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[Investigation into Proposed Construction of a Postal Facility in Garden City, New York]. GGD-77-89; B-171594. October 18, 1977. 7 pp. + enclosure (1 pp.).

Report to Rep. Robert N. C. Nix, Chairman, House Committee on Post Office and Civil Service: Investigations Subcommittee; by Elmer B. Staats, Comptroller General.

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

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Organization Concerned: Postal Service.

Congressional Relevance: House Committee on Post Office and Civil Service: Investigations Subcommittee.

In September 1974 the Postal Service began planning for replacement of the Garden City Post Office because the existing facility was too small to handle parcel post and third-class mail processing operations. The Service assigned a real estate specialist to identify potential sites and contracted for an economic analysis of replacement facility alternatives. Findings/Conclusions: The option recommended for the Garden City facility was for lease and improvement of an existing building, but sites of this type were not available. The Stewart Avenue site was recommended for purchase, and engineering personnel reported that the facility was structurally acceptable but would require renovations costing about \$1,250,000. When additional problems were identified necessitating more extensive renovations and cost estimates indicated that new construction costs would be only marginally higher than costs for renovation, officials decided to construct a new facility. In 1976 regional Service officials proposed a general mail facility for the Garden City area to consolidate operations and, until a decision is made on this facility, all plans for demolition and construction have been postponed. The Service followed site selection procedures adequately, its selection was correct, and although the site was purchased with intent to renovate the building, constructing a new facility would not have affected the site selected. (HTW)



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

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The Honorable Robert N. C. Nix, Chairman
Subcommittee on Investigations
Committee on Post Office and
Civil Service
House of Representatives

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12/21/77*

Dear Mr. Chairman:

In response to your May 10, 1977, request concerning the new postal facility in Garden City, New York, we reviewed the Postal Service's acquisition of the replacement site, adherence to site selection procedures, and the subsequent decision to demolish the old and construct a new facility rather than to renovate an existing building.

We interviewed postal officials involved with site selection and reviewed files relating to the Garden City project and concluded that:

- The Service followed its site selection procedures. Prior to selecting a site, the Service made an adequate effort to identify all potential sites; and in fact, spent considerable time attempting to identify sites.
- The Service's site selection was correct, based on economic and operational considerations.
- Although the site was purchased with the intent to renovate the building, constructing a new facility would not have affected the site selected.
- The site purchased may not be used because the Service wants to construct nearby a centralized mail processing facility which would include the Garden City Post Office.

GGD-77-89
(22479)

SITE SELECTION PROCEDURES

When the need for facility changes is identified, local and district officials prepare a facility planning concept-- a document describing the functions to be performed in the facility, other facilities that will be affected, and the preferred area for the facility. According to Service regulations, the preferred area should not be so limited as to restrict a realty survey or favor a particular site.

An economic analysis is made of the alternative solutions (such as constructing a new facility or obtaining an existing one) so that the most promising one may be pursued. Service procedures state that available alternatives should be known before making the analysis. This analysis is made either internally when the expertise is available or externally through a contractor.

In addition, the regional office prepares a site planning report based on a postal real estate specialist's survey. The survey locates potential sites, evaluates environmental problems, and identifies any potential equal employment opportunity problems such as housing and commuting. Service procedures state that in making a survey, initial site inquiries should be directed to the owner. However, if time prohibits a satisfactory survey, the Service may advertise for a site since advertising can quickly identify available sites. Using the site planning report, a committee reviews the recommended sites and selects one.

When purchasing property, the site's fair market value is determined by either a Service appraiser or an independent appraiser. If an independent appraiser is used, the appraisal is reviewed by Service appraisers who can make adjustments. The Service then provides the property owner with a statement of the fair market value. Negotiations begin and upon agreement with the owner, the Service obtains an offer to sell and subsequently purchases the property.

The Service's northeast region goal for completing the site selection process is 9 months.

WHY GARDEN CITY NEEDED A NEW FACILITY

In September 1974 the Service began planning for the replacement of the Garden City Post Office. The existing facility, comprising about 22,000 square feet on a 31,000 square foot site, was too small to handle Garden City's

parcel post and third-class mail processing operations; another facility now temporarily handles these operations. The facility planning concept, which was prepared according to Service procedures, shows a projected 10-year facility need for a 29,000 square foot building on a 91,000 square foot lot. The larger facility could accommodate the parcel post and third--class operations and relieve existing parking space shortages. As a result of this projection, the district manager authorized the Garden City project on December 2, 1974. The Service assigned a real estate specialist to identify potential sites and contracted for an economic analysis of replacement facility alternatives.

GARDEN CITY SITE SELECTION

The first search made in January 1975 identified only two properties:

--A 130,680 square foot lot with an existing building located on Stewart Avenue (the site purchased).

--A 217,800 square foot unimproved lot, owned by the Department of Health, Education, and Welfare.

This latter site was located outside of the preferred area and was not seriously considered.

From January to May 1975, the real estate specialist continued to search for more sites. Although he was able to identify three other sites, they were all considered operationally unacceptable. A list of the sites considered, their locations, estimated cost, and disposition is included as enclosure I.

Concurrent with the facility search, the Service contracted for an economic analysis of several replacement facility alternatives. Alternatives considered were:

- a. Lessor construction of a postal facility.
- b. Lease and improvement of an existing building.
- c. Postal Service construction of a new facility on owned land.
- d. Purchase and improvement of an existing facility.
- e. Maintenance of a finance center in Garden City with the bulk of the operations moved to a less costly industrial location.

On March 19, 1975, the contractor reported that option b was the best alternative based on its return-on-investment potential.

It should be noted that the economic analysis did not identify or recommend any potential sites for the Garden City Post Office. The real estate specialist informed us that he had advised the contractor of the sites he had been able to identify. He also stated that the contractor had been asked to search for additional sites. Service officials stated it was not possible to proceed with the recommendation in the analysis because sites of this type were not available.

Since its identification, the Stewart Avenue site had been considered the best choice. The site selection committee concurred and on May 6, 1975, they recommended its purchase. On the same day, the real estate specialist was told to purchase the property.

On May 21, 1975, in compliance with site selection procedures, Service engineering personnel were asked to determine the feasibility and cost of renovating the Stewart Avenue facility. On August 1, 1975, they reported that the facility was structurally acceptable, but that extensive modifications were needed. They estimated that renovating the facility would cost \$1,250,000.

Negotiation difficulties with the site's owner prompted Service real estate officials to advertise for additional qualified locations. The advertisement was placed in the Garden City News on August 1, 1975, but failed to elicit a response.

On August 11, 1975, the Service's general manager, in charge of the New York area real estate and engineering activities, noted that the district's decision to purchase and renovate the Stewart Avenue site was not in compliance with the contractor's March 1975 conclusion that "lease and improvement of an existing building" was the most economical alternative. The real estate specialist again surveyed the preferred area and checked with real estate brokers, but was unable to identify any additional sites available for leasing. In November the specialist concluded that either the Stewart Avenue site be acquired or the Service would have to remain in its old location. Local community officials had no objection to the proposed new location.

Consequently, purchasing the Stewart Avenue site was authorized a second time. However, an amendment to the economic analysis was needed since the decision to purchase and renovate had not been the recommended alternative. Since additional sites could not be found, the purchase of the Stewart Avenue property was validated on May 19, 1976, as the single viable alternative. The site was purchased on May 27, 1976, about 17 months after the decision to acquire a new facility--almost 8 months longer than the regional acquisition goal. It was purchased for the appraised fair market value of \$675,000, which was \$75,000 less than the owner's original asking price.

WHY THE SERVICE DECIDED TO
DEMOLISH RATHER THAN RENOVATE

On June 14, 1976, Service officials made a more detailed inspection of the Stewart Avenue site and identified additional problems necessitating extensive renovations. A supervisory engineering official (who had not participated in the renovation estimate made a year earlier) suggested that demolishing the old and building a new facility could result in a more efficient operation. A meeting was called on June 22, 1976, to review the options. Preliminary cost estimates of \$960,000 to expand and modernize the acquired facility and \$1,100,000 to demolish and construct a new facility were quoted. After further analysis these estimates were revised on July 6, 1976, to \$1,082,000 and \$1,120,000, respectively. Since renovation would require major changes and the cost of new construction was only marginally higher, officials decided to construct a new facility.

Though engineering personnel agreed that the Stewart Avenue building should be demolished and a new facility built, they suggested that a new economic analysis be made of these two alternatives. The analysis was requested with a completion target of May 1, 1977. The time frame was extensive due to anticipated operational changes which had to be determined before design plans could be made. As of August 1, 1977, the analysis had not been completed nor had construction of the new Garden City Post Office been approved.

SITE SELECTED MAY NOT BE USED

In late 1976 regional Service officials proposed a general mail facility for the Garden City area. Service officials believed that consolidation of several mail

processing operations in the area, including the Garden City Post Office, could improve operations. At that time, however, there were no available sites in the area large enough to accommodate such a facility.

In March 1977 the Service inquired into the availability of a 22.5-acre site near the Stewart Avenue property, but was told that the General Services Administration, which owned the property, must first declare the land surplus. The General Services Administration declared the land surplus in September 1977. The site originally became available when plans for building a Federal project were canceled. The Service asked General Services to delay further action until April 1978, allowing the Service more time to study the desirability of obtaining the property. Service officials say this site is large enough and is ideally located operationally.

The general mail facility, if constructed, could accommodate the Garden City Post Office's mail processing functions and thus a separate replacement facility would not be needed. As a result, all plans for demolition and new construction have been postponed until a decision is made on the general mail facility. Regional real estate officials said that the Stewart Avenue site, valued at \$750,000, will be sold if the 22.5-acre site is acquired.

CONCLUSIONS

Although the Service followed its site selection procedures in acquiring the Stewart Avenue site, the selection period was long--approximately 17 months (9 months is the regional goal). District officials explained that the acquisition period was lengthy because the preferred area was commercially developed and few sites meeting Service requirements could be readily acquired.

The Stewart Avenue site selection and acquisition were handled in accordance with the Service's procedures and regulations. The real estate specialist made repeated efforts to identify all potential sites and eventually contacted real estate brokers and advertised publicly. Of the sites considered, the Service selected the best based on economic and operational considerations.

The subsequent decision to demolish and construct a new facility rather than to renovate the existing building would not have affected the site selected since only one site was deemed adequate to meet postal needs. Although the Stewart

Avenue building was considered structurally acceptable and could be renovated. Service officials decided to construct a new facility to allow for a more efficient operation. The estimated cost to construct a new facility was only marginally higher than the estimated cost to renovate.

The Service's current efforts to locate a general mail facility at the General Services Administration site will delay the benefits to be derived from a new Garden City Post Office. However, we find no reason to fault the Service's decision to delay the Garden City project until the general mail facility question is resolved.

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The Service agrees with the information contained in this report.

As arranged with your office, we are planning to make copies of this report publicly available to interested parties upon request beginning 30 days after the date of the report. However, we will contact the Subcommittee shortly after issuance to make specific arrangements for further distribution of the report.

Sincerely yours,



Comptroller General
of United States

Enclosure

SITES CONSIDERED FOR GARDEN CITY POST OFFICE

<u>Site considered</u>	<u>Type of transaction</u>	<u>Size of site</u> (sq. ft.)	<u>Asking price</u>	<u>Disposition</u>
Industrial area of Mitchell Field	Long-term ground lease of unimproved land	110,000	\$118,500 a year	Rejected for poor accessibility to main roads
Outer ring of Roosevelt Shopping Center	Offer to sell unimproved land	91,000	\$682,500	Rejected for poor accessibility to main roads
Industrial section of Roosevelt Field	Offer to sell land with building	90,000	\$750,000	Rejected for poor accessibility to main roads
Stewart Avenue	Offer to sell land with building	130,680	\$675,000	Site purchased