

DOCUMENT RESUME

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02336 - [A1392381] (~~Restricted~~)

[Relocation of Federal Agencies to Buzzard Point]. LCD-77-347;
B-95136. May 12, 1977. 3 pp. + 2 enclosures (2 pp.).

Report to Rep. John D. Dingell, Chairman, House Committee on
Interstate and Foreign Commerce: Energy and Power Subcommittee;
by Elmer B. Staats, Comptroller General.

Issue Area: Facilities and Material Management: Building,
Buying, or Leasing Federal Facilities and Equipment (706).

Contact: Logistics and Communications Div.

Budget Function: General Government: General Property and
Records Management (804).

Organization Concerned: General Services Administration; Federal
Energy Administration.

Congressional Relevance: House Committee on Interstate and
Foreign Commerce: Energy and Power Subcommittee.

Authority: GMB Circular A-104. Executive Order 11512. Federal
Property Management Regulation 101-18.100.

The General Services Administration's (GSA) economic analyses of Federal office relocations to a leased building at Buzzard Point, Washington, D.C., have raised several questions. Findings/Conclusions: GSA claimed in a news release that \$1 million would be saved by moving the Federal Energy Administration to Buzzard Point. This statement would have been more accurate if it had included references to such offsetting costs as the potential costs of subsidizing employee parking at Buzzard Point and the one-time cost of relocating the agency. GSA prepared an economic analysis comparing the cost of housing certain elements of the FEA at Buzzard Point with the cost of their present locations. Their analysis showed a combined savings of about \$2.5 million over 10 years. Because this analysis contained calculating errors, GAO revised the analysis. The revised calculations showed a combined savings of \$2.364 million over 10 years. The GSA analysis rested on the assumption that the GSA had a choice between leasing the Buzzard Point building and renewing the lease on the present facilities. In reality, there was no choice, since the Buzzard Point building was already leased. Recommendations: Although not specifically required under Executive Order 11512 when reassigning space, an economic analysis should be made for space assignments of the magnitude involved in the move to Buzzard Point. (SC)

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COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

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RESTRICTED — Not to be released outside the General Accounting Office except on the basis of specific approval by the Office of Congressional Relations. MAY 12 1977

The Honorable John D. Dingell, Chairman
Subcommittee on Energy and Power
Committee on Interstate and
Foreign Commerce
House of Representatives

Released
10/3/77

Dear Mr. Chairman:

Referring to our letter of February 7, 1977, your letter of February 8, 1977, stated a need existed for further GAO efforts on the General Services Administration's economic analyses of Federal office relocations to a leased building at Buzzard Point. Acting on your request, we met with your office on February 23, 1977, and agreed to comment on the following three points:

- The basis for General Services' claim in a news release that \$1 million would be saved by moving the Federal Energy Administration to Buzzard Point.
- General Services' December 1976 economic analysis comparing the cost of housing certain elements of the Federal Energy Administration at Buzzard Point with the cost of their present locations.
- Whether General Services was required by Executive Order 11512 to make an economic analysis as part of the decision to order the Federal Energy Administration to move to Buzzard Point. If so, what criteria were to be followed, and did General Services comply with this criteria.

\$1 MILLION SAVINGS

In a fact sheet released to the press on November 22, 1976, the General Services Administration stated "* * * Not having to renew lease on FEA [Federal Energy Administration] space [at 2000 M Street] would save the taxpayers more than \$1 million annually in rental expenditures * * *."

That statement was based on the estimated \$1,093,000 annual rent expenditure to be paid to renew the lease for office space now occupied by the Federal Energy Administration at 2000 M Street, NW. If that lease were not renewed, however, rental savings would be offset in part by the

one-time cost of relocating the Federal Energy Administration from M Street to Buzzard Point. The savings would also be offset by the costs, if any, of subsidizing employee parking at Buzzard Point. We believe the statement in the November 1976 news release would have been more accurate if reference had been made to these offsetting costs.

DECEMBER 1976 ANALYSIS

According to General Services, the economic analysis obtained by your office in January 1977 was a preliminary analysis prepared in December 1976 in anticipation of the Federal Energy Administration's appeal of General Services' October 1976 order to relocate them to Buzzard Point.

The analysis compared the estimated costs of housing certain units of the Federal Energy Administration at Buzzard Point with their housing cost at their present locations. The analysis showed a savings for the Buzzard Point location of \$1.029 million for the first 5 years and \$1.453 million for the second 5 years, or a combined savings of about \$2.5 million over 10 years. (See enc. I.) Because we found that the December 1976 analysis contained calculation errors, we revised the analysis. (See enc. II.) Our new calculations showed savings to be \$931,000 for the first 5 years and \$1.433 million for the second 5 years, or a combined savings of \$2.364 million over 10 years.

General Services stated that it used an undiscounted cash flow analysis to compare the cost of each alternative, because neither alternative required a large initial funds expenditure. We applied the discounting technique to General Services' December 1976 analysis, as revised, and found that it did not materially affect the results.

The December 1976 analysis rests on the assumption that the General Services Administration had a choice between leasing the Buzzard Point building and renewing a lease for the building at 2000 M Street. In reality, General Services no longer had a choice between these alternatives in December 1976, because the Buzzard Point building was leased in June 1975.

EXECUTIVE ORDER 11512

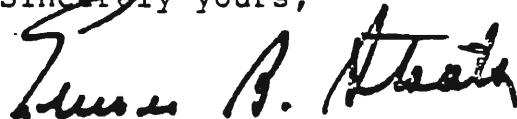
Executive Order 11512 states that the Administrator of General Services shall initiate and maintain plans and programs for effective and efficient acquisition and utilization of federally owned and leased space. The order has

no specific requirement that an economic analysis be used as a basis for space acquisition or assignment decisions. However, Office of Management and Budget Circular No. A-104, dated June 14, 1972, does require that a comparative cost analysis support decisions to lease or purchase general purpose real property; General Services made such an analysis, and it was included in the prospectus submitted to the Public Works Committees in August 1974.

For lease acquisition decisions, section 101-18.100 of the Federal Property Management Regulations requires an assessment of the advantages and costs of consolidating agencies, and agency constituent parts, in common or adjacent space to improve management and administration. However, there is no requirement in these regulations or General Services' procedures for an economic analysis of space assignment decisions in situations where space is already under lease and available, as was the case when General Services ordered the Federal Energy Administration to Buzzard Point.

Although not specifically required when reassigning space, we believe that an economic analysis should be made for space assignments of the magnitude involved in the move to Buzzard Point. It would provide useful information on costs and benefits of feasible alternatives and help assure effective and efficient space planning. In this connection, prior to ordering the Federal Energy Administration to Buzzard Point, General Services made a comparative analysis of the first year's cost (or savings) it would incur in moving various federal agencies to Buzzard Point. As pointed out in our report of February 7, 1977 (LCD-77-317), this analysis did not include costs associated with the efficiency of consolidated agency operations, employee morale, or subsidized employee parking. We believe that consideration of such costs, to the extent they could have been reasonably estimated, would have been useful in deciding which agency or agencies to assign to Buzzard Point.

Sincerely yours,



Comptroller General
of the United States

Enclosures - 2

GENERAL SERVICES ADMINISTRATION'S
COMPARISON OF TOTAL ANNUAL COSTS
OF THE TWO HOUSING PLANS (note a)

<u>Year</u>	<u>Four present locations</u>	<u>Buzzard Point</u>	<u>Cost advantage</u>
------(000 omitted)-----			
1977	\$ 1,404	b/\$ 1,444	\$ - 40
1978	c/1,626	1,359	267
1979	1,633	1,378	255
1980	1,686	1,435	251
1981	<u>1,731</u>	<u>1,435</u>	<u>296</u>
Total for first 5 years	\$ <u>8,080</u>	\$ <u>7,051</u>	\$ <u>1,029</u>
1982	\$ 1,762	\$ 1,457	\$ 305
1983	1,797	1,521	276
1984	1,822	1,521	301
1985	1,852	1,545	307
1986	<u>1,887</u>	<u>1,618</u>	<u>269</u>
Total for second 5 years	\$ <u>9,120</u>	\$ <u>7,662</u>	\$ <u>1,458</u>
Total for 10 years	\$ <u>17,200</u>	\$ <u>14,713</u>	\$ <u>2,487</u>

GSA Note

a/The cost of Federal Energy Administration space in the New Post Office Building was not included since it had no bearing on the costs of the alternatives.

b/Includes the cost of relocating the Federal Energy Administration to Buzzard Point (1900 Half Street) and the cost of reconstructing a small computer room.

c/Includes both the cost of relocating the Federal Energy Administration from the Old Post Office Building and the estimated cost of leasing replacement space. All subsequent years include the estimated cost of leasing this replacement space.

GENERAL SERVICES ADMINISTRATION'S
COMPARISON OF TOTAL ANNUAL COSTS OF
THE TWO HOUSING PLANS AS REVISED BY GAO

<u>Year</u>	<u>Four present locations</u>	<u>Buzzard Point</u>	<u>Cost advantage</u>
----- (000 omitted) -----			
1977	\$ 1,396	a/\$ 1,511	\$ -115
1978	1,617	1,359	258
1979	1,641	1,378	263
1980	1,678	1,435	243
1981	<u>1,717</u>	<u>1,435</u>	<u>282</u>
Total for first 5 years	<u>\$ 8,049</u>	<u>\$ 7,118</u>	<u>\$ 931</u>
1982	\$ 1,748	\$ 1,457	\$ 291
1983	1,782	1,521	261
1984	1,823	1,521	302
1985	1,854	1,545	309
1986	<u>1,888</u>	<u>1,618</u>	<u>270</u>
Total for second 5 years	<u>\$ 9,095</u>	<u>\$ 7,662</u>	<u>\$1,433</u>
Total for 10 years	<u>\$17,144</u>	<u>\$14,780</u>	<u>\$2,364</u>

GAO note

a/Includes about \$28,000 annually for employee carpool parking (130 spaces). If additional spaces are required by the Federal Energy Administration, they could be obtained from the lessor at an annual cost of \$270 for each space.