

CHAPTER 3 - DOC MAJOR PROJECT APPROVAL PROCESS

INDEX

- 3.0 PURPOSE AND SCOPE
- 3.1 AUTHORITY FOR CHAPTER
- 3.2 ROLES AND RESPONSIBILITIES
- 3.3 PROSPECTUS PROCESS
 - 3.3.1 General
 - 3.3.2 Thresholds
 - 3.3.3 Sources which Initiate Projects
 - 3.3.4 Approval Process by Funding Source
 - 3.3.5 First-Step - Preliminary Review
 - 3.3.6 Second-Step Final Approval
 - 3.3.7 Additional Approval Requirements For Lease Projects
 - 3.3.7.1 Rental Rate Analysis For Lease Projects
- 3.4 ALTERATION AND MODERNIZATION PROJECTS
 - 3.4.1 General Project Guidance for Building Modernization
 - 3.4.2 Acceptable Reinvestment Level (ARL) for Alteration and Modernization Projects
 - 3.4.3 General Project Guidance Requirements For Alteration and Modernization Projects
 - 3.4.4 Specific Project Guidance Requirements For Alteration and Modernization Projects
 - 3.4.5 Alteration and Modernization Projects For Leased Property
- 3.5 NEW CONSTRUCTION COST BENCHMARKS
- 3.6 NEW CONSTRUCTION BUILDING EFFICIENCY

CHAPTER 3 - DOC MAJOR PROJECT APPROVAL PROCESS

3.0 Purpose and Scope

This Chapter provides the DOC Bureaus with general and specific guidance on real property projects that require authorization from the Department of Commerce, Chief Financial Officer and Assistant Secretary for Administration (CFO/ASA).

3.1 Authority for Chapter

DOC requests approval from OMB and Congress for all major real estate projects that exceed certain dollar thresholds. The dollar thresholds are adjusted each year for inflation and are shown in Section 3.3.2 in fiscal year 2003 dollars.

3.2 Roles and Responsibilities

All major real property projects, regardless of the source of funding, at or above thresholds mentioned in 3.3.2 require review and authorization from the CFO/ASA.

3.3 Prospectus Process

3.3.1 General

The prospectus is a detailed report that provides a description of the project, a housing plan, utilization rates, and an economic analysis that provides a comparison of the various methods to acquire the space, e.g., purchase or lease.

DOC's prospectus approval procedure is a two-step process:

- (a) First-Step - Preliminary Review: As soon as it is known that there is a potential space need that will approach one of the established dollar thresholds, the Bureau Head will inform the CFO/ASA by providing a summary of the expected project, why it is needed, and the estimated costs. This information and subsequent CFO/ASA review includes projects unilaterally approved by Congress.

CHAPTER 3 - DOC MAJOR PROJECT APPROVAL PROCESS

- (b) Second Step - Final Approval: After the project has received the CFO/ASA's final approval, the Bureau is authorized to further develop the project. Major projects must receive CFO/ASA approval prior to detailed design.

3.3.2 Thresholds

The thresholds are adjusted annually for inflation. For alteration and new construction projects, the escalation factor for fiscal year 2003 is 1.9 percent and the discount rate is 5.8 percent. The following **thresholds are for FY 2003:**

- (a) \$1,145,000 for the repair, alteration, or construction project in leased space;
- (b) \$2,290,700 for the repair, alteration, or construction project in DOC-owned space; or
- (c) \$2,290,700 for space to be leased (lease threshold is exclusive of services and utilities per annum).

If the two-step design and construction alternative versus the one step design-build alternative is selected, the project will be governed by this Manual if the total cost of the site/design/construction exceeds the above thresholds.

The thresholds apply to all projects - lease, modernization, alteration, construction and acquisition.

3.3.3 Sources which Initiate Projects

There are three sources which fund/initiate major real property projects: GSA, Bureaus, or Congress. Regardless of how the project is funded/initiated, the analysis and information to justify the project is the same.

3.3.4 Approval Process by Funding Source

GSA Funded - The First-Step information should be submitted as soon as the Bureau is notified by GSA of a pending prospectus-level project. The Second-Step approval request

CHAPTER 3 - DOC MAJOR PROJECT APPROVAL PROCESS

shall include a draft of GSA's prospectus package before it is submitted to the GSA Administrator for submission to OMB and Congress. Since the First-Step Preliminary Review has already been completed by the CFO/ASA, the information submitted at this stage becomes the Second-Step Final Approval process. The Bureau's Assistant Secretary's cover memo will include a summary showing how the project contributes to the Bureau's mission and what would constitute a feasible alternative if GSA's funding efforts are not successful.

Bureau Funded - After receiving the CFO/ASA's acknowledgment during of the First-Step Preliminary Review stage, the Bureau will then complete the project development process and submit for final approval by the CFO/ASA. Funds may be provided through: (1) a line item request in the Bureau's budget for specific prospectus authority or (2) general spending authority.

Congressionally Funded - When a project has been unilaterally funded by Congress, i.e., a project is funded that has not been included in the President's budget, requirements similar to a Bureau initiated project apply. Bureaus shall not proceed with procurement actions for a design architect-engineer or design-build contract for a Congressionally initiated project until a preliminary economic analysis has been completed and the CFO/ASA has completed the First-Step Preliminary Review.

It is important to perform the analysis promptly after the Congressional authority is received so that issues which question the validity of the project may be quickly addressed and, if necessary, alternative options proposed. The First-Step analysis shall be submitted to the CFO/ASA within 60 calendar days of the Congressional project authorization. Where the information is not complete, the request for the First-Step Preliminary Review shall be submitted with the information that is readily available.

3.3.5 First-Step - Preliminary Review

The purpose of the first-step in the prospectus process is to provide the CFO/ASA with early notice of a potential project. It is understood that the information provided at

CHAPTER 3 - DOC MAJOR PROJECT APPROVAL PROCESS

this stage is developmental and may change as the project's requirements are further developed. Nevertheless, information provided at this stage should provide a general understanding of why the project is needed and the expected costs. The First-Step information is similar to and coincides with timing of the information NOAA provides at the Second Decision Point (DP-2) step of the NOAA PDAM (Project Development, Approval, and Management) process.

3.3.6 Second-Step Final Approval

First-Step information will be updated to reflect changes since the information was submitted. The Second-Step information will resolve any issues raised during the First-Step review and better bring into focus the costs of the project. The Second-Step information is similar to and coincides with timing of the information NOAA provides at the Third Decision Point (DP-3) step of the NOAA PDAM process.

- (a) Project Summary - A summary shall be provided for each project. Project summaries are to contain basic project information: project name, project type, installation and property number (for repair and alteration projects), project description, building size or lease requirements (in gross and rentable square feet for new construction and alteration projects, in rentable and usable square feet for leases), parking (number of spaces), and tenant organizational elements to be housed. Projected project costs are to be provided along with the results of the A-94 analysis. For additional information see Section 3.3.7 The Automated Prospectus System(TAPS).
- (b) Project Justification - The justification needs to clearly state the role the project plays in meeting the Bureau's long-range housing plans. This justification will include a discussion/matrix of current space, the need for swing space if applicable, operational benefits and limitations, and how the prospectus project fits into meeting the

CHAPTER 3 - DOC MAJOR PROJECT APPROVAL PROCESS

Bureau's long-range housing requirements. If leased locations are to be consolidated, the lease costs, lease expiration dates, and expected savings which will accrue should be clearly stated. It is important to note when a particular project is related to another project, outline how the projects are related and what impact the delays will have on the Bureau's broader strategies and plans.

- (c) Housing Plan - The plan shall include a discussion of existing housing, number of personnel, personnel in office space, number of personnel in special space, and storage square footage. Projects which do not dictate the need for a housing plan, will include a brief explanation why the housing plan is not included.
- (d) Alternative Housing - The summary shall include a proposed course of action if the recommended project does not receive approval, authorization, or funding.
- (e) Parking Requirements - If the project includes parking, the number of spaces must be specified. There should be a description of the parking (inside/outside, open deck, surface.) Reasons for an extraordinary number of spaces must be explained. The parking total will be broken into the uses of parking spaces (official, visitor, handicapped, employee) and by the number of spaces assigned to each category. The study should explain how the number of parking spaces was calculated and provide a justification for employee parking.
- (f) Estimated Costs - Based upon availability, the following information shall be provided as applicable: site and construction costs (per gross square foot), lease costs based upon available market analysis, swing space costs, relocation costs, moving costs, telecommunications costs, etc. A brief

CHAPTER 3 - DOC MAJOR PROJECT APPROVAL PROCESS

discussion shall be included explaining why the alternative selected is most cost-effective and in the best interest of the Government.

- (g) Estimated Reimbursable Work - All work not included in the project due to funding from outside the Department is to be included as a separate item with an explanation providing the sources, background of the funding, and responsibilities or agreements which are attached to the Non-Department funds.
- (h) Multi-Year Project Schedule - Project authorization requests must encompass all work necessary to meet the long-range needs of a building. For instance if a funding plan for all work that must be done in a building can be accomplished during phases covering a 5-year period, a justification in the body of the project should explain the phased funding plan. It must also explain how each phase can stand independently in the event funding of future phases is delayed.
- (i) Space Utilization - Provide a discussion of the office utilization rate.
- (j) External Influences - A brief discussion of community and Congressional interests is to be provided. In instances where the Bureau does not agree with a Congressionally initiated project as authorized, a discussion of a recommended alternative(s) is to be provided. Also provide an assessment of the schedule for completing an environmental assessment or environmental impact statement is to be provided.
- (k) Compliance with Environmental and Historic Preservation Review Requirements - A discussion of potential environmental issues, historic preservation issues or concerns is to be provided with findings as to whether the project has the potential for major, minor, or no impact. In addition, the following areas will be addressed:

CHAPTER 3 - DOC MAJOR PROJECT APPROVAL PROCESS

- (1) Possible mitigating actions for minor and major impacts.
- (2) Potential environmental or historic preservation impacts or concerns which may require future analysis.
- (3) Preliminary environmental classification of the proposed action and the basis for the classification.
- (4) Schedule of planned environmental analysis, including preparation of the Environmental Assessments, Environmental Impact Statements and, where required, environmental site audits, historic preservation reviews, flood plain and wetland coordination or related studies.

Environmental analysis starting and completion dates should also include any interim dates on which external agency and or public reviews are expected to be completed. Where feasible there should also be included the projected date for a decision as to whether to prepare an Environmental Impact Statement (EIS) or a Finding of No Significant Impact (FONSI). EIS's starting and ending dates for the Draft and Final EIS's and projected date for the Record of Decision (ROD) should be included. All should ensure that milestones associated with environmental compliance are included in the prospectus implementation strategy schedule.

- (1) Congressional Districts and Delineated Area. Each project identified in the first step process should identify the Congressional district(s). If the delineated area is a

CHAPTER 3 - DOC MAJOR PROJECT APPROVAL PROCESS

Central Business District (CBD), all of the Congressional Districts in the CBD should be included. If the project is an alteration/construction project, the Congressional District would be the district in which the project building is located. If the project states a city and state, it means the location will be confined to the city limits. If the delineated area states city's metropolitan area or suburban city area, it will mean including housing areas outside of the city limits.

- (m) Detailed Map. The project summary shall include a map identifying the delineated area for specific building location; or a broader delineated area description shall include the streets that comprise the northern, eastern, southern, and western boundaries of the area. If the delineated area is an underdeveloped area where streets are not available, a map should be included that clearly identifies the delineated area and nearby points of reference, e.g., landmarks and monuments.

3.3.7 Additional Approval Requirements For Lease Projects

There are three instances where leases below the major project level may meet the definition of a capital lease in OMB Bulletin 91-02 and thereby are controlled by this Manual. They are:

- (a) Lease purchase proposals,
- (b) Leases that are proposed to contain purchase options whereby the building can be purchased at a nominal or bargain price, and
- (c) Leases on Government-owned land except for modular structures.

Generally, a lease project is written only for short-term temporary requirements, such as swing space, the continued housing of a bureau that will be consolidated at a later

CHAPTER 3 - DOC MAJOR PROJECT APPROVAL PROCESS

date, space for a Bureau for which long-range plans are undecided, etc. The lease prospectus does not require an A-94 economic analysis if the need is strictly temporary; however, there are benefits to doing this analysis.

As a general rule, leasing space to accommodate: (a) computer and teleprocessing operations; (b) secure and sensitive activities; and (c) laboratory space is to be avoided and only entered into as a last resort.

A computer software package called TAPS (The Automated Prospectus System) is available to simplify the economic analysis. Copies may be obtained by calling the Associate Director, Office of Real Estate Policy and Major Programs, on (202) 482-3580. TAPS assists in determining several factors:

- (a) Provides the economic analysis reports required by OMB Circular A-94,
- (b) Evaluates the six major housing alternatives: leasing, new construction, repair and alteration, direct purchase, lease with option to buy, and alternative (least cost) financing,
- (c) Proposes numerous "what if" questions,
- (d) Evaluates long-term retention and disposal strategies,
- (e) Develops appropriate negotiating strategies.

3.3.7.1 Rental Rate Analysis For Lease Projects

The lease rental rate analysis shall include estimates for both generic build-out and build-out specific to the bureau's unique mission requirements (previously identified as initial and above standard alterations). The rental range shall be supported by a brief discussion, i.e., what is the current market cost and how is this cost converted to the occupiable square foot cost. Rental rates are to be stated in the local area measurement of rentable square feet. The source for rental rate information must be identified and the

CHAPTER 3 - DOC MAJOR PROJECT APPROVAL PROCESS

specifics of the rental range calculation must be included.

3.4 Alteration and Modernization Projects

3.4.1 General Project Guidance for Building Modernization

Assets planned for long-range retention require reinvestment as their conditions, state of repair, operational and tenant mission needs warrant overall modernization. By definition, modernization is a building-wide reinvestment to replace, improve, remodel, and install major operating systems, interior finishes, and building elements and features. Modernization of a building includes heating ventilating, air-conditioning, plumbing, electrical, elevator, lighting and fire and life safety systems; as well as ceilings, flooring, walls and interior finishes in public and tenant space.

Modernization work generally is classified as follows:

- (a) Improvements - Work necessary to restore or replace building systems, materials, and equipment to an acceptable level of operation.
- (b) Health and Safety - Work essential for the protection of a building's occupants and visitors.
- (c) Vacant Space Recapture - Work necessary to alter vacant space for occupancy.
- (d) Special Program Needs - Unique requirements for handicapped accessibility, energy conservation, historic preservation, seismic protection, and art conservation.

CHAPTER 3 - DOC MAJOR PROJECT APPROVAL PROCESS

3.4.2 Acceptable Reinvestment Level (ARL) for Alteration and Modernization Projects

Each building needing major modernization shall have the Functional Replacement Value (FRV) determined. FRV is equal to the estimated cost to newly construct the amount of space the building provides. For each modernization project, the proposed project is compared to the ARL, which is equal to 50 percent of the FRV. The ARL is adjusted upward to 60 percent of the FRV for properties on the List of Historic Buildings in Historic Quality Index Group 1. Proposed projects for which the estimated costs exceed the ARL should be scrutinized to determine whether disposal and replacement of the asset would be a more cost-effective solution. FRV's shall be established using cost of construction benchmarks or similar building industry estimating practices. The method used to calculate the FRV should be explained.

The ARL estimate is not intended to cover major exterior building elements. The ARL is only applied to the replacement and improvement of systems and finishes. ARL items include: heating, ventilating, air-conditioning, chillers, cooling towers, air handlers, pumps, piping and controls; electrical switch gear, transformers, panel boards, wiring, receptacles, and lighting; elevator cabs, hoist motors, generator sets and controls; plumbing supply/return piping, valves and fixtures; and ceilings, partitions, wall and window coverings, carpeting and tile, doors and hardware require repairs, replacements and improvement if a facility is to continue to be functional, cost effective, and attractive.

The ARL is used as a guide and is based upon new construction building system and interior finishes costing between 55-65 percent of the total construction budget. Since a facility's useful life is generally 20-30 years, it is appropriate to realize that 2 percent per year for building-wide reinvestments is an accepted rule of thumb for alteration and modernization projects. Where suitable systems exist, this amount may be adjusted downward; conversely, there are cases where the 60 percent ARL is increased for historic properties and special seismic considerations.

CHAPTER 3 - DOC MAJOR PROJECT APPROVAL PROCESS

3.4.3 General Project Guidance Requirements For Alteration and Modernization Projects

The alteration and modernization project shall include, but not be limited to, a discussion of the below items:

- (a) Clear scope of work, justification, and cost estimates,
- (b) Justification for building retention from the retention/disposal study or A-94 analysis,
- (c) Impact upon the building and/or costs if the project is not accomplished, and
- (d) Design projects should include housing plans, project scope, complete economic analysis, and all other information that would be included on a construction project.

Additionally, if an alteration project requires CFO/ASA authorization to lease swing space, the project for leasing the swing space must be submitted with the alteration design project and included in the economic analysis.

Building Engineering Reports (BER's) or similar such reports shall be used to support the need for the modernization. BER's older than 2-years should be updated as necessary and validated prior to completing the initial authorization request.

3.4.4 Specific Project Guidance Requirements For Alteration and Modernization Projects

- (a) Seismic improvements are to be included as part of the planned alteration/modernization project as appropriate. When conditions require accelerated correction, a stand-alone project should be developed.
- (b) Health and safety improvement projects are to be based upon risk assessment analysis of the building's features and not simple code compliance.

CHAPTER 3 - DOC MAJOR PROJECT APPROVAL PROCESS

- (c) Asbestos projects include the removal, enclosure or encapsulation of asbestos. Also, include required abatement actions because of other proposed alterations.
- (d) Accessibility improvement projects should be included as part of overall alteration modernization projects as they will alter significant areas or systems of the building. Those items, features, or space which are elements of accessibility are to be brought up to the standard specified in the UFAS.
- (e) Energy retrofit projects/energy conservation improvements should include detailed project justifications (savings to investment ratios, simple payback periods and BTU's saved per dollar of investment). These projects are evaluated by the Department's Energy Manager.
- (f) Historic building project requirements are listed in Chapter 12 - HISTORIC AND CULTURAL PROPERTY PRESERVATION PROGRAM, of this manual. The National Historic Preservation Act of 1966, as amended, requires agencies to consider how its undertakings could affect historic properties. An undertaking is any project, activity, or program that can result in changes in the character or use of historic properties.

3.4.5 Alteration and Modernization Projects For Leased Property

Review and approval by the CFO/ASA is required when an alteration and modernization projects for leased property exceeds the prospectus threshold level.

Supporting information for lease alteration projects will be similar to alteration/modernization projects. The additional facet for a lease alteration project authorization request will be the lease terms and a full discussion of how the alterations will affect the terms of the lease, options, and termination date.

3.5 New Construction Cost Benchmarks

CHAPTER 3 - DOC MAJOR PROJECT APPROVAL PROCESS

GSA has developed a construction cost benchmark methodology to achieve a reasonable level of consistency in budgeting for projects in its construction program. These benchmarks were principally derived from commercial construction cost data with certain adjustments made to account for unique requirements for Federal construction. These benchmarks may be used for the office portion of Departmental construction efforts and adjustments made to account for any specialized space. GSA has received strong support from the Congress regarding its benchmarking system. They have found this system to increase its credibility as an effective manager of its construction and acquisition program. We believe the Congress will look more favorably on our construction efforts if we explain how the GSA Construction Cost Benchmarks were modified to meet the Department's construction prospectus request.

3.6 New Construction Building Efficiency

The project will include a discussion of the building efficiency and explain building configurations which do not lend themselves to efficient layouts. Building efficiency is defined as the usable square feet divided by the gross square feet. It is the measure for the percentage of the building that is available for use as usable space. The benchmark efficiency value for office buildings is 75 percent.