well as other capital and operating expenses associated with maintaining federal buildings. Historically, FBF has not produced sufficient revenues to satisfy all repair and alteration needs at federal buildings.

GSA is trying to alleviate the funding deficiencies by identifying new strategies to increase the amount of funding available to finance repairs and alterations. These strategies include giving funding priority to projects that return the most rent revenue to FBF and reducing overall building operational costs to free up funding for needed capital investment. GSA also supports recently proposed legislation that would authorize federal agencies, including GSA, to retain the proceeds from several types of real property transactions, such as the sale of unneeded assets. Also, legislation was proposed that would authorize GSA to enter into public-private partnership arrangements to renovate or rehabilitate federal buildings.

Delaying or not performing needed repairs and alterations can have serious consequences, including health and safety concerns. For example, our analysis of the repair and alteration requirements at six government-owned buildings identified several adverse consequences, including

- poor health and safety conditions due to dysfunctional air ventilation, inadequate fire safety systems, and unsafe water supply systems (see fig. 1, which is a picture taken at Federal Office Building 3 (FOB 3) in Suitland, MD);
- higher operating costs associated with inefficient building heating and cooling systems;
- restricted capability to add new information technology because of obsolete electrical systems; and
- continued structural deterioration resulting from water leaks through roofs, windows, and openings in the skin of the buildings.

Figure 1: Sign Located Above All Fountains in FOB 3 That Warns Against Drinking the Water



Source: GAO.

Furthermore, GSA officials said that FBF loses long-term revenue when limited funding prevents them from renovating vacant space in government-owned buildings that could be used instead of costly leased space to house federal agencies. In addition, the ultimate cost of eventually completing delayed repairs and alterations may escalate because of inflation and increases in the severity of the problems caused by the delays.

GSA officials recognize that the physical condition of many federal buildings is far from ideal, that a significant inventory of repair and alteration work exists, and that some buildings cannot support 21st century operations. They pointed out that given the age of their inventory and the limited resources available to fund repairs and alterations, GSA takes pride in its ability to keep such buildings operational far beyond their normal life expectancy. All federal buildings do not have the same degree of repair and alteration needs, but there is ample evidence to suggest that many of the government's aged buildings are deteriorating, becoming functionally obsolete, and have health and safety-related

problems because needed repairs and alterations are not being made in a timely manner.

We recognize that GSA must balance a number of factors when deciding what repair and alteration projects to fund and that GSA officials are exploring new ways to generate additional funding to finance repair and alteration projects, such as giving the highest priority to revenue-producing projects. It is also important to note that GSA officials believe that no employee or visitor to a federal building faces imminent danger because the building is unsafe. However, given the health and safety concerns that have existed for a long time at the buildings we visited, it is our view that health and safety issues may need to be a more important factor in GSA's decisions about which repair and alteration projects to fund. Given this, we are recommending that the Administrator of GSA ensure that sufficient priority consideration is given to projects that would effectively prevent or resolve significant health and safety concerns. We are also suggesting that Congress consider providing the Administrator of GSA authority to experiment with funding alternatives, such as retaining the revenues from real property transactions and using public-private partnerships when they reflect the best economic value available for the federal government, as possible ways of obtaining revenues to help reduce the backlog of building repairs and alterations. If such authority is granted, it would be important for Congress to continue its appropriation control and oversight over the use of any funds retained by GSA. In commenting on a draft of this report, GSA generally agreed with the report's message and recommendation.

Background

GSA is the federal government's real property manager, providing office space for most federal agencies. In this capacity, GSA is responsible for keeping the approximately 1,700 federal buildings it manages in good repair to ensure that the value of these assets is preserved and that tenants occupy safe and modern space. Maintaining these buildings is particularly challenging because many buildings in GSA's portfolio are more than 50 years old, monumental in design, and historically significant. Unlike a private sector company, GSA cannot always dispose of a building simply because it would be economically advantageous to do so.

GSA is responsible for identifying, funding, and completing needed repairs and alterations at the federal buildings it manages. These needs are identified primarily through detailed building inspections and evaluations done by GSA regional staff or private sector architect-engineering firms

under contract with GSA. The scope of repair and alteration work varies, but the work generally falls into one of three broad categories:

- recurring repairs, such as periodic painting, and minor repairs of defective building systems that cost less than $10,000;
- nonrecurring repairs and alterations that cost more than $10,000, but less than a prospectus-level threshold ($1.99 million for fiscal year 2001 projects) that is adjusted annually; and
- major repairs and alterations estimated to cost more than the prospectus-level threshold.

Building repair and alteration projects expected to cost more than the prospectus-level threshold cannot start unless they are approved by OMB and funded by Congress. To obtain approval for these projects, GSA provides OMB and Congress with a prospectus for each repair and alteration project included in its annual budget submission. The prospectus includes information on the size, cost, location, and other features of the proposed work; a justification for proceeding with the work; and an economic analysis of the alternatives to doing the requested repairs and alterations. On the basis of the individual prospectuses, OMB recommends funding for various proposed repair and alteration projects, and Congress decides whether or not to approve the funding. In addition to prospectus-level funding, OMB and Congress consider proposals for funding that GSA can use to complete nonrecurring projects costing less than the prospectus-level and recurring projects regardless of cost. For fiscal years 1995 through 2001, GSA was authorized about $2 billion dollars for prospectus-level projects and $2.3 billion for nonprospectus-level projects. This report deals primarily with GSA's process for assessing and selecting prospectus-level projects.

Repairs and alterations, as well as other capital and operating expenses associated with maintaining federal buildings, are financed by FBF, a revolving fund administered by GSA that was authorized and established by the Public Buildings Amendments of 1972. Beginning in 1975, FBF replaced direct appropriations to GSA as the primary means of financing the operating and capital costs associated with federal space. GSA charges federal agencies rent for the space that they occupy, and the receipts from the rent are deposited into FBF. In addition, Congress may appropriate additional money to the fund. Congress exercises control over FBF through the annual appropriations process that sets limits, known as obligational authority, on how much of the fund can be expended for various purposes. FBF revenues must first be used to meet its building operating expenses, such as payments for leased space and utility costs.

Congress then allocates revenues between the two capital programs–the construction of new federal buildings and the repair and alteration of existing buildings.

GSA's Prospectus-Level Repair and Alteration Selection Process

GSA headquarters management recommended 12 of the 27 prospectus-level design projects proposed by GSA regional staff for fiscal year 2001 funding. In examining the 27 projects, GSA officials used a multifaceted process that relied on empirical data and professional judgment coupled with specific selection criteria and computer analysis that compared each of the competing projects. The criteria included such factors as a project's economic return, risk, and urgency. Each project examined was given a numerical score and ranked in priority order. The projects with the highest initial rankings usually became the projects that GSA recommended for funding. However, GSA recommended two projects for funding that were not among those with the highest initial ranking. GSA provided explanations for moving the lower ranked projects ahead of the higher ranked projects. GSA's process resulted in buildings with well documented repair and alteration needs being recommended for funding in fiscal year 2001.

Under the oversight of GSA's headquarters, GSA's regional staffs, who operate and maintain the federal buildings, are responsible for identifying the prospectus-level projects. GSA headquarters staff is responsible for establishing a coherent national program and budget request. Each year, GSA's Capital Investment and Leasing Program Call plays a key role in the agency's obtaining the necessary resources to maintain its buildings. This planning document, commonly referred to as the Program Call, is prepared each year by the portfolio management staff in GSA's headquarters. The Program Call provides, among other things, the guidance and criteria that the regions are to follow in identifying and proposing prospectus-level repair and alteration projects for funding consideration.

According to GSA officials, the Program Call for fiscal year 2001 emphasized that the regions should follow a portfolio rather than a traditional facilities management approach in proposing repair and alteration projects, and GSA headquarters would follow this approach in selecting the projects to be included in its budget request. GSA management decided to adopt the portfolio management approach because they believed it was a more effective way to manage real property and its Repairs and Alterations Program. Under a portfolio approach, GSA chooses to make reinvestment decisions on the basis of what is best for its

overall inventory of buildings rather than the need to repair or modernize an individual building. The Program Call stressed that because of limited resources, the funds that were available for completing repair and alteration projects would be given to cost-effective projects with high income-producing potential. Thus, projects that would improve the buildings' functionality and income-producing potential were favored over other repair and alteration projects, such as full building modernization.

GSA recognized that by implementing this approach, some buildings, such as those in low-rent or declining markets, may receive limited repair and alteration funding and therefore would be maintained at a more basic level as compared to other buildings in the inventory. GSA officials also told us that they recognized that implementing the portfolio management approach meant that those buildings needing repairs and alterations that were not expected to increase rent revenues would face difficulty in competing for limited prospectus-level funding. This was true for the proposed repair and alteration projects that were assessed and ranked in fiscal year 2001. For example, recapturing vacant space or other revenue enhancement was a primary reason for selecting 9 of the 12 projects included in GSA's fiscal year 2001 budget request. GSA officials said they recognized that they cannot totally ignore projects that do not increase rent revenues. They said that GSA plans to request $75 million in fiscal year 2002, and additional funds in future years, for prospectus-level projects that focus on keeping buildings operational and safe rather than on significantly increasing rent revenues.

We agree that GSA cannot ignore nonrevenue-generating projects, especially when they involve health and safety risks to employees and visitors as discussed later in this report. GSA officials emphasize that they are very concerned with health and safety issues, which is evidenced by language in their fiscal year 2002 and 2003 Program Calls. GSA officials said their policy is to take action to alleviate immediate health and safety problems when they occur and continuously monitor potential problem areas with the intent of avoiding dangerous situations. GSA officials believe that no employee or visitor to a federal building faces imminent danger because the building is unsafe. However, GSA officials said that they must sometimes take a Band-Aid and monitoring approach as a result of limited funding, and this approach does not always remove the long-term risk associated with the deterioration that could cause health and safety problems. Given this, it is important that GSA continuously focus on buildings that have significant operational deficiencies and health and safety concerns, identify needed funding, and give sufficient funding

priority to those projects that would effectively eliminate the deterioration that is causing, or likely to cause, significant health and safety problems.

Using the guidance contained in the Program Call, their knowledge about the buildings' physical condition and the needs of their tenants, GSA's regional staff identified 27 repair and alteration design projects and submitted them to GSA headquarters for funding consideration in fiscal year 2001. According to the officials with whom we met, the regions are given a great deal of discretion in determining which buildings they propose for repair and alteration funding. These officials said that such discretion is needed because each building in GSA's inventory is unique in its construction, operating systems, repair and alteration needs, and client agency needs. Our analysis of project proposals and supporting documentation as well as discussions with GSA staff in the three regions that we visited indicated that they had selected and prioritized the buildings for funding in fiscal year 2001 on the basis of detailed analyses and discussions about the condition of their buildings and the repair and alteration needs at these buildings. Furthermore, the prospectus-level projects submitted by the three regions requested funding to satisfy well-documented repair and alteration needs. Our analysis found that all were prepared in accordance with GSA's criteria and guidance.

Once the regions had identified their proposed projects, they submitted the proposals, along with all supporting data, to GSA headquarters for review and funding consideration. There, portfolio management staff and the Capital Investment Panel[2] assessed the merits of each proposed project and ranked the projects with the aid of computer-based decisionmaking software. This software–Expert Choice–employs an analytic hierarchy process decisionmaking methodology. Five weighted criteria, which were developed by GSA's Capital Investment Panel, were used to rank the projects competing in fiscal year 2001. These criteria considered, in weighted order, the (1) economic return—the project will generate additional revenue for the FBF, (2) project risk—the project will begin in the planned fiscal year and use the authorized funding, (3) project urgency—the project will correct building conditions that are unsafe or involve severe deterioration, (4) community planning—the project will protect the building's historic significance and positively impact the local

[2]The members of the Capital Investment Panel vary from year to year, but the panel always includes senior managers from GSA headquarters and regional offices.

community, and (5) customer urgency—the project will have a positive impact on the tenant agencies' operations or mission.

According to GSA officials, the scores resulting from the computer analysis were a major part of the assessment process, but they were not the sole basis for deciding which prospectus-level repair and alteration projects should be recommended for funding. They said Expert Choice was never intended to, and it did not, replace the professional judgment and knowledge of those staff involved in assessing the merits of the proposed projects. Nonetheless, the computer-derived scores for 10 of the 12 repair and alteration projects that were included in GSA's fiscal year 2001 budget request were among the highest scores for all 27 of the competing projects. Table 1 shows the scores for the 27 competing projects and identifies the 12 projects that were selected for inclusion in GSA's fiscal year 2001 budget request to Congress.

Table 1: GSA Ranking of Prospectus-Level Design Projects – Fiscal Year 2001

			Ranking factors and weights in percentages (The factor's maximum possible weight is in parentheses.)				
Building[a]	**Location**	**Total score (100)**	**Economic return (34.6)**	**Project risk (22.5)**	**Project urgency (21.3)**	**Community planning (11.7)**	**Customer urgency (9.9)**
Clark FB	Chicago, IL	73.2	34.6	13.4	5.7	9.6	9.9
Moorehead FB	Pittsburgh, PA	72.9	28.8	13.4	15.3	8.5	6.9
Tallahassee CT	Tallahassee, FL	70.7	24.3	13.4	12.6	11.7	8.7
Giamo FB	New Haven, CT	67.8	34.6	13.4	6.9	8.5	4.4
Muskogee CT	Muskogee, OK	66.5	26.0	13.4	7.0	11.7	8.4
Davenport CT	Davenport, IA	64.5	23.8	13.4	5.7	11.7	9.9
Goodfellow FB	St. Louis, MO	63.8	24.3	13.4	6.6	9.6	9.9
Celebrezze FB	Cleveland, OH	63.6	19.6	22.5	4.6	8.5	8.4
Metzenbaum CT	Cleveland, OH	62.7	13.3	22.5	5.3	11.7	9.9
Milwaukee CT	Milwaukee, WI	58.5	19.6	22.5	3.8	8.2	4.4
FOB 3	Suitland, MD	54.9	23.8	13.4	10.7	2.6	4.4
GSA ROB	Washington, DC	47.3	19.5	13.4	3.8	6.2	4.4
FOB 8	Washington, DC	80.1	34.6	13.4	12.6	9.6	9.9
EEOB	Washington DC	69.1	17.8	22.5	10.7	8.2	9.9
McCormack CT	Boston, MA	57.7	34.6	3.2	7.9	8.2	3.8
Findley FB	Springfield, IL	56.9	17.8	22.5	4.0	8.2	4.4
Customs House	New York, NY	55.8	17.8	22.5	5.1	4.9	5.5
Dirksen FB	Chicago, IL	54.0	34.6	3.2	3.9	8.5	3.8
Smith FB	Bangor, ME	52.4	26.0	13.4	7.1	1.5	4.4
Lanham FB	Forth Worth, TX	48.7	24.2	13.4	5.2	1.5	4.4
Bannister FB	Kansas City, MO	46.5	17.8	13.4	3.8	6.0	5.5
St. Thomas FB/CT	St. Thomas, USVI	45.3	17.8	13.4	5.3	1.5	7.3
Fargo FB	Fargo, ND	45.0	11.9	22.5	4.7	1.5	4.4
Metrowest FB	Baltimore, MD	45.1	18.3	13.4	2.7	4.9	5.8
New Orleans CT	New Orleans, LA	42.8	11.9	13.4	3.8	8.2	5.5
Fort Worth FC	Fort Worth, TX	30.5	17.8	3.2	3.5	1.5	4.5
Mobile CT	Mobile, AL	28.9	6.9	3.2	4.2	6.2	8.4

Note: Buildings above the dashed line were included in GSA's 2001 budget request; those below the line were not.

[a]Building name abbreviations are: FB-Federal Building, CT-Court House, FOB-Federal Office Building, ROB-Regional Office Building, EEOB-Eisenhower Executive Office Building, FB/CT-Federal Building/Court House.

Source: GAO analysis of GSA data.

As can be seen in table 1, the building with the highest score–Federal Office Building 8 (FOB 8), which is in Washington, D.C., and has the Department of Health and Human Services as its major tenant—was not included in GSA's fiscal year 2001 budget request. Similarly, the Eisenhower Executive Office Building (EEOB) was also not included in

the budget request, even though its score of 69.1 was higher than nine of the buildings that were included in GSA's funding request. Conversely, Federal Office Building 3 (FOB 3), which is in Suitland, MD, and primarily houses the Bureau of the Census, and the GSA Regional Office Building (GSA ROB) were included in the budget request, even though they both had lower scores–54.9 and 47.3, respectively—than some of the projects that were not recommended for funding. GSA officials explained that in each situation a unique set of circumstances affected the final decision of whether to include the prospectus-level project in the budget request.

According to the officials with whom we spoke, FOB 8 was not included in GSA's budget request because the regional office that originally submitted the proposed project–the National Capital Region–withdrew it from funding consideration after learning that a third party was interested in acquiring the building and converting it into a museum. GSA did not want to reinvest in FOB 8 if there was a chance that the building would not be retained. GSA headquarters staff decided not to include EEOB in the budget request, even though it scored 5th in the assessment process, because they believed that the project had not been adequately planned and there was too high a risk that the project could not be started in fiscal year 2001. In addition, regional officials told us that the Expert Choice score awarded to this building was too high because data pertaining to the expected economic return of the project were erroneously overstated when they were entered into the computer system. We were told there was no documentation to verify this assertion.

On the other hand, FOB 3 was included in GSA's budget request because additional information was considered after the project had been assessed by Expert Choice. According to a GSA official, this additional information showed that there could be an opportunity to move federal tenants from leased space into FOB 3, if additional space could be provided in the building. Therefore, GSA believed that funding a prospectus-level project at FOB 3 would provide this additional space. This assumption, in turn, led to an increase in the project's potential economic return, which made it more competitive than other projects that competed for funding in fiscal year 2001. Similarly, information received after GSA had assessed the proposed projects also led to the inclusion of GSA ROB in the budget request. This additional information involved the decision by a major tenant to vacate approximately one-third of GSA ROB. According to a GSA official, the tenant's decision to move out of the building created an opportunity for GSA to complete a major renovation of the vacant space, which is always less expensive than renovating occupied space. In summary, the unique circumstances surrounding the FOB 3 and GSA ROB

projects made them more desirable for funding than other projects that had initially been ranked higher.

In addition to FOB 8 and EEOB not being included in the fiscal year 2001 budget request, 13 other buildings involving prospectus-level projects were also not included in GSA's budget request that year. Our review of GSA documents related to these proposed projects showed that all of them had building repair and alteration needs that were well documented, and most of these needs focused on building systems upgrades or modernization work. According to GSA officials, this type of work is necessary to keep buildings fully operational and therefore must be funded even though it usually does not increase rent revenue. For example, the New Orleans Courthouse needs major upgrades to its heating, ventilation, and air-conditioning system and its hot and cold water systems. These needs were identified in a detailed building inspection completed in 1995, but the work has not yet been performed. GSA's regional office submitted a prospectus-level project requesting fiscal year 2001 funding to make the systems upgrades, but the project was not included in GSA's 2001 budget request. The proposed project was not considered as competitive as other proposed projects that were assessed for funding consideration. The GSA regional officials with whom we spoke said that this work will remain in the inventory of unfunded repairs and alterations, and if the work is delayed much longer, the ability of the building's tenant– the U.S. 5th Circuit Court of Appeals–to perform its mission could be adversely affected.

Obstacles That Impede GSA's Ability to Satisfy All Repair and Alteration Needs

As previously discussed, GSA considered funding support for 27 prospectus-level repair and alteration design projects in fiscal year 2001, but only 12 of these projects were included in its budget request that year. According to GSA, the remaining 15 projects were not included in the budget request because the anticipated amount of funding was insufficient to finance all 27 projects. However, the need for repairs and alterations included in the 15 unfunded projects did not simply disappear; instead, this work remains in GSA's inventory of unfunded repairs and alterations. GSA data show that the inventory of unfunded prospectus- and nonprospectus-level work is in the billions of dollars. Furthermore, the existence and growth of such an inventory are not new.

Over the past decade, we have reported several times on GSA's struggles to meet its repair and alteration needs and on the growing inventory of work that has resulted. In March 2000, we reported that at the end of fiscal

year 1999, GSA data showed that it had an unfunded inventory of approximately $4 billion in repairs and alterations that needed to be completed at its buildings.[3] This inventory included both prospectus and nonprospectus work items. Our report concluded that inadequate program data on repairs and alterations, the lack of a strategic plan for managing repair and alteration projects, and limited funding were three long-standing obstacles that impeded GSA's ability to satisfy its repair and alteration needs.

The report noted that GSA program managers were working to improve the quality of program data and to develop a multiyear plan that would identify the prospectus-level repair and alteration work that needs to be funded over a 5-year period. GSA officials recognized then, as they do now, the need for accurate, consistent, and complete repair and alteration data. Program managers with whom we spoke agreed that such data are crucial if they are to determine the total repair and alteration needs and provide effective program management and oversight. They also recognized that a multiyear plan that identifies, in priority order, all prospectus-level repair and alteration projects would allow them to more easily target the buildings with the greatest needs, better allocate scarce resources, and monitor progress in reducing the repair and alterations inventory. The plan was also to provide decisionmakers with a context in which to judge how projects recommended for the current year funding relate to the long-term repair and alteration needs of federal buildings.

GSA officials told us, however, that even when they improve data quality and institutionalize a multiyear approach for identifying and prioritizing prospectus-level repair and alteration requirements, funding limitations will likely remain a significant roadblock to effectively reducing the backlog of repair and alteration work. We agree that insufficient funding is a major obstacle that GSA faces, and we believe that it is likely to continue as an obstacle unless actions are taken to generate additional revenues to finance repairs and alterations. For example, GSA data show that over the 7-year period ending with fiscal year 2001, after OMB and congressional review, Congress authorized 63 percent of the approximately $6.8 billion in new obligational authority that GSA had initially requested for making building repairs and alterations. It should also be noted that during these 7 years, Congress approved only 50 percent of the $3.9 billion GSA had

[3] *Federal Buildings: Billions Are Needed for Repairs and Alterations* (GAO/GGD-00-98, Mar. 30, 2000).

requested for prospectus-level repair and alteration projects. The following table shows the total amount of funding authority GSA requested and the amount of obligational authority Congress approved on an annual basis for 7 years for prospectus- and nonprospectus-level projects.

Table 2: Amount of Funding Authority Requested and Obligational Authority Approved for Prospectus and Nonprospectus Repairs and Alterations

Fiscal Year	Funding authority requested (000)[a]	Obligational authority approved (000)[b]	Percent of request approved
1995	$ 997,641	$ 720,564	72
1996	1,248,905	637,000	51
1997	1,105,842	639,000	58
1998	1,052,000	300,000	29
1999	724,277	668,031	92
2000	869,140	598,674	69
2001	777,626	681,613	88
Total	$6,775,431	$4,244,882	63

[a]These are GSA's requests before receiving OMB's final approval.

[b]According to GSA, the obligational authority approved would include funding for projects that Congress added to GSA's request.

Source: GAO analysis of GSA budget and appropriations data.

According to GSA officials, these funding shortfalls contributed to the inventory of unfunded repair and alteration work. Furthermore, funding deficiencies are exacerbated by the increased demand for repairs and alterations associated with GSA's aging buildings. In our March 2000 report, we pointed out that historically FBF has not produced sufficient resources to finance all repairs and alterations and at the same time cover the day-to-day operating costs of federal buildings and provide the funding needed to construct new buildings. This is evidenced by the fact that even though FBF averaged about $5.3 billion in annual revenues for each of the past 7 fiscal years, almost 90 percent of this money was spent for other purposes, such as building operating costs, lease space costs, and construction of new federal facilities. On average, only $606 million per year was used for completing repairs and alterations.

Our report also pointed out that the inventory of unfunded repair and alteration work is not static–even as GSA completes repairs and alterations, new requirements are identified. On the basis of the analysis that we completed early last year, it was likely that the inventory of

prospectus and nonprospectus repairs and alterations would grow over the next 5 years. Our analysis used GSA's $900 million estimate as the amount of funding that it planned to request to finance repairs and alterations in each of fiscal years 2001 through 2005. We assumed that the cost of new repairs and alterations identified each year would range from $600 million to $1.2 billion. We calculated these amounts using the assumption that the cost of new work identified each year would range from 2 to 4 percent of the estimated $30 billion aggregate replacement cost of GSA's portfolio of buildings. According to the National Research Council, these criteria have been widely quoted in the facilities management literature, and GSA officials agreed that our assumptions were reasonable.[4] On the basis of these assumptions, we then projected that GSA's inventory of repairs and alterations would range between $2.6 billion and $6.2 billion at the end of fiscal year 2005. It should be noted that Congress approved about $682 million for making repairs and alterations in fiscal year 2001—$218 million less than the estimated $900 million used in our analysis. Given this, our projected amounts of growth in the repair and alteration inventory may have been conservative.

GSA officials are trying to develop alternative means of generating additional revenues to help pay for building repairs and alterations. These initiatives include investing in repair and alteration projects that return the most rent revenue to FBF and reducing building operating costs and redirecting these savings to capital investment, including repairs and alterations. In addition, GSA supported S. 2805, which was introduced during the 106th Congress and which would have authorized federal agencies, including GSA, to retain proceeds from several types of real property transactions for needed capital investment if it had been enacted.[5] GSA is also developing standards that would help determine the type and scope of repairs and alterations needed to meet GSA's long-term plan for each building. In addition to these initiatives, H.R. 3285 was introduced in fiscal year 2000.[6] If it had been enacted, it would have authorized GSA to use public-private partnership arrangements to renovate and rehabilitate federal buildings.

[4]The National Research Council is a private, nonprofit entity that engages in research for the federal government, the public, and the scientific and engineering communities. The Council operates under a charter granted by Congress.

[5]Federal Property Asset Management Reform Act of 2000, 106th Congress (2000).

[6]Federal Asset Management Improvement Act of 1999, 106th Congress (1999).

According to GSA officials, the portfolio management approach they are following is directed at reinvesting in buildings that will maximize the financial return for the portfolio as a whole. Thus, funding prospectus-level repair and alteration projects that recapture vacant space or otherwise increase FBF revenue best serve the overall portfolio. This reinvestment strategy assumes that by increasing future rent revenue, additional funding will be available to finance more building repairs and alterations. GSA is also attempting to reduce its building operating costs so that more FBF revenues can be used to make repairs and alterations. Recently, the International Development Research Council recognized GSA for reducing its operating costs to 15 percent below comparable expenses in the private sector. GSA officials explained that by reducing building operating costs, more money from FBF could be made available to finance repairs and alterations. GSA officials estimated that for the 27 months ending September 30, 2000, it avoided incurring over $300 million in leasing, cleaning, maintenance, and utility costs by paying lower rates than the private sector. A former GSA Public Buildings Service (PBS) Commissioner said that by reducing operating costs GSA could have additional funding to direct to, among other things, repairing, renovating, and modernizing public buildings. GSA officials told us that they plan to request congressional authority to spend a higher percentage of FBF revenue on repairs and alterations in future years. The President's blueprint for the fiscal year 2002 budget proposed $827 million for GSA's Repairs and Alterations Program.

GSA supported S. 2805, which was introduced in June 2000. Among other things, it would have authorized federal agencies to retain proceeds from several types of real property transactions, such as the sale of unneeded assets, and use these proceeds to fund other things, including real property improvements. If such a bill were enacted, it would authorize federal agencies, including GSA, under prescribed conditions, to transfer, sell, sublease, and lease real property to other federal or nonfederal entities, and any proceeds from the transfer or disposition would be credited to each agency's capital asset account. Any amounts credited to or deposited to this account could be used only to pay for capital asset expenditures.

GSA supports such legislation because it would provide an incentive for land-holding agencies to better manage their real property. GSA has not estimated how much revenue would be generated if it were granted such authority or what impact such authority would have on its overall repair and alteration inventory. However, GSA officials believe that any additional revenue would be an improvement over the current situation

and would function as an incentive. As we pointed out in our recent testimony, both the National Research Council and we believe that such incentives are needed to encourage agencies to better manage their assets.[7] GSA also believes such authority makes sense because it would make the operations of federal land-holding agencies more consistent with those of private companies and would create opportunities for cost avoidance, reduce the number of mission-deficient properties under federal ownership, and improve the quality and productivity of federal facilities.

GSA also plans to implement standards that will help determine the type and scope of repair and alteration work to be done at a building on the basis of, among other things, how long GSA plans to retain the building. The standards, which will be used in conjunction with a computer software package developed and used by the private sector to help estimate repair and alteration costs, are intended to help determine a cost-effective level of reinvestment that maintains an asset's value and income potential. For example, the standard for repairs and alterations that would be made at a historic building that is expected to remain in the inventory, like EEOB, would be much higher than for a building that is to be retained for a shorter time. In a building like EEOB, the standard may justify installing ceramic tile with a higher initial cost and a longer life rather than carpeting because this could lead to a lower life-cycle cost. Likewise, GSA may opt to replace a heating, ventilation, and air conditioning system in an EEOB-type building, but only repair the existing system in a building that is a potential candidate for disposal. According to GSA officials, selecting options that make the most sense in terms of life-cycle costs could make more FBF funds available for repair and alteration needs in the long run. A GSA official said this practice is consistent with what he has been told is used in the private sector. No time frame has been established to develop a final position on this initiative.

Another effort intended to address repair and alteration needs was H.R. 3285, which was introduced in fiscal year 2000. This bill would have authorized GSA, under specific circumstances, to use public-private partnerships to develop, renovate, or rehabilitate facilities. Under these partnerships, the nongovernmental entity would lease federal property and develop, rehabilitate, or renovate it for use, in whole or in part, by

[7] *Federal Real Property: Views on Management Reform Proposals* (GAO/T-GGD-00-175, July 12, 2000).

executive agencies of the federal government. From the government's perspective, the primary purpose of the partnership effort would have been to enhance the functional and economic efficiency of the real property. The nongovernmental entity would have exercised control of the partnership and received a majority interest in the profits of the partnership. GSA's revenues from the partnership could have been used to make physical improvements to other federal real property. These funds would have been deposited in a fund set up for this purpose. After a specified period of time, the partnership expires.

The idea of public-private partnership arrangements is not new. Congress has enacted legislation that provides certain agencies with a statutory basis to enter into partnerships and retain the revenue they receive from them. Our February 1999 report on federal public-private partnerships discussed six public-private partnerships that involved the National Park Service, the Department of Veterans Affairs (VA), and the Postal Service and reported positive outcomes.[8] For example, Congress passed legislation in August 1991 that authorized the Secretary of VA to enter into public-private partnerships through enhanced leasing authority. This legislation authorized VA to lease its properties and retain the resulting revenues. As of June 1998, VA had entered into 10 partnerships through its enhanced leasing authority, and VA officials estimated that $25 million in savings have resulted from lower construction, operation, and maintenance costs. VA officials told us they are extremely pleased with the authority.

In testifying on S. 2805 and H.R. 3285, we said that the ability to retain proceeds from real property transactions and the opportunity to use public-private partnerships should help federal property managers become better stewards of the nation's assets and more effectively sustain the taxpayers' investment.[9] In considering whether to authorize GSA to retain all or some proceeds from real property transactions, it would be important to ensure that Congress continue its appropriations control and oversight of how the proceeds are used. Congress could do this by using the appropriations process to review and approve GSA's proposed use of the proceeds for prospectus and nonprospectus projects. It is also important that these initiatives be evaluated to determine whether they have had significant impact on reducing the repair and alteration backlog

[8] *Public-Private Partnerships: Key Elements of Federal Buildings and Facility Partnerships* (GAO/GGD-99-23, Feb. 23, 1999).

[9] See footnote 7.

and whether the continued use of these funds for repairs and alterations work reflects the most appropriate investment for the government as a whole. Furthermore, public-private partnership arrangements should be undertaken only when they reflect the best economic value available for the government.

Adverse Consequences Associated With Deferring Needed Repairs and Alterations

Federal buildings, as any other physical structure, tend to deteriorate and become obsolete when needed repairs and alterations are delayed or not made. In 1991, we reported that because of delays in reinvesting in federal buildings, over one-third of the 25 buildings that we analyzed needed major repairs and alterations.[10] These needs included repairing or replacing leaking roofs and plumbing systems, installing fire alarm and sprinkler systems, and upgrading electrical and heating and cooling systems. We also reported that the condition of federal buildings had contributed to poor quality working space for employees, impeded agencies' operations, and in some instances jeopardized employees' health and safety. In 1998, a National Research Council report described the physical condition of federal facilities as deteriorating.[11] The report concluded that this deterioration, in part, occurred because of continuous delays in completing necessary maintenance and repairs to the facilities. More recently, our analysis of GSA data found that at the end of fiscal year 1999, 44 federal buildings needed repairs and alterations estimated to cost over $20 million per building.[12]

Conditions similar to those described above exist today at some federal buildings. Our analyses of six federal buildings illustrate how the lack of investment in building repairs and alterations can lead to deterioration of the government's buildings and other more serious consequences. For example, our review of available documentation and specific observations of FOB 3 located in Suitland, MD, showed that the heating, ventilation, and air conditioning system is incapable of providing proper air circulation or maintaining desired temperatures throughout the building and results in higher operating costs. The air ventilation system is currently inoperable and has been turned off since the early 1970s. This has resulted in the

[10] *Federal Buildings: Actions Needed to Prevent Further Deterioration and Obsolescence* (GAO/GGD-91-57, May 13, 1991).

[11] *Stewardship of Federal Facilities: A Proactive Strategy for Managing the Nation's Public Assets*, National Research Council, 1998.

[12] See footnote 3.

building containing levels of carbon dioxide that exceed industry standards, thereby exposing tenants to unacceptable conditions. Opening the windows was a proposed solution to this problem, but this is not always possible because windows are often painted shut with lead-based paint that may be peeling and chipping. Opening such windows could release lead into the air and create a potential health hazard. Figure 2 shows one of the windows with peeling and chipping paint.

Figure 2: Window With Peeling and Chipping Paint in a First Floor FOB 3 Office

Source: GAO.

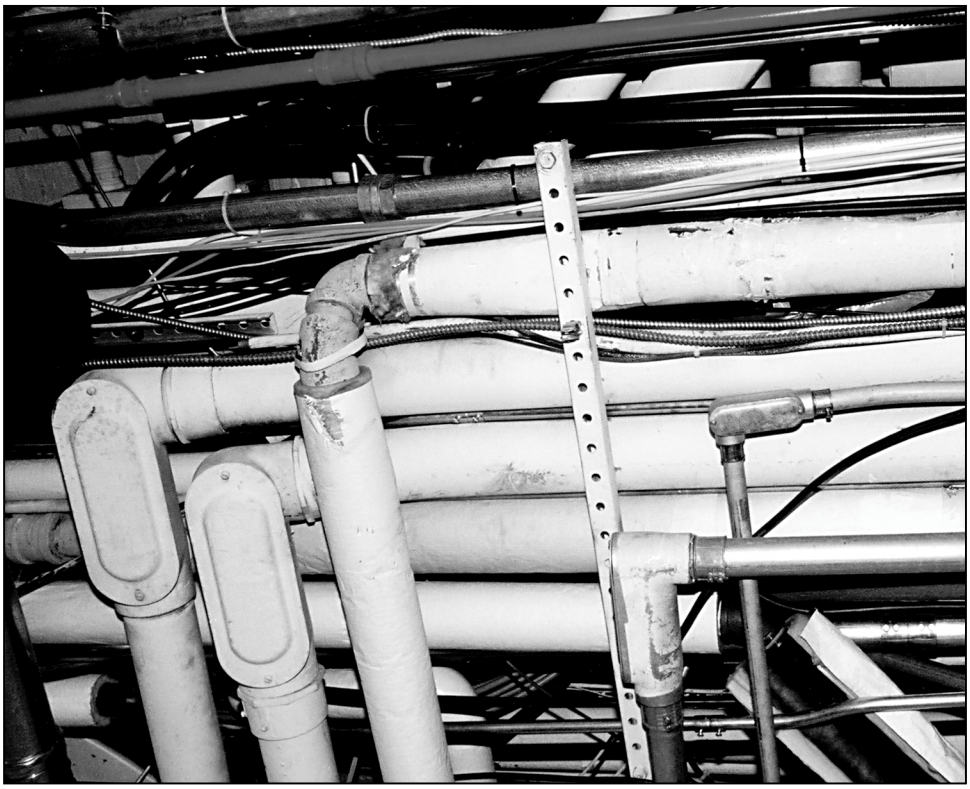
Moreover, available documentation verified that the building's water is not safe for drinking because it contains metal contaminants. Therefore, GSA must supply, at an added cost, bottled water for the building tenants. Figure 1 on page 4 of this report shows a water fountain with a sign warning tenants not to drink the water and shows the bottled water provided by GSA to alleviate this problem.

Another problem is water infiltrating the building. Water comes through the roof, from leaking pipes, and from air conditioning unit condensation. Officials from the Bureau of the Census had data showing that in fiscal year 2000 they reported more than 500 leaks. They further said that water leaks often result in damage to ceilings, furniture, and equipment. GSA and

Census officials said that leaks, especially condensation in the air conditioner units, can also lead to mildew contamination, which can introduce microorganisms into the air that can make sensitive individuals ill. GSA officials responsible for operating and maintaining FOB 3 have been aware of these and other needed repairs and alterations for many years. According to these officials, until fiscal year 2001, this building was not considered competitive for repair and alteration funding when compared to the critical needs of other GSA buildings.

We found a similar situation while completing our work at EEOB in Washington, D.C. According to the building's architect and engineering report, it is one of the nation's grandest and most historic buildings. Our review of the repair and alteration needs found that the building has seriously deteriorated and outdated electrical; plumbing; heating, ventilation, and air conditioning; and domestic water supply systems. A main concern of GSA staff is the potential danger associated with the condition and placement of these building systems. For example, as figure 3 illustrates, the electrical, steam, and water supply systems clutter the ceiling in the main corridor of the basement. According to GSA officials, danger exists because old electrical wiring is located near aged steam and water pipes, which burst a few times each year. In fact, GSA cited one example when a steam pipe ruptured in a historic library and did over $150,000 in damage to ornamental metal finishes as well as other damage to walls and the pipe for which GSA did not have an estimate. GSA officials are particularly concerned about pipe bursts because if moisture from the broken pipe makes contact with a bare wire, a short could occur that could shut down a portion or all of the building and cause an electrical fire with noxious fumes. GSA staff said doing repairs in EEOB could be hampered because access to problem areas may be obstructed by other building systems and identifying problem wiring might be difficult because some wiring is not documented. Another serious concern with the electrical system was expressed by the Associate Director for the Facilities Management Division in EOP, who said that the current electrical system is not capable of handling 21st century office technology, which is critical to tenant agencies' accomplishing their missions.

Figure 3: Cluttered Basement Ceiling in EEOB With Steam and Water Pipes Dangerously Close to Electricity



Source: GAO.

According to the architect and engineering report, other concerns exist with the building. The sewer system, which is over 100 years old, is inefficient and outdated and frequently backs up, causing unpleasant smells and potential health concerns. Numerous instances of water infiltration and resulting damage have occurred because of leaks in the roof and the building's exterior walls. GSA provided a list of 18 rooms that have had recurrent problems with water damaging the walls. Figure 4 shows a wall, which is usually covered with a piece of painted plywood, in one of these rooms. GSA officials have given up trying to repair this wall because they have not found, and thus cannot repair, the source of the leak, and water comes in so quickly that the plaster collapses before it can harden. Figure 5 shows a deteriorating wall that resulted from water infiltrating the building. Given the historic significance of the building, its aesthetic appearance is important, and crumbling walls and peeling paint detract from this appearance. Figure 6 shows how bundles of electrical

wires run outside the walls and detract from the building's appearance. In addition to these concerns, GSA officials said that the air conditioning system, which uses about 250 individual window units, is outdated and not very efficient in cooling the building or conserving energy. Adding a modern system is a major undertaking because it would involve running wiring and ductwork throughout the building.

GSA officials pointed out that it is difficult to do needed repairs and alterations at EEOB because of some rather unique circumstances. For example, relocating tenants so major repairs can be done is often difficult because many tenants need high security on their communications systems, and GSA cannot easily provide this in many locations within the building. Another problem is that some tenants operate 24 hours per day and 7 days per week, so finding a time when repairs can be done that does not inconvenience the tenants is difficult. GSA's data show that in addition to the $25.2 million dollars GSA received in fiscal year 1999 for repairs and alterations at EEOB, an estimated $216.1 million is still needed to make additional repairs and alterations, many of which have been known since at least 1984.

Figure 4: Extreme Water Leak Precludes Replastering Wall in a 3rd Floor EEOB Office

Source: GAO.

Figure 5: Deteriorating Interior Wall Due to Water Damage in an EEOB Historic Library

Source: GAO.

Figure 6: Unsightly Bundles of Wires in an EEOB Hallway

Source: GAO.

At the Federal Courthouse located in Muskogee, OK, we found conditions that could expose federal employees to unsafe and/or unhealthy situations. For example, the building does not have a fire sprinkler system on any of its five occupied floors. A private sector engineering study described this condition as an unacceptable risk for loss of life in the event of a fire. The study said that other fire protection improvements, including correcting a dead-end corridor and stairways, installing more smoke detectors, and replacing the outdated fire alarm system with a state-of-the-art system, are also needed. According to one major tenant, the U.S. Marshals Service, the building suffers from a serious security flaw because the prisoner holding area is interconnected with the Marshals' office, which, in turn, opens into a public corridor. This condition means that when the Marshals are transporting a defendant from the holding area to a courtroom, there is always an opportunity for confrontation between the prisoner and federal judges, court staff, and even the public. In addition, available documentation shows that all building systems are in poor condition and need to be upgraded; and the roof, which was installed in 1937, leaks. GSA regional officials have known about most of the repair and alteration needs at the Muskogee Courthouse since 1993. In fiscal year 1995, the region first began submitting a prospectus-level project to make

these repairs and alterations, but it was not until 2001 that GSA headquarters supported funding for a project.

The other buildings—the Henry M. Jackson Federal Building in Seattle, WA; the A.J. Celebrezze Federal Building in Cleveland, OH; and the Earle Cabell/Santa Fe Federal Building/Courthouse in Dallas, TX—that we visited also had major repair and alteration needs, including significant water infiltration problems; outdated and inefficient heating, ventilation, and air conditioning systems; building structures that do not meet current seismic requirements; and an antiquated, inefficient, and unsafe elevator system. For example, according to GSA officials at the federal building in Seattle, WA, the elevators do not comply with seismic requirements, which could be significant given the recent major earthquake in the Seattle area. According to GSA officials, the elevators have also proven to be problematic in that they do not stop level with the floor, and one rider has tripped and been injured. Figure 7 shows an elevator not stopping level with the floor.

Figure 7: A Problematic Elevator in the Jackson Federal Building

Source: GSA.

GSA officials pointed out that other consequences result when repairs and alterations are not done in a timely fashion. They said that FBF loses long-term revenue when limited funding prevents them from renovating vacant space in government-owned buildings that could be used instead of costly leased space to house federal agencies. In addition, the ultimate cost of completing delayed repairs and alterations may escalate because of inflation and increases in the severity of the problems caused by the delays.

GSA officials recognize that the physical condition of many federal buildings is far from ideal, that a significant inventory of repair and alteration work exists, and that some buildings cannot support 21st century operations. They pointed out that given the age of their inventory and the limited resources available to fund repairs and alterations, GSA takes pride in its ability to keep such buildings operational far beyond their normal life expectancy. We recognize that the building deficiencies discussed above are not necessarily representative of the condition of all federal buildings. In addition, GSA has recently received funding to do design repair and alteration work at five of the buildings we visited and design and construction funding for some fire safety improvements at EEOB. However, we believe, as do GSA officials, that there is ample evidence to suggest that many of the government's aging buildings are deteriorating and becoming obsolete because needed repairs and alterations are not made in a timely way. Appendix II provides specific details on the condition of the six buildings that we visited in doing our work.

Conclusions

GSA's multifaceted prospectus-level repair and alteration selection process identified needed projects for funding in fiscal year 2001. GSA used defined criteria and professional judgement to rank and select projects. When GSA officials recommended projects with lower initial rankings for funding, they provided explanations for their decisions. However, insufficient funding remains a major obstacle for GSA because there are more projects than funds to pay for them. All 27 proposed projects that competed for fiscal year 2001 funding appeared adequately justified and worthy of funding. However, due to budget limitations, GSA could recommend only 12 for funding. Therefore, the other 15 projects remain in GSA's multibillion-dollar repair and alteration inventory. As discussed earlier, GSA faces several long-standing obstacles in satisfying its repair and alteration needs. Although GSA is working to overcome some of the obstacles by improving data quality and strategic planning, GSA believes that funding limitations will likely continue to be a major

roadblock in reducing the significant backlog of repair and alteration requirements. Without adequate funding, the backlog of repair and alteration needs will continue to grow, some federal buildings will continue to have health and safety concerns, and others may deteriorate to the point where federal tenants and their visitors may be subjected to worsening health and safety conditions. In addition, federal agencies may occupy space that may no longer meets their operational needs and may be less efficient to operate.

Funding limitations and the backlog of repair and alteration work are not new issues. Over the last decade, GSA has struggled to satisfy its multibillion-dollar repair and alteration needs in federal buildings. The cost of repairs and alterations are typically paid from the FBF, which averaged $5.3 billion in annual revenues for each of the 7 years ending with fiscal year 2001. However, most of this money is committed to leased space costs, operating costs, and construction of new federal facilities. In fact, on average only $606 million was available for making repairs and alterations over the 7-year period. If funding remains an obstacle, it will be very difficult for GSA to preserve the value of its buildings and reduce the backlog of needed repairs and alterations.

GSA recognizes that it needs to develop alternative approaches to reducing the significant backlog of repair and alteration needs and is taking actions aimed at doing so. As discussed earlier in this report, GSA program officials now give the highest funding priority to those repair and alteration prospectus-level projects that have the greatest potential to return more rent revenue to FBF. In adopting this strategy, GSA officials recognize that nonrevenue-producing projects cannot be ignored because certain buildings have serious operational and health and safety deficiencies that need immediate attention, and GSA has plans to set aside funding for these projects in future years. We concur that nonrevenue-producing projects cannot be ignored as evidenced by the operational deficiencies and health and safety concerns documented at the buildings we visited. Furthermore, although GSA officials believe that no employee or visitor to a federal building faces imminent danger because its buildings are unsafe, evidence that we collected at the buildings visited, such as no sprinkler systems, unacceptable levels of carbon dioxide, leaks that could cause electrical fires and release noxious fumes, and problematic elevators, suggests that significant health and safety concerns exist. It is our view that health and safety issues may need to be more important factors in making project-funding decisions.

GSA officials are also making an effort to reduce operating costs, which may make more funding available for needed capital investment, and support legislation that would give it authority to retain the revenues from real property transactions, such as the sales of assets no longer needed by the government. In addition, legislation was proposed that would authorize GSA to enter into public-private partnership arrangements to rehabilitate and renovate federal facilities. GSA's initiatives to try to increase FBF funding and reduce the significant backlog of repairs and alterations are steps in the right direction, and efforts to aggressively pursue these and other alternative strategies should continue. Given this, we are suggesting that Congress consider giving GSA greater flexibility to explore and experiment with funding alternatives when they reflect the best economic value available for the government.

Recommendation for Executive Action

Funding limitations over the years and a need to find a more effective way to manage its repair and alterations program led GSA to adopt a portfolio management approach to funding prospectus-level repair and alteration projects. Under this approach, GSA makes reinvestment decisions on the basis on the needs of overall inventory rather than those of an individual building. GSA ranks competing repair and alteration projects using established weighted criteria including economic return; project risk; project urgency, including health and safety issues; community planning; and customer urgency. Given the evidence related to health and safety issues at the buildings visited, we recommend that GSA's Administrator reexamine the weighting of health and safety criteria to ensure that sufficient priority is being given to funding repair and alteration projects that would prevent or resolve significant health and safety problems in federal buildings.

Matter for Congressional Consideration

Congress should consider providing the Administrator of GSA the authority to experiment with funding alternatives, such as exploring public-private partnerships when they reflect the best economic value available for the federal government and retaining funds from real property transactions, like the sale of unneeded assets. If such authority is granted, Congress should continue its appropriation control and oversight over the use of any funds retained by GSA.

Agency Comments

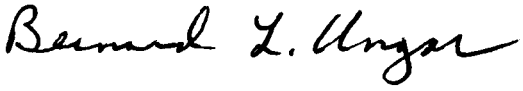
On March 21, 2001, GSA's Acting Commissioner for PBS, and GSA's Acting Assistant Commissioner and Acting Deputy Assistant Commissioner for Portfolio Management, provided GSA's oral comments on a draft of this report. These officials generally agreed with the thrust of the report and

the recommendation. They said GSA's approximately 200 million square feet of government-owned space is becoming more obsolete and in need of major repair and alterations, and GSA is continuing its efforts to better define the repair and alteration program needs. They emphasized that GSA has made and will continue to make health and safety issues a major factor in selecting repair and alteration projects for funding. They said that GSA will reexamine the criteria used to recommend the repair and alteration projects for funding in line with the report's findings and recommendation. GSA officials also provided technical comments, which have been incorporated as appropriate.

On March 21, 2001, OMB's Justice/GSA budget review staff provided oral technical comments, which we incorporated where appropriate. On March 23, 2001, a Special Assistant to the President and Director, Office of Administration in EOP, said that, on the basis of the first 60 days in office, he concurred that EEOB needs major renovations.

As agreed with your offices, unless you publicly announce the contents of this report earlier, we will not distribute it until 15 days from its issue date. At that time we will send copies of the report to the Chairmen and Ranking Minority Members of committees with jurisdiction over GSA; the Honorable Mitchell E. Daniels, Jr., Director of OMB; and Thurman M. Davis, the Acting Administrator of GSA. We will make copies available to others on request.

Major contributors to this report were Joshua Bartzen, James Cooksey, Bill Dowdal, Robert Rivas, and Gerald Stankosky. If you or your staff have any questions, please contact me on (202) 512-8387 or at ungarb@gao.gov.



Bernard L. Ungar
Director, Physical Infrastructure Issues

Appendix I: Objectives, Scope, and Methodology

Our objectives were to (1) examine the General Services Administration's (GSA) process for assessing and selecting prospectus-level repair and alteration design projects[1] for funding, (2) identify any obstacles that impede GSA from satisfying its repair and alteration requirements, and (3) document consequences associated with deferring needed repairs and alterations at selected buildings. We did our work at GSA's Public Buildings Service (PBS) headquarters located in Washington, D.C., and at 3 of GSA's 11 regional offices. The regions that we visited were the National Capital Region located in Washington, D.C.; Greater Southwest Region located in Fort Worth, TX; and Northwest/Arctic Region located in Auburn, WA. These regions were selected for review to provide geographical dispersion.

To meet our first objective, we reviewed GSA's policy and procedures applicable to the repairs and alterations at federal buildings that are funded through the prospectus process. We obtained and completed a detailed examination of GSA's Fiscal Year 2001 Capital Investment and Leasing Program Call, which contained the guidance that GSA staff were to follow when identifying, documenting, and selecting the repair and alteration projects that were submitted for funding consideration that year. We also reviewed and familiarized ourselves with the Program Calls pertaining to fiscal years 2000, 2002, and 2003 repair and alteration work. We discussed these Program Calls and the overall building repair and alteration program with GSA staff in both headquarters and the three regions that we visited. We then completed detailed analyses of the data related to the 27 repair and alteration design projects that GSA's regions submitted for funding consideration in fiscal year 2001. As part of our analysis, we discussed, examined, and documented the processes, methodologies, and criteria used by the staff in the regions that we visited when they identified and prioritized the repair and alteration work that was included in the 27 projects submitted to GSA headquarters for review and funding support.

Next, we examined GSA's fiscal year 2001 budget request and determined how and why the 12 design repair and alteration projects that were

[1]Prospectus-level projects involve major work that is estimated to cost more than a statutorily prescribed amount, which GSA's Administrator is authorized to adjust annually, and was $1.99 million for the fiscal year 2001 projects. GSA must provide detailed support for each prospectus-level project that it plans to undertake and have the Office of Management and Budget (OMB) approve and Congress fund these projects before starting work.

included in the budget request were selected. In accomplishing this work, we discussed, examined, and documented the process, methodology, and criteria used in assessing the merits of the proposed prospectus-level projects. We developed a general understanding of how the computer-based decisionmaking software–Expert Choice–was used in ranking competing projects and how the criteria used in assessing the projects were developed and used. We determined whether GSA followed its prescribed process and criteria when it assessed and recommended projects for funding in fiscal year 2001 and whether GSA staff could provide explanations for recommending projects with lower initial rankings for funding. We did not independently determine if the projects recommended for funding in fiscal year 2001 represented the best or were the most urgently needed repair and alteration projects in GSA's inventory.

To meet our second objective, we first reviewed our prior reports dating back to 1991 to determine the extent and nature of the obstacles that GSA had previously encountered in satisfying its building repair and alteration needs. We then held discussions with headquarters and regional staff about the obstacles that have impeded, and are still impeding, the completion of identified repairs and alterations and GSA's efforts to overcome these obstacles. We reviewed GSA's budget submissions and appropriations acts as well as the Federal Buildings Fund (FBF), as it relates to the financing of repair and alteration work. We determined the total revenue generated by FBF in each of the past 7 years and the amounts of funding that were available to finance repairs and alterations. We also determined the total amounts of funding requested by GSA to finance building repairs and alterations in fiscal years 1995 through 2001 and then compared the amounts requested with the amounts of new obligational authority approved by Congress.

To meet our third objective, we reviewed our previous reports, as well as a 1998 report prepared by the National Research Council,[2] that document the physical condition of federal facilities and discuss the known and possible consequences associated with delaying or not doing needed repairs and alterations. We held discussions with GSA officials in headquarters and the three regions that we visited about the condition of the overall federal building portfolio. We then visited, observed, and documented the physical condition of six federal buildings located

[2] *Stewardship of Federal Facilities: A Proactive Strategy for Managing the Nation's Public Assets*, National Research Council, 1998.

throughout the country. These buildings included the Eisenhower Executive Office Building (EEOB) located in Washington, D.C.; Federal Office Building 3 (FOB 3) located in Suitland, MD; the Celebreeze Federal Building located in Cleveland, OH; the Earle Cabell/Santa Fe Federal Building/Courthouse located in Dallas, TX; the U.S. Courthouse located in Muskogee, OK; and the Jackson Federal Building located in Seattle, WA.

After consulting with congressional staff, we selected these buildings for detailed review because they varied in size and use, provided geographic dispersion, and had recently received prospectus-level funding to finance repair and alteration projects at each building. Specifically, GSA requested and received design repair and alteration funding for the Earle Cabell/Santa Fe Federal Building/Courthouse and the Jackson Federal Building in fiscal year 2000; and for the Celebreeze Federal Building, FOB 3, and the Muskogee Courthouse in fiscal year 2001. GSA also received fiscal year 1999 funding primarily for a prospectus-level fire safety improvement project in EEOB. However, GSA did not receive design funding for EEOB in fiscal year 2001. We met with PBS officials who operate and maintain these buildings to discuss the condition of the buildings and the consequences associated with not doing needed repairs and alterations. We also met with major tenants at each of the six buildings to discuss what impact, if any, GSA's failure to complete building repairs and alterations had on the agencies' operations. We reviewed various reports, including building engineering reports, prospectus development studies, and other documents, that describe the condition of the buildings and the repairs and alterations that need to be made. Lastly, we obtained and analyzed information on the repairs and alterations that had been completed at each of the buildings during fiscal years 1995 through 2000 and those repairs and alterations that still need to be completed.

We did not do a complete reliability assessment of GSA's repair and alteration data used in our review. However, we did limited testing of the data and adjusted the data used in our analysis when we found any discrepancies. We did not independently validate GSA's cost estimates for needed repair and alteration work. The results of our work at the six selected buildings cannot be projected to any other building(s) in GSA's inventory. We did our work between July 2000 and February 2001 in accordance with generally accepted government auditing standards. On March 5, 2001, we requested comments on a draft of this report from the Acting Administrator of GSA, the Director of OMB, and a Special Assistant to the President and Director, Office of Administration in the Executive Office of the President. On March 21, 2001, we received oral and technical

comments on a draft of this report from GSA's PBS management staff. On March 21, 2001, we received oral technical comments from OMB's Justice/GSA budget review staff. On March 23, 2001, we received comments from the Special Assistant to the President and Director, Office of Administration. The comments are discussed near the end of the letter.

Appendix II: Major Repair and Alteration Needs at Six GSA-Managed Buildings

The following information should be considered when reading each building profile:

- The estimated cost of repairs cited is not expressed in constant-year dollars because GSA did not always have data that would allow us to do this. The dollar value represents the best estimate available at the time we did our work that GSA had for unfunded repairs and alterations. We did not independently validate GSA's estimates.
- The date when repair and alteration needs were identified represents the earliest date we were able to document using available GSA records.
- GSA's policy related to hazardous materials is to correct any situation that is an immediate danger to tenants (such as when they have been disturbed and released into the air). If the materials present no immediate danger, they are left alone. When these materials could be disturbed—for example, if repair work is done in an area where they are located—GSA undertakes abatement procedures to preclude exposing repairmen and building occupants to these materials and to prevent releasing the materials into the environment.
- GSA's policy related to fire, accessibility, and life safety codes is to construct all buildings in line with existing standards and bring old buildings up to current standards when it would be a logical extension of other needed work. For example, adding a sprinkler system may be reasonable when GSA is doing extensive plumbing renovation work in a building.
- Information on current building conditions and consequences of delay is based on documentation in GSA files, discussions with knowledgeable GSA and tenant staff, and our observations during building visits.

Federal Office Building 3

Background

Location: Suitland, MD.

Historic status: Eligible for, but not currently on, the National Register of Historic Places.

Opened: 1942.

Size: 731,000 gross square feet in 3 floors and partial basement.

Major tenant(s): Bureau of the Census.

Number of federal employees: About 3,200.

Architecture: An uncomplicated, brick building that exemplifies "stripped classicism."

Estimated Cost of Needed Repairs: $132.9 million in addition to about $5.1 million it received for design in fiscal year 2001.[1]

Date When Needs Were Documented: 1990.

Current Building Conditions and Consequences of Delaying Repairs and Alterations

Current Condition: The Air Conditioning System Is Outdated and Inefficient. The Automatic Ventilation System No Longer Works.

Actual/potential consequences of delays

- The air in the building has levels of carbon dioxide that exceed industry standards.
- Office air conditioning units leaked or developed condensation over 200 times in fiscal year 2000. This situation facilitates the growth of some molds and mildews that can cause sensitive individuals to get sick if these substances are released into the air.
- According to Census officials, a few employees were granted workers compensation for absence caused by building-related problems.
- Building temperature cannot be controlled evenly, with some areas having uncomfortable temperatures.
- Energy and maintenance costs are higher.
- Appropriate repairs are not always possible because some repair parts are no longer manufactured. Such repairs adversely affect system efficiency.
- This building condition leads to lower tenant satisfaction.

[1]GSA is considering several options to address repair and alteration needs at FOB 3. This cost is the estimate to address repairs and alterations that have been identified in the existing building without adding any space. It is important to note that GSA's options include constructing a new building and tearing FOB 3 down or adding space to FOB 3 while doing major renovations. As of March 7, 2001, GSA had not determined what action it will ultimately recommend.

Current Condition: The 60-Year-Old Electrical System Is Antiquated. The Telecommunication System Is Outdated.	**Actual/potential consequences of delays** • Energy costs are higher because of system inefficiency. • Increased maintenance costs result from an increased number of breakdowns and power outages. • Both systems will have difficulty accommodating 21st century technology.
Current Condition: The Roof, Piping, Plumbing, and Water Supply System Are Deteriorated.[2]	**Actual/potential consequences of delays** • The building's water contains metal contaminants. • GSA incurs the incremental cost of providing bottled drinking water. • Over 300 reported water leaks in fiscal year 2000 from the roof and water sources caused damage to floors, ceilings, furniture, and equipment. • Census officials said that since 1995, 37 instances occurred where employees have slipped on water from leaks and been injured. • Pipe breaks and leaks create circumstances that facilitate the growth of mold and mildew. If released into the air, these substances can make sensitive individuals sick. • Deterioration leads to more frequent repairs and higher maintenance costs. • This building condition leads to lower tenant satisfaction.
Current Condition: Hazardous Materials, Such As Lead Paint and Asbestos, Are in the Building.	**Actual/potential consequences of delays** • A health risk exists if asbestos or lead are disturbed and released into the air. • This building condition leads to lower tenant satisfaction and potential legal liability.
Current Condition: Compliance With Current Fire, Safety, and Handicapped Codes Is Generally Poor.	**Actual/potential consequences of delays** • A health and safety risk exists.

[2]GSA funded nonprospectus-level roof repairs to fix leaks and other problems, which are scheduled to be completed before July 2001.

Eisenhower Executive Office Building

Background

Location: Washington, D.C.

Historic status: It is on the National Register of Historic Places.

Opened: 1888.

Size: Over 670,000 gross square feet in 6 floors and a basement.

Major tenant(s): The Executive Office of the President and support agencies.

Number of federal employees: About 1,200.

Architecture: One of the nation's finest examples of the French Second Empire Style of architecture.

Estimated Cost of Needed Repairs: $216.1 million in addition to about $25.2 million it received for design and construction in fiscal year 1999.

Date When Needs Were Documented: 1984.

Current Building Conditions and Consequences of Delaying Repairs and Alterations

Current Condition: The Electrical System Is Antiquated and Undocumented. Multiple Layers of Pipes, Chases, and Wires—Some of Which Are No Longer in Use—Are Suspended From the Ceiling and Obstruct Access to the Electrical System. The Telecommunications Security Is Outdated.

Actual/potential consequences of delays

- The outdated system could potentially fail at any time or short out if a water or steam pipe bursts and water comes in contact with bare wire, which could shut down building and tenant operations. Electrical fires can create noxious fumes.
- The existing system will have difficulty accommodating 21st century telecommunications and other technology.
- Maintenance costs are higher because of more minor breakdowns in an aged system and difficulties related to accessing problem areas and diagnosing what wires are part of problem.
- Energy costs are higher because of system inefficiency.

Current Condition: The Over 100-Year-Old Sanitary and Storm Water Systems Are Antiquated and Deteriorated.

Actual/potential consequences of delays

- Sewers have backed up and caused unpleasant smells and created potential health concerns.
- Potential for electrical fires because storm drain system problems permit flooding in areas containing high-voltage equipment.
- Storm and sanitary systems are combined and do not meet environmental and health code requirements.
- A safety hazard exists if maintenance staff have to do electrical work in flooded areas.
- Rain leaders, which are pipes that drain water from the roof inside the building's outer walls, have leaks that ultimately damage interior surfaces and could cause an electrical fire if the water comes in contact with aged, bare wire. Electrical fires can create noxious fumes.
- Water in continuous contact with interior structural supports can significantly damage metal, stone, and concrete, thus weakening the building's structural integrity.
- These conditions can lower tenant satisfaction.

Current Condition: The Domestic Water Supply System Is Obsolete and Deteriorated.

Actual/potential consequences of delays

- The outdated and inefficient system could fail and not pump water.
- The outdated design of the water tanks has the potential to introduce lead contaminants into the water.
- The water holding tanks are rusting, which can result in holes that lead to flooded areas in building. A hole has developed once.
- Energy costs to operate the system are higher.

Current Condition: The Heating, Window Unit Air-Conditioning, and Ventilation Systems Are Outdated and Inefficient.

Actual/potential consequences of delays

- The age of the heating and ventilation systems present the potential for them to fail at any time.
- Steam pipes burst several times per year and cause damage. In one case, a pipe burst in a historic library and did over $150,000 in damage to ornamental metal finishes as well as other damage for which GSA did not have an estimate.
- Maintenance costs are higher because minor breakdowns of aged heating and ventilation systems occur more frequently, and repairs involve overcoming difficulties that result when access to the problem area is obstructed.
- Radiators and window air conditioning units break down, which can result in uncomfortable temperatures.
- Energy costs are higher because of system inefficiency.
- Maintenance costs are higher because the 250 window air conditioning units break down often because of their age.
- Steam leaks and condensation from window air conditioning units facilitate the growth of mold and mildew that can cause sickness in sensitive individuals if the substances are released into the air.

Current Condition: The Roof and Building Skin Have Leaks.

Actual/potential consequences of delays

- Water leaks deteriorate the building structure.
- Damage to interior surfaces, some of which require costly historic restoration, that increases maintenance costs and detracts from the historic beauty of the building.
- A potential safety hazard exists if water comes in contact with a bare wire behind the walls and causes an electrical fire, which can cause noxious fumes.
- A potential health hazard exists because water leaks facilitate the growth of molds and mildews that may cause sickness in sensitive individuals if these substances are released into the air.
- Maintenance costs are higher because recurrent cosmetic repairs are needed to correct the damage when the cause of the damage—a leak—is not repaired.

Muskogee Federal Building/Courthouse

Background

Location: Muskogee, OK.

Historic status: Eligible for, but not currently on, the National Register of Historic Places.

Opened: 1915 (expanded in 1937).

Size: 124,000 gross square feet in 5 floors and a basement.

Major tenant(s): The U.S. 10th District Courts and the U.S. Marshals Service.

Number of federal employees: About 250.

Architecture: Excellent example of Neoclassic Revival/Second Renaissance Revival.

Estimated Cost of Needed Repairs: $13.6 million in addition to about $800,000 it received for design in fiscal year 2001.

Date When Needs Were Documented: 1993.

Current Building Conditions and Consequences of Delaying Repairs and Alterations

Current Condition: The Building Has No Sprinkler System on Five Occupied Floors and Needs Other Fire Protection Upgrades.

Actual/potential consequences of delays

- A study by a private sector engineering firm described this situation as an unacceptable safety hazard because of the potential for the loss of life and property during a fire.
- Maintenance costs are higher because replacement parts for existing fire alarm system are hard to find.

Current Condition: The Building Security Is Not Acceptable Because It Does Not Separate Prisoners From Others.

Actual/potential consequences of delays

- Not having a secure corridor that separates prisoners from judges, courthouse staff, or the public is a safety risk because it increases the possibility of a confrontation or an attempted jailbreak.

Current Condition: The Technology Controlling Energy Use Is Antiquated and Inefficient.

Actual/potential consequences of delays

- Energy/utility costs are estimated to be 15 percent higher.

Current Condition: The Original Plumbing System and Restrooms Are Deteriorated.

Actual/potential consequences of delays

- The current system has extensive backup and leak problems that result in water damage to ceilings and walls.
- The restrooms do not meet Uniform Federal Accessibility Standards.

A.J. Celebrezze Federal Building

Background

Location: Cleveland, OH.

Historic status: Not historic.

Opened: 1966.

Size: About 1.5 million gross square feet in 33 floors and a partial mezzanine level above ground level, and a cafeteria level, a basement, and a subbasement below ground level.

Major tenant(s): The Defense Finance and Accounting Service, Internal Revenue Service, and Department of Veterans Affairs.

Number of federal employees: Over 3,500.

Architecture: One of the better examples of architecture characteristic of the “Great Society Buildings.”

Estimated Cost of Needed Repairs: $128.1 million in addition to about $1.5 million it received for design in fiscal year 2001.

Date When Needs Were Documented: 1995.

Current Building Conditions and Consequences of Delaying Repairs and Alterations

Current Condition: The Heating, Ventilation, and Air Conditioning System Is Outdated, Inefficient, and Deteriorated.

Actual/potential consequences of delays

- Energy and maintenance costs are higher.
- Water leaking from air conditioning units in offices rusts the building's metal inner skin, which holds the building's exterior panels.
- Temperature control is limited and air temperature is uneven throughout the building.
- A potential health hazard exists because water leaks and condensation in the office units facilitate the growth of molds and mildews that may cause sickness in sensitive individuals if the substances are released into the air.

Current Condition: Hardware and the Building Structure Holding the Exterior Metal Panels to the Building's Skin Have Rusted and Deteriorated.

Actual/potential consequences of delays

- A safety hazard would occur if a building panel falls. This happened in 1993.
- Although GSA has taken steps to better secure the exterior panels, the problem will continue until the water infiltration problem is corrected and the hardware and structure no longer rust.

Current Condition: The Membrane Under the Building Plaza, Which Was Intended to Divert Water Away From the Building, Has Holes.

Actual/potential consequences of delays

- A leak caused an electrical fire that shut down a portion of the electrical system and needed repairs that cost $80,000.
- Water infiltration causes structural deterioration.
- Maintenance costs are higher because recurrent cosmetic repairs are needed to correct the damage while the cause of the damage—leaks—is not repaired.
- Stored materials—tenant agency supplies—have been damaged.

Current Condition: The Electrical System Is Outdated.

Actual/potential consequences of delays

- The system could fail because of the system's age and associated deterioration.

- Maintenance costs are higher because of the increased incidence of minor problems.
- A safety danger could result if the system becomes overloaded.
- The existing system could have difficulty accommodating 21st century technology.
- Energy costs are higher.

Current Condition: Asbestos Is in Building.

Actual/potential consequences of delays

Safety hazard if asbestos is disturbed and released into the air.

Henry M. Jackson Federal Building

Background

Location: Seattle, WA.

Historic status: Not historic.

Opened: 1974.

Size: About 820,000 gross square feet in 36 floors and a basement.

Major tenant(s): The Internal Revenue Service, Coast Guard, Department of Education, and Department of Veterans Affairs.

Number of federal employees: About 2,400.

Architecture: Skyscraper.

Estimated Cost of Needed Repairs: $45.5 million in addition to about $1.7 million it received for design in fiscal year 2000.

Date When Needs Were Documented: 1995.

Current Building Conditions and Consequences of Delaying Repairs and Alterations

Current Condition: The Building Structure Does Not Comply With Seismic Requirements.

Actual/potential consequences of delays

- The building could incur significant damage and threaten the life and safety of building occupants during an earthquake.

Current Condition: The Antiquated and Inefficient Elevator System Does Not Comply With Seismic Requirements.

Actual/potential consequences of delays

- The elevator could experience significant shaking or a free fall during an earthquake.
- The system is a safety hazard. One rider has tripped and been injured when an elevator did not stop at floor level.
- Operating costs are higher.
- This building condition lowers tenant satisfaction.

Current Condition: Water Leaks Into the Building Through Its Plaza.

Actual/potential consequences of delays

The floors and walls in the basement and parking garage have been damaged.

Current Condition: The Window Coverings Are Damaged and Outdated.

Actual/potential consequences of delays

- Maintaining current window shades is expensive and difficult.
- The current shades result in higher heating and cooling costs.
- This building condition lowers tenant satisfaction.

Earle Cabell/Santa Fe Federal Building/ Courthouse[3]

Background

Location: Dallas, TX.

Historic status: Cabell is not historic, Santa Fe is on the National Register of Historic Places.

Opened: 1971 and 1925 respectively.

Size: Combined total of about 1.4 million gross square feet in 16 floors, a basement, and subbasement; and 19 floors, a basement, and an attic, respectively.

Major tenant(s): The Departments of Justice, Agriculture, and the Treasury; Internal Revenue Service, U.S. Navy, and U.S. Federal Courts.

Number of federal employees: About 3,000 combined.

Architecture: Skyscrapers.

Estimated Cost of Needed Repairs: $24.2 million in addition to about $1.4 million it received for design in fiscal year 2000.

Date When Needs Were Documented: 1994.

Current Building Conditions and Consequences of Delaying Repairs and Alterations

[3]These two buildings are connected by a walkway and GSA manages them as one building.

Current Condition: Some Sprinkler Heads Are Deteriorated and Ineffectively Placed.	**Actual/potential consequences of delays** • A potential life/safety problem exists because corroded sprinkler heads may not work, thus increasing danger to life and property during a fire. • A potential life/safety problem exists because the ineffective placement of some sprinkler heads decreases their usefulness, thus increasing danger to life and property during a fire. • The existing system could leak and damage property.
Current Condition: Some Granite Panels on the Exterior of Building Are Deteriorated.	**Actual/potential consequences of delays** • A potential life/safety issue exists because some panels are loose or have shifted from their original position and could fall from building. • Grime and exhaust have coated the building and detract from its appearance.
Current Condition: The Outdated and Inefficient Air Conditioning System Is at the End of Its Useful Life.	**Actual/potential consequences of delays** • The temperature throughout the building is inconsistent. • Upgrading some parts of the current system is not cost effective. • Energy use and cost are higher.
Current condition: The Technology That Manages Energy Use Is Antiquated and Inefficient.	**Actual/potential consequences of delays** • The current system shortens the life of the HVAC equipment because the system has to run much more to get the desired temperature. • Utility/energy costs are substantially higher. • The decreased comfort results in lower tenant satisfaction.

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