

GAO

Report to the Chairman, Committee on  
Governmental Affairs, U.S. Senate

September 1992

# STATE DEPARTMENT

## Facilities in Eastern Europe and the Former Soviet Union



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**National Security and  
International Affairs Division**

B-249468

September 22, 1992

The Honorable John Glenn  
Chairman, Committee on  
Governmental Affairs  
United States Senate

Dear Mr. Chairman:

Reacting to rapid and dramatic political changes in the former Soviet Union and Eastern Europe, the U.S. government has acquired or plans to acquire a large amount of real estate for diplomatic office space and housing. As you requested on February 3, 1992, we reviewed the State Department's actions and plans for new facilities in the region. Specifically, we reviewed (1) the progress and costs associated with facility acquisitions and renovations; (2) building security and safety measures and how they differ from Department standards; and (3) the role of the U.S. Army Corps of Engineers in helping the Department perform renovations at selected posts.

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**Background**

The Department is arranging for new facilities on an unprecedented scale. Between October 1991 and May 1992, the State Department opened embassies in 11 former republics of the Soviet Union—Kiev, Ukraine; Minsk, Belarus; Bishkek, Kyrgyzstan; Yerevan, Armenia; Alma Ata, Kazakhstan; Dushanbe, Tajikistan; Chisinau, Moldova; Ashgabat, Turkmenistan; Tashkent, Uzbekistan; Baku, Azerbaijan; and Tbilisi, Georgia. The Department also opened embassies in the three Baltic states—Tallinn, Estonia; Riga, Latvia; and Vilnius, Lithuania. According to a Department official, the United States also plans to open embassies in the newly independent states that were formerly part of Yugoslavia. It has reopened an embassy in Albania and is upgrading facilities in Eastern Europe and Russia. Figure 1 shows a map of Eastern Europe and the former Soviet Union.

Figure 1: Map of Eastern Europe and the Former Soviet Union



Under the Foreign Service Buildings Act, 1926, as amended, the State Department is responsible for managing diplomatic facilities overseas. It has delegated this responsibility to the Bureau of Administration's Foreign Building Operations Office (FBO). The overall mission of FBO is to provide policy direction and management of the Department's overseas facilities. FBO acquires properties and manages renovation and construction projects.

The Committee was concerned about the Department's ability to cope with the possible need for extensive new facilities requirements in Eastern

Europe and the former Soviet Union. At the same time its management of real property overseas had been identified by GAO and the Office of Management and Budget to be at risk for fraud, waste, and abuse. In 1991, we reported on State Department actions to improve its management.<sup>1</sup> We are currently reviewing the status of the Department's corrective actions and expect to issue a report later this year.

## Results in Brief

The State Department has made good progress in acquiring diplomatic facilities, considering the number of new U.S. embassies and the shortage of office space and housing in the region. Of 14 locations, the Department has occupied or leased 13 embassy buildings. A high-level Special Negotiator for Property Issues, assisted by the Department's Office of Foreign Buildings Operations, helped expedite the property acquisition process.

Because of the difficulty in finding suitable housing in the former Soviet republics, the Department has not acquired all the residences that it needs. Its embassy in Tallinn, Estonia, has leased units for most of its staff. But in other locations, adequate housing may be difficult to find. The Department is considering acquiring and shipping U.S.-manufactured housing units to several posts.

The costs for all acquisitions and renovations cannot be accurately estimated at this time. The initial outlays to acquire property should not be substantial because, in most cases, the State Department is leasing rather than purchasing or constructing facilities. For example, costs for the chanceries—the most expensive leases—are averaging less than \$100,000 per year. In Tallinn, total costs for leased housing will probably be less than \$330,000. Although lease costs may vary greatly between posts, we believe that the initial outlays for leased embassy buildings and housing at the 14 posts will total roughly \$3 - 6 million per year.

Costs to renovate facilities could be substantial. Current estimates of costs to renovate embassy buildings in Tallinn, Estonia; Vilnius, Lithuania; Riga, Latvia; Kiev, Ukraine; Minsk, Belarus; and Chisinau, Moldova, total \$44 million—an average of about \$7.3 million per location. If costs at the other eight locations were the same, it would cost about \$100 million to renovate buildings at the new embassies. However, renovation costs for embassies in the Central Asian Republics could be higher because of the need to

<sup>1</sup>State Department: Efforts Underway to Enhance Management of Overseas Real Property (GAO/NSIAD-91-277, Sept. 5, 1991) and State Department: Management Weaknesses in the Security Construction Program (GAO/NSIAD-92-2, Nov. 29, 1991).

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protect against earthquakes and because the remote locations will increase transportation costs.

State officials said they were acquiring the best facilities available. However, all of the buildings selected as embassies do not meet Department standards for security, electrical, plumbing, safety, and fire systems. Even after renovation, the buildings will not meet all of the standards.

The Department has executed a Memorandum of Agreement with the U.S. Army Corps of Engineers to oversee the renovation of the first six embassies. Under current plans, contracts will be awarded and construction will start in October 1992 and be completed June 1993. This accelerated schedule could be delayed because the Department does not have leases to all buildings, non-U.S. government tenants still occupy portions of one building, and logistical problems and harsh winter weather may make the renovations difficult. If the Corps can complete the work on time, within budget, and according to quality standards, its role in future State Department construction activities could be expanded.

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## Agency Comments

In commenting on a draft of this report, the Departments of State and Defense agreed with the findings and information. The State Department provided additional information to update the draft report and made suggestions to clarify sections of the draft. We have incorporated agency views and the additional information where appropriate.

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## Scope and Methodology

Our review was conducted at the Department of State and U.S. Army Corps of Engineers from February 1992 to August 1992 in accordance with generally accepted government auditing standards.

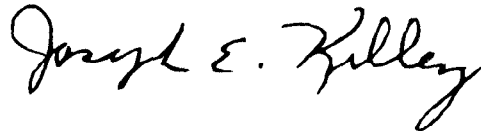
We held discussions with Department of State officials in the Office of the Under Secretary for Management; Foreign Buildings Operations; Bureau of European and Canadian Affairs; and Bureau of Diplomatic Security. We reviewed documents and records related to acquiring facilities in the former Soviet Union and Eastern Europe and performed on-site inspections of facilities in Tallinn, Estonia; Vilnius, Lithuania; Minsk, Belarus; and Moscow, Russia. We selected the sites that had been opened the longest and were farthest along in the facilities acquisition process. We also interviewed officials and reviewed documents at U.S. Army Corps of Engineers offices in Washington, D.C., and Frankfurt, Germany.

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As arranged with your office, unless you publicly announce this report's contents earlier, we plan no further distribution until 30 days from its issue date. At that time we will send copies to appropriate congressional committees and other interested parties.

Major contributors to this report were Thomas J. Schulz, Associate Director; John L. Brummet, Assistant Director; and Shirley E. Hendley, Evaluator-in-Charge. Please call me at (202) 275-4128 if you or your staff have any questions.

Sincerely yours,

A handwritten signature in black ink that reads "Joseph E. Kelley". The signature is written in a cursive style with a large initial "J" and "K".

Joseph E. Kelley  
Director, Security and International  
Relations Issues

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**Abbreviations**

FBO	Foreign Building Operations
GAO	General Accounting Office

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# Acquisition and Renovation of Facilities in Eastern Europe and the Former Soviet Union

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## Department Progress in Acquiring Facilities

To establish a diplomatic presence quickly, the Department decided to lease, purchase, and renovate facilities for diplomatic office space rather than to construct new buildings. As of August 1992, the Department had selected embassy buildings at all 14 locations and had leased or occupied 13 of them. The Department officials told us they plan to use these embassy buildings for the next 5 to 10 years, or longer. The remaining post operates from a local hotel. By October 1992, the Department plans to have acquired facilities at all 14 posts.

See appendix II for information on the status of embassy buildings at the posts.

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## Special Negotiator Expedites Property Acquisitions

The Department used the Special Negotiator for Property Issues, in the Office of the Under Secretary for Management, to lead the property acquisition process. In the past, the Special Negotiator has been used for government-to-government property negotiations. The Department believed that it was important to have a high-level official negotiate with the newly independent countries on behalf of the U.S. government. Since January 1992, the Special Negotiator has visited all of the new posts with a mission to identify buildings for embassies and ambassadorial residences and expedite facility agreements with the host governments. Embassy officials are responsible for locating staff housing.

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## FBO Building Inspections

After the Special Negotiator had identified diplomatic facilities, a team of FBO, Diplomatic Security, and Information Management representatives conducted an extensive inspection of the building(s) for structural, electrical, fire, plumbing, security, and safety conditions. After returning to Department headquarters, the team prepared a document detailing the necessary renovations. FBO issued these documents as scopes of work for the contractors selected to renovate the facilities.

As of August 1992, FBO technical teams had inspected all 14 embassy buildings. Scopes of work have been completed for six embassies, and eight scopes of work are in progress. Additionally, in May and June 1992, a joint Corps and FBO team inspected buildings at the six locations scheduled for renovation.

## Difficulties in Acquiring Staff Housing

As of August 1992, only one post of 14 was close to meeting its housing needs. The other posts are experiencing difficulties in finding suitable housing. The Tallinn embassy has leased seven housing units that generally meet U.S. standards and needs to lease only 3 to 5 additional units. Five other posts—Bishkek, Kiev, Minsk, Tashkent, and Riga—had leased units for about half of the staff. The remaining eight posts—Alma Ata, Ashgabat, Baku, Chisinau, Dushanbe, Tbilisi, Yerevan, and Vilnius—have not made much progress in leasing units. In addition, there will be housing units at all locations that will require renovation to make them fully suitable for occupancy.

The following descriptions of housing conditions at three posts illustrate the housing difficulties the Department faces:

- Officials reported that the housing market is tight in Alma Ata, and a growing number of diplomats and other foreigners are seeking long-term living quarters. Available apartments are either too small or the selling price or rent is exorbitant. A newly constructed building that post officials inspected would require renovating and combining units in order to create suitable apartments.
- Officials reported that they had seen few acceptable apartments in Ashgabat. The available single-family compound homes are small (600-700 square feet of living space), with detached kitchens and bathrooms. In addition, they are not conveniently located; they also require substantial renovations.
- Officials reported that leased housing is not available in Baku. Apartments can be purchased with hard currency, but at unusually high prices. The apartments are very small, in poor condition, and lack adequate utility services.

Pictures of housing are shown in figures I.1 to I.6.

See appendixes III and IV for information on the housing status at each post.

**Appendix I  
Acquisition and Renovation of Facilities in  
Eastern Europe and the Former Soviet  
Union**

**Figure I.1: Leased Townhouse in Tallinn, Estonia**



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**Figure I.2: Leased Single Family House in Tallinn, Estonia**



**Appendix I  
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**Figure I.3: Leased Single Family House in Tallinn, Estonia**

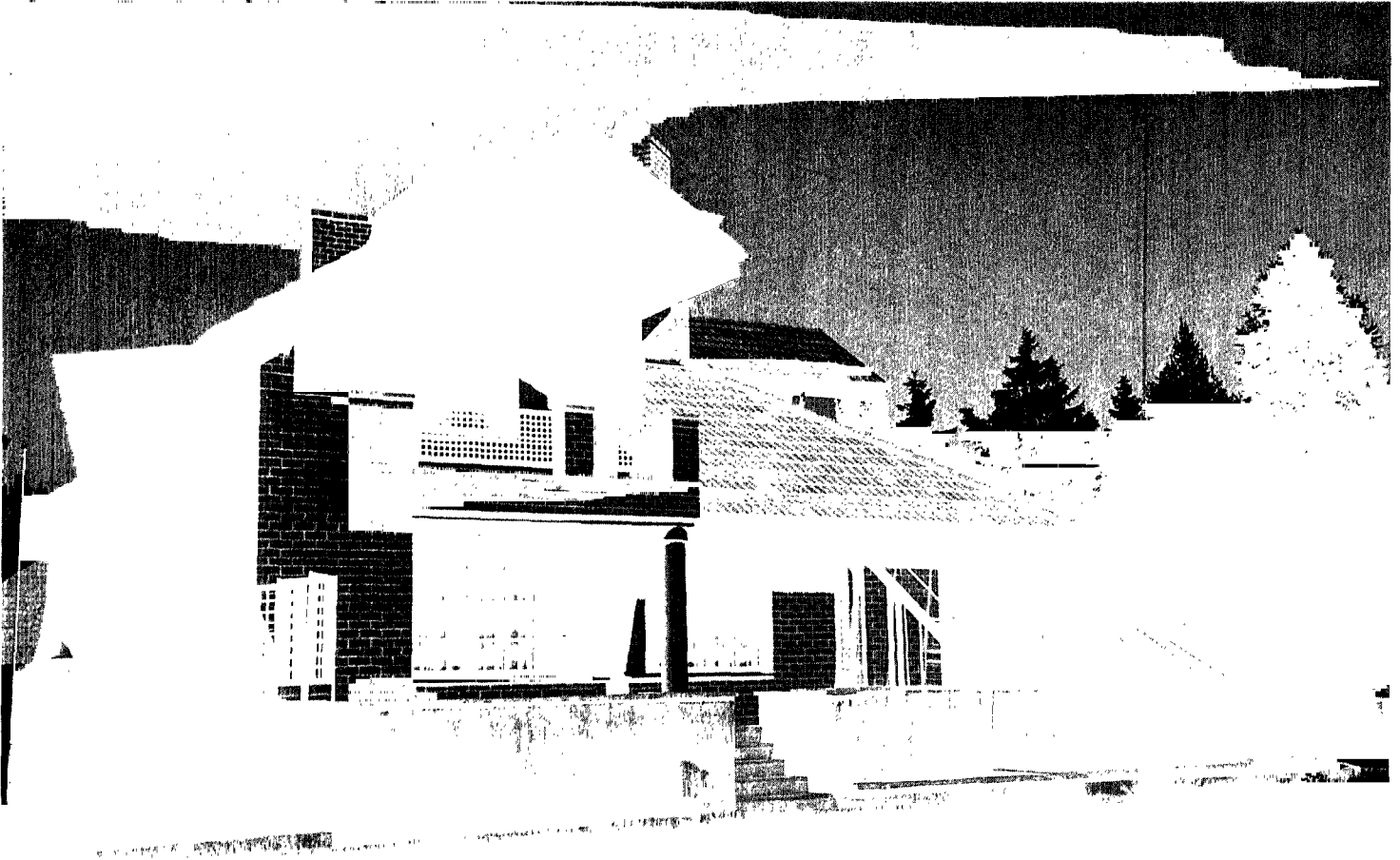
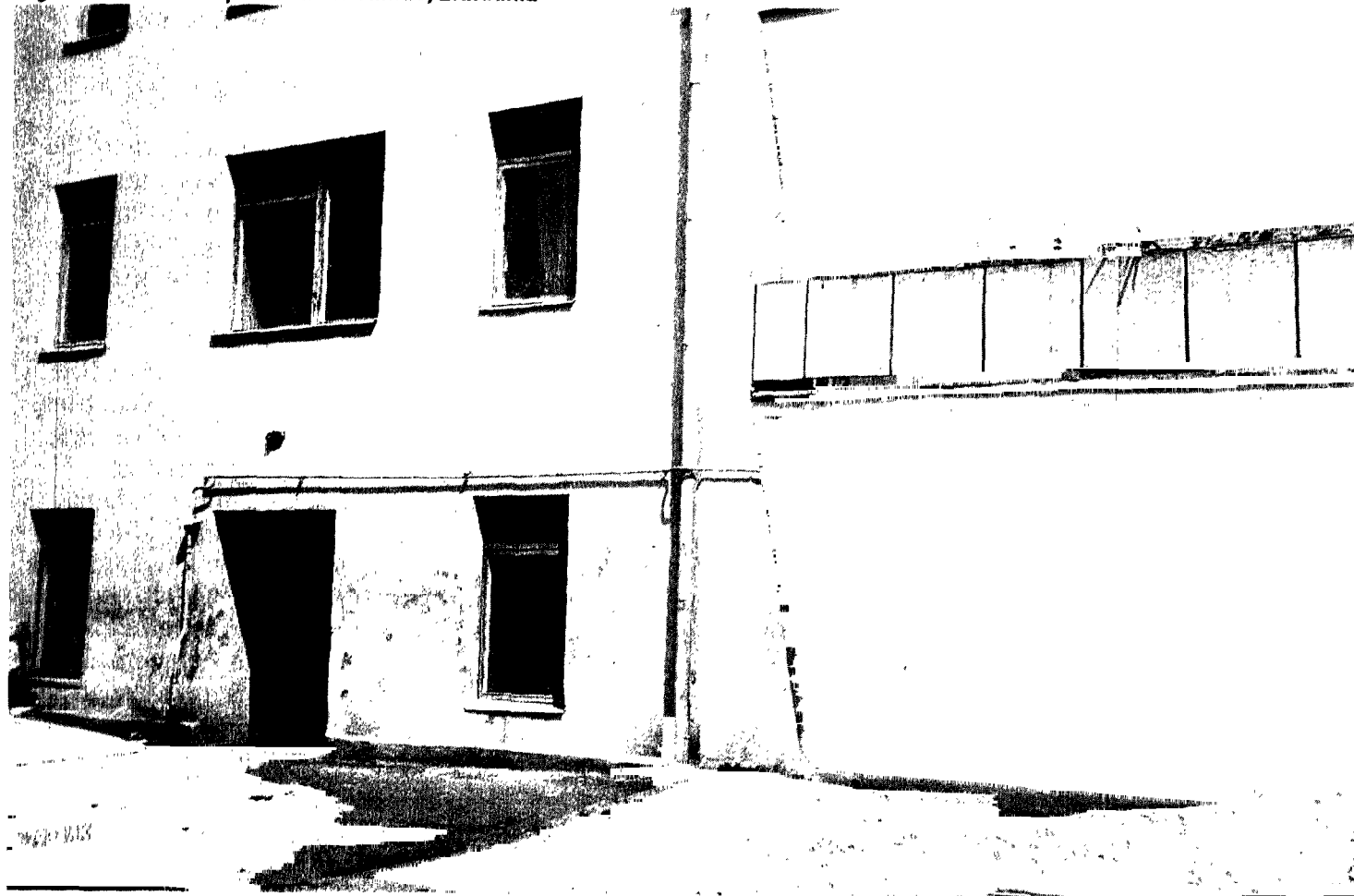


Figure I.4: Leased Apartment in Vilnius, Lithuania



### U.S.-Manufactured Housing May Be Procured

FBO is considering using mobile homes or some other form of temporary housing on an interim basis. For longer-term housing, FBO is exploring the use of "panelized" houses manufactured in the United States where local housing is not available. In April 1992 FBO requested comments from embassy officials on a proposal to procure U.S.-manufactured housing. Additionally, FBO officials told us that they placed an announcement in the Commerce Business Daily in June 1992 to gauge interest from U.S. suppliers. FBO has not yet determined the likely costs for procurement, delivery, and erection of U.S.-manufactured housing.

Nine posts—Ashgabat, Riga, Baku, Vilnius, Tashkent, Alma Ata, Kiev, Chisinau, and Dushanbe—expressed interest in obtaining

U.S.-manufactured housing. These expressions of interest were reviewed within the Department, and it was determined that both Kiev and Riga should be able to lease, or otherwise acquire, adequate housing in the local market.

Potential sites have been identified for the housing in the majority of the remaining locations. Posts are being instructed to obtain boundary, topographic, and utility surveys to provide guidance on negotiating the required land leases. FBO plans to enter into one or more agreements for the U.S.-manufactured housing in early 1993 and to have these houses in place by the fall of 1993.

FBO's schedule for providing the housing is very ambitious in light of the unsettled legal and political circumstances in many of the host countries, which may make leasing the required sites difficult and time-consuming. Further, a number of the posts are very remote, which will present significant logistical problems regarding transportation of the building components and the erection of units on the site. For example, the C-5A aircraft could be used to deliver the housing units. However, U.S. officials in Ashgabat were told by local authorities that the plane was too heavy to land at its commercial airport. Unless Embassy officials get permission to use military airports, the aircraft would have to land at a commercial airport 310 miles away, and trucks would have to be used to transport the housing to Ashgabat.

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**U.S. Government Does Not  
Have Possession of Some  
Properties**

The U.S. government has faced problems in gaining possession of some facilities. Several factors could significantly delay the property acquisition process and the Department's ability to begin renovations such as (1) in some cases, the U.S. government lacked formal lease agreements for the embassy buildings; (2) non-U.S. government-approved tenants occupy portions of some embassies; (3) proposed purchase agreements have not been finalized pending host government passage of laws allowing the United States to own property; (4) an unsettled property ownership claim affects one embassy; and (5) the finalization of agreements for some embassies depends on the United States assisting the host country in obtaining similar diplomatic facilities in the United States. Some of these problems affected buildings in three of the posts we visited—Tallinn, Vilnius, and Minsk.

**Tallinn Embassy Has Not Been  
Vacated and Has a Property  
Claim Pending**

The embassy in Tallinn was constructed in 1932 and has six floors consisting of about 13,908 square feet plus garage space. On November 19,



1991, the U.S. government leased the third floor and four garages. On March 26, 1992, the lease was amended to add the right half of the fifth floor. The lease was further amended on May 14, 1992, to include the fourth floor, left half of the fifth floor, and additional garages. Additionally, post officials are seeking to lease the first and sixth floors and to gain control of all the adjacent garage space. The British Embassy is located on the second floor. On April 30, 1992, post officials informed the Estonian Ministry of Foreign Affairs that the U.S. government wanted possession of the entire fourth floor, the remaining one-half of the fifth floor, and all of the sixth floor by July 15, 1992.

As of June 1992, there were approximately 14 Estonian organizations that had not vacated the building. According to post officials, the city government must give the tenants a minimum of 3 months notice to vacate the premises but, as of June 1992, had not done so.

Two tenants have recently renovated their space. One tenant, a cafe, completely remodeled the space, and another tenant, a music recording studio, installed a new glass door. The improvements indicate that the tenants may not intend to vacate the building. Additionally, one tenant has stated that they will not move out.

According to post officials, a property ownership claim has been filed on the building by a U.S. citizen. The post officials have requested that any lease with the city government reflect this fact. These officials have been in contact with the claimant, and he has expressed an interest to have the U.S. government remain in the building. As of June 1992, the claim was still pending.

#### **Vilnius Embassy and Ambassadorial Residence**

The embassy located in Vilnius, built in the 1930s, has two floors, a basement, and an attached garage. On April 13, 1992, the U.S. and Lithuanian governments reached agreement for the sale/lease of the embassy and ambassador's residence for \$1.1 million (see figure I.5). The Lithuanian government agreed to convey to the U.S. government titles to all buildings located on the premises and 99-year leases on the lands included within the premises. The Lithuanian government also agreed that at such times as the laws of Lithuania permit the private ownership of land by foreign entities, it would convert the leases to ownership titles at no additional cost.

The Lithuanian government agreed, within 30 days, to provide two certified land surveys of both properties. As of July 1992, the surveys had

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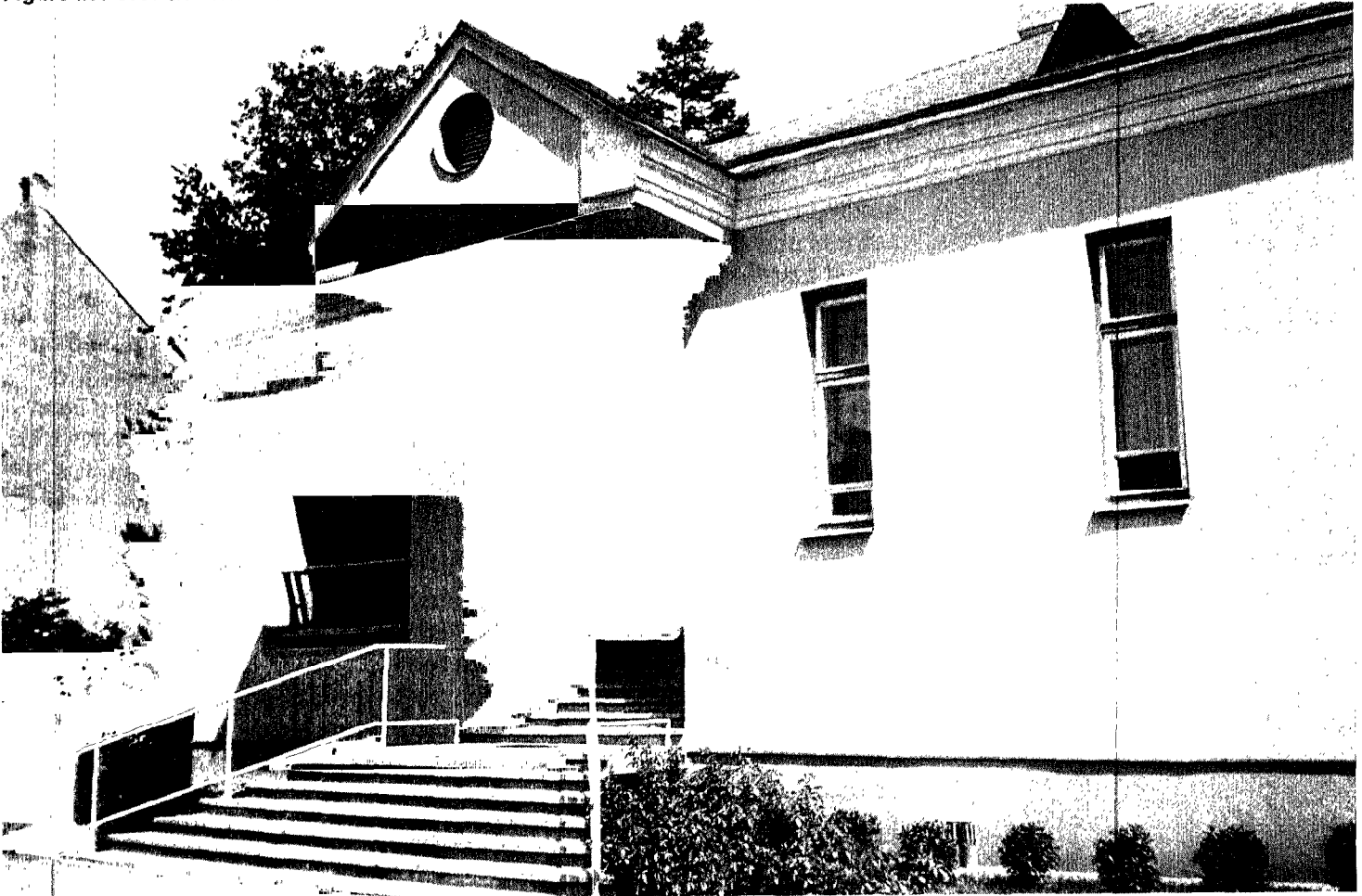
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not been completed. To expedite the purchase so that renovations could begin, the Department was considering hiring contractors to complete the surveys.

Embassy officials informed the Lithuanian government that the U.S. government would like to complete the sale by mid-July. Embassy officials believe that the sale will be completed and do not expect that the Lithuanian government will have problems finalizing the sale. As of August 1992, the sale had been approved and finalized.

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**Figure I.5: U.S. Government-owned Ambassador's Residence in Vilnius, Lithuania**



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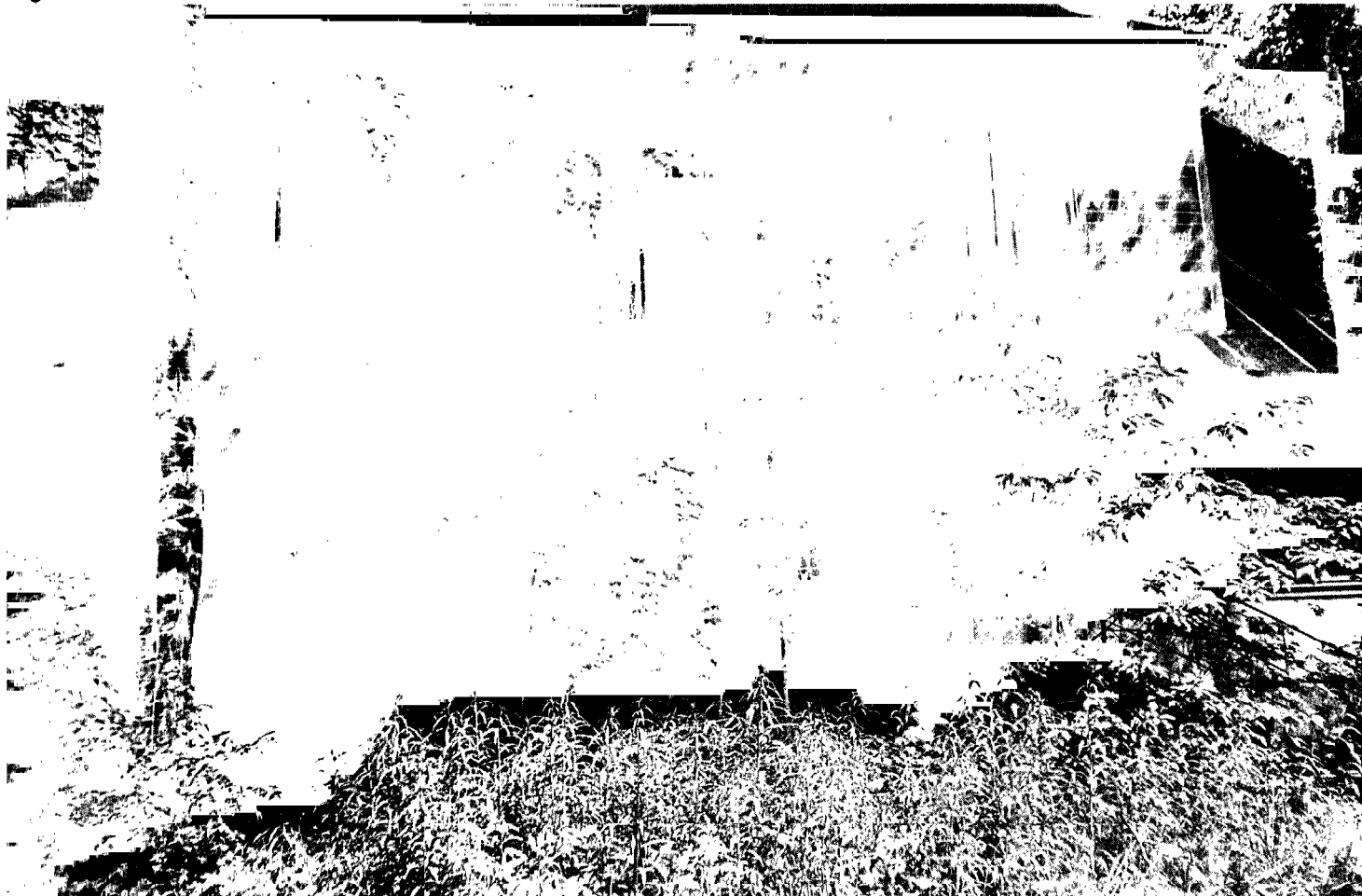
**No Approved Lease for Minsk  
Ambassador's Residence**

The ambassador's residence in Minsk is located in the suburb of Drozdi (see figure I.6). The residence is one of many similar residences in a compound.

In April 1992, the post officials informed the Ministry of Foreign Affairs that the U.S. government would help the Belarus government to obtain diplomatic facilities in the United States as part of a property exchange agreement. The agreement would work as follows: (1) when appropriate residences have been located in both countries, the governments intend, subject to their respective laws, to follow the procedures necessary to authorize an exchange of properties, (2) in exchange for the government of Belarus presenting to the U.S. government the title or 99-year lease to land and buildings for the ambassador's residence, the U.S. government will present to the government of Belarus title or 99-year lease to land and buildings in Washington, D.C., for an ambassadorial residence.

As of June 1992, the Chief of Mission told us that he was occupying the residence without a formal agreement and was not paying rent. In their comments on the draft report, FBO officials stated that a lease was signed in July 1992.

Figure I.6: Leased Ambassador's Residence in Minsk, Belarus



### Acquisition and Renovation Costs Are Difficult to Predict

Facility costs are difficult to predict at this time. Because the facilities acquisition process is still ongoing (1) lease and purchase cost data for embassies and housing units is incomplete, (2) total costs for embassy renovations are not known, and (3) the financial effect of possible exchange agreements cannot be determined.

FBO currently estimates that about \$44 million will be obligated in fiscal year 1992. This amount includes the acquisition of interim office and residential properties by lease or purchase, the cost of basic renovations necessary to ensure safe occupancy of these properties, and the installation of secure communications facilities. The estimate also includes the costs of providing furniture and furnishings for the offices,

representational facilities, and staff residences. Obligation plans for fiscal year 1993 are still being deliberated.

The State Department stated in its fiscal year 1993 budget request that given the uncertainty over the conditions of properties the U.S. government would eventually occupy, as well as evolving property laws, it was difficult to predict the speed and costs associated with establishing embassy facilities. The Department also stated that there could be additional costs for these new post openings beyond the appropriations enacted to date.

Based on available data, the initial outlay for the acquisition of housing and embassies will not be substantial. The known annual lease costs for embassies range from a high of about \$175,000 to a low of about \$50,000. According to FBO officials, the costs for the remaining leases will fall within this range and will be much lower than the \$175,000 amount. Housing lease costs are not known for each post, and FBO officials believe that the costs will vary greatly depending on location. The current annual lease cost for the embassy and seven housing units in Estonia is about \$275,000. If the initial outlays were similar at other posts, leasing new facilities at all 14 new posts would cost about \$3 - 5 million per year.

The Department has not spent much money to purchase facilities. As of July 1992, only about \$1.13 million was authorized for purchase agreements. This amount includes the cost of two ambassadorial residences and one embassy.

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## Renovation Costs Could Be Substantial

The Department has not yet developed final cost estimates for renovations at each new post. However, based on available data, the costs could be substantial. In April 1992, FBO's initial cost estimate for performing renovations in Tallinn, Riga, Vilnius, Kiev, Minsk, and Chisinau totalled about \$30 million. In August 1992, FBO said that its preliminary cost estimate had increased to about \$44 million—an average of about \$7.3 million for each location.<sup>1</sup> Costs for each embassy depend, in part, on who will perform the renovations—local contractors, cleared American contractors, the State Department's Washington and European Maintenance Centers, or a combination of American and local contractors. For example, if the Department's maintenance centers are used, the renovation costs could be as little as \$4 million for each embassy.

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<sup>1</sup>In two posts we visited, relatively small amounts of money—\$15,800 in Tallinn and about \$5,000 in Vilnius—had been spent for minor cosmetic renovations.

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However, the maintenance centers do not have the resources to perform the work at this time without severely curtailing or eliminating essential overseas maintenance and repair work. When local contractors and cleared Americans are used, the costs rise.

The Corps and the Department have determined that local contractors can perform any work except that work required in the controlled access area<sup>2</sup> at each site. The Department estimates that the ratio of American labor costs to total labor costs for renovations in the first six locations will range from 57 percent to 91 percent.

The estimates cited above do not include all equipment costs. However, these estimates include the cost of some materials, design fees, communications equipment, architectural services, shipping fees, and demolition costs. Department officials stated that it is difficult to predict the exchange rate, the amount of materials needed, labor costs, and the status of the economy when construction starts. These factors could significantly increase the renovation costs.

Other factors that could affect the renovations and result in higher costs include purchase of new equipment such as electrical transformers for each location, cost of the labor and materials to upgrade the host country's electrical system to accommodate the post's needs, and costs for renovation work that the landlord is expected to pay for and does not.

In addition, Department officials told us that renovation costs for embassies in the Central Asian Republics could be higher than for the first six embassies because the Asian Republics are located in high seismic zone areas. To ensure that the special needs of the facilities in this earthquake region are addressed, the Department hired a seismic specialist to inspect the facilities and advise them on the renovations. Furthermore, the remote locations could cause increases in labor and transportation costs for personnel, materials, and equipment.

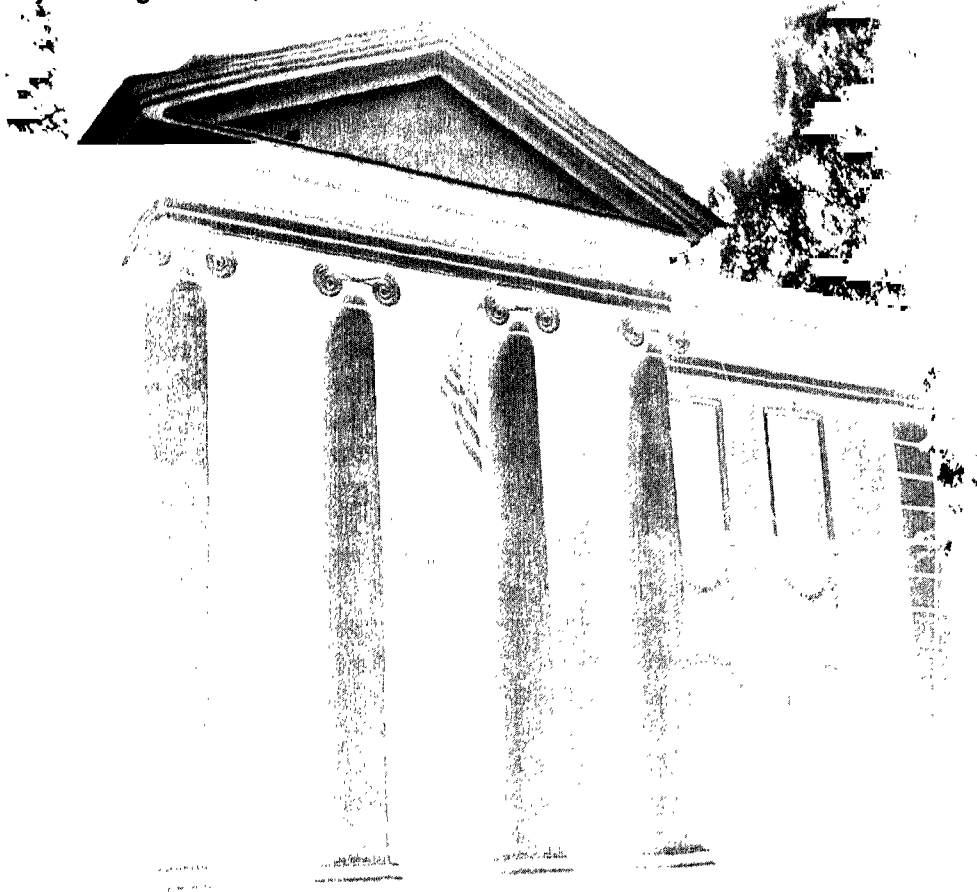
If the \$44 million estimate to renovate six embassies is accurate, and cost for renovations at the other eight embassies are similar, the total renovation costs would be about \$100 million. However, it is likely that total renovation costs will be higher. Figure I.7 shows one of the six embassies scheduled for renovation by the Corps.

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<sup>2</sup>A controlled access area is a special area of access limited to Americans with a security clearance.

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**Figure I.7: Leased Embassy Building in Minsk, Belarus**



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**Financial Impact of  
Exchange Agreements  
Cannot Be Determined**

Another factor that will affect post opening costs is the use of exchange agreements. Legislation was passed in 1990 to provide the State Department authority to enter into agreements with foreign countries on exchanges of property. The law provides that property acquired by the United States in the foreign country through such an exchange shall benefit the United States at least to the same extent as the property acquired in the United States benefits the foreign government.

Currently, the Department does not know how many of the countries in the region will seek this type of exchange agreement. Until the full extent of the use of these agreements and the financial impact of these

agreements is known, the Department will not be able to determine the costs involved.

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## Facilities Do Not Meet Department Standards

State officials said they were acquiring the best facilities available. However, all of the buildings selected as embassies do not meet Department standards for security, electrical, plumbing, safety, and fire systems.

Each of the first six embassies to undergo renovation will require (1) a complete electrical upgrade, (2) ventilation system modifications, (3) plumbing system modifications, (4) an emergency heating boiler, (5) changes to some interior walls, (6) a 10,000 gallon underground fuel tank, and (7) cosmetic repairs. In some posts, asbestos removal will be required. However, even after the renovation, some standards will not be met.

The Department plans to meet standards for technical security, information system security, communications security, and storage of National Security Information. However, because of the location and condition of leased buildings, the Department will need to waive or allow limited exceptions to its security standards. The Department has a waiver procedure in place for the physical security standards and the collocation policy, which requires, with some exceptions, that all U.S. government activities be collocated in embassy office buildings or any new compounds. The Department has also created an Exceptions Committee to handle other security standards.

Waivers will likely be obtained for (1) the amount of space the building needs to be set back from the street; (2) the perimeter fence requirement; (3) the historic buildings policy, which encourages preservation of historically significant buildings; (4) fire sprinkler systems; and (5) the collocation policy. As of July 1992, no waivers or exceptions to the policies had been requested.

Security upgrades will be completed during the renovations scheduled at each embassy. The Bureau of Diplomatic Security has been working with FBO and will work with the contractors to ensure that the new embassies comply with the Department's security standards to the maximum extent possible.



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## Corps of Engineers Will Manage Six Renovations

Until recently, the U.S. Army Corps of Engineers had very limited involvement in State Department construction and renovation work. The State Department and the Department of the Army signed a Memorandum of Agreement on March 18, 1992, setting forth the framework for Corps assistance in new embassy construction and upgrading existing embassies for diplomatic security purposes. Under this agreement, the Corps has been tasked with managing renovations of six embassies in Tallinn, Riga, Vilnius, Kiev, Minsk, and Chisinau.

The Corps plans to start work in October 1992, conduct the renovations concurrently, and complete work at all six sites by June 1993. This is an accelerated schedule. There are several factors that may delay the construction: (1) the purchase of the embassy in Vilnius has not been finalized; (2) the embassy in Tallinn is occupied by tenants and has a property ownership claim pending; (3) logistical problems with personnel, equipment, and facilities; and (4) the possibility of harsh winters in the region.

The Corps plans to use one contract for all six sites. The contract provides for design and construction at cost, plus an award fee. This type of contract allows a bonus, in addition to the contractor's costs, to be awarded to a contractor for good performance.

The Corps plans to establish project offices at each location. The project will be managed from the Corps' Europe District Office in Frankfurt, Germany. The Corps plans to have an Eastern Europe Embassy Renovation Engineer Office located in Tallinn. Each site—Tallinn, Vilnius, Riga, Kiev, Minsk, and Chisinau—will have project offices on site. Each office will be staffed with at least one project engineer, construction representative, administrative-logistical specialist, secretary, site security manager, and five cleared American guards. In addition two roving construction surveillance technicians based in Malmi, Finland, will be provided by FBO.

The Corps was chosen to manage the renovation work because (1) conventional FBO procedures for design and construction were time-consuming and the Department wanted to expedite the renovations; (2) FBO's current work force is already heavily committed, especially in the areas of contract administration, technical design reviews, and site surveys of other posts; and (3) FBO officials believed that the Corps' office in Frankfurt, Germany was in a unique position to assist FBO in project execution, with access to and knowledge of construction labor, materials,

standards, and contracting methods in the region, which are suitable for much of the rehabilitation work.

The Corps has contracting authority, a technical support organization, and experience in rehabilitation work for U.S. agencies in Europe, including emergency generators, security upgrades, and architectural, electrical, and mechanical rehabilitation. With approval of scopes of work and funding for multiple projects, the Corps can engage a contractor with the necessary security clearances, a current presence in Europe, and the ability to initiate work quickly on the projects.

We believe that if the Corps can complete work on time, within budget, and according to quality standards, its role in future construction activities could be expanded. The Corps has an office in Ankara, Turkey, that is physically closer to the central Asian embassies and has access to Turkic language speakers. This office may be able to assist in executing future projects in Alma Ata, Ashgabat, Baku, Bishkek, Dushanbe, Tashkent, Tbilisi, and Yerevan.

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## Other Facility Actions in the Region

In addition to the 14 new embassies in the former Soviet Union, the United States is considering establishing other new embassies or consulates. The United States is also planning to build, upgrade, or renovate some of its existing facilities in the region. These projects range from new construction in Sofia, Bulgaria, to the completion of the new office building in Moscow, to safety improvements at the consulate in St. Petersburg.

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## Eastern Europe

The Department has plans to open new embassies in Eastern Europe. In the area that formerly constituted Yugoslavia, embassies are planned for Sarajevo, Bosnia-Herzegovina; Zagreb, Croatia; and Ljubljana, Slovenia. Because of the violence in this area, specific opening dates have not been announced.

In Tirana, Albania, when the United States reestablished diplomatic relations, the embassy staff reoccupied the U.S. government-owned compound on October 1, 1991, which it had vacated about 40 years ago. FBO plans to renovate and repair the facility in three phases. The first phase will consist of emergency repairs to heating, plumbing, and electrical systems. The second phase will consist of system upgrades and replacement of fixtures and furnishings. Detailed architectural and

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**Appendix I  
Acquisition and Renovation of Facilities in  
Eastern Europe and the Former Soviet  
Union**

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engineering drawings for subsequent renovation will then be prepared for phase three renovations of consular sections, structural additions, and security upgrades. This renovation is expected to cost about \$3.5 million.

As in many of the new posts in the former Soviet Republics and Baltic States, finding adequate housing is a problem. There is a lack of Western-style housing in Tirana, and the Department considered providing mobile homes as an alternative to extended hotel occupancy by the Tirana staff. FBO has identified a European source that may be able to deliver and set up fully equipped housing units on the compound within one month, at a cost of about \$25,000 each.

The long-term housing plan is either to lease or purchase housing from a American company now building Western-style homes in Tirana or to procure and erect U.S.-manufactured housing on a leased site. FBO will make the decision between the alternatives based on the cost and timeliness of availability.

In Budapest, Hungary, the Department is designing an unclassified annex building (70,000 square feet) to be constructed one block from the embassy. The Department plans to spend about \$16.2 million in fiscal year 1993 for construction, project supervision, and security equipment and plans to request about \$2.7 million in fiscal years 1994 and 1995. In Sofia, Bulgaria, the Department plans to construct a 40,100 square foot embassy building at a cost of \$46.2 million by 1998.

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**Russia**

Currently, the Department plans to open two new consulates in Vladivostock (late 1992) and Yekaterinburg (1993). The sites for these consulates have not been selected.

The Department has awarded a design contract to an Architectural/Engineering firm for a new secure office building that is to replace the existing partially completed office building in Moscow.<sup>3</sup> The firm has completed its engineering survey for the new secure building and will complete two concept designs for this building, which will be located on the new embassy complex near the partially completed new office building in Moscow. While construction may be more complicated on the new embassy complex where people now live and work than it would be

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<sup>3</sup>Construction on this building stopped in 1985 due to the discovery of listening devices embedded in the structure.

on a vacant plot of land, the State Department believes that it is feasible to construct a new secure building on the new embassy compound.

In June 1992, we met with post officials to discuss their space needs. During these meetings the post officials stated that they are in need of more unclassified office space. As a result of the renovation at the existing embassy, the staff has to use housing units and space designed as the auditorium, bowling alley, reading room, and recreational use as offices. Also, the new openness and cooperation between Russia and the United States has resulted in increased staff and programs in the country and region, which has added to the need for more unclassified space.

The United States was given the use of a building, referred to as the "Change Building," in March 1992. This temporary building was erected to support the new embassy complex project with the intention that it would be removed at project completion. It served as the headquarters for the Soviet employees who worked on the new embassy complex. The post officials said that they plan to use this building to house some of the office staff for unclassified operations as a temporary solution for additional unclassified space.

In June 1992, during the United States-Russia summit, the U.S. government was given long-term use of the land surrounding the "Change Building," that connects two embassy facilities, giving the United States a contiguous property block. This agreement is contingent on the enactment of legislation that will permit occupancy of the new administrative buildings of the embassy complex on Mt. Alto in Washington, D.C. The United States will have a right to build a new facility anywhere on U.S. property, with Americans only, under completely secure and controlled conditions. Planning for long-term use of the property and the new office building is ongoing.

In St. Petersburg, FBO had planned a \$17 million major renovation to the consulate. In April 1992, post opposition and the requirements to open new posts caused the project to be reduced in scope to address upgrades to the heating system, renovation of the consular section, and special fire protection elements. The design is being modified, and the Department expects to begin construction in April 1993.

# Status of Embassy Facilities as of July 1992

<b>Post</b>	<b>Status</b>
Alma-Ata, Kazakhstan	A temporary facility was occupied in February 1992, and the embassy building was selected in May 1992. An FBO technical team inspected the building in June 1992 and is preparing a scope of work document for renovations.
Ashgabat, Turkmenistan	Embassy staff operate from a local hotel. An embassy building has been selected, and lease negotiations are underway. An FBO technical team inspected the building in June 1992 and is preparing a scope of work document for renovations.
Baku, Azerbaijan	A temporary embassy building was occupied in March 1992. An interim embassy building has been selected and leased in July 1992 for \$170,000 per year. An FBO technical team was scheduled to inspect the building in August 1992 and will prepare a scope of work for the renovations.
Bishkek, Kyrgyzstan	A temporary embassy building was occupied in February 1992. An interim site was selected and leased in July 1992 for \$50,000 per year. An FBO technical team inspected the building in June 1992 and is preparing a scope of work document for renovations.
Chisinau, Moldova	A 7,500 square foot embassy building was occupied in March 1992. A lease was signed in July 1992. An FBO technical team inspected the building in June 1992. It is one of six embassies scheduled for renovation in October 1992.
Dushanbe, Tajikistan	An embassy building has been selected but is currently partially occupied by tenants. An FBO technical team inspected the building in June 1992 and is preparing a scope of work document for renovations.
Kiev, Ukraine	A 19,000 square foot embassy building was occupied in January 1992 and leased in April 1992 for \$108,000 per year. An FBO technical team inspected the building in April 1992. It is one of six embassies scheduled for renovation in October 1992.
Minsk, Belarus	An embassy building was occupied and leased in April 1992 for \$51,646 per year. An FBO technical team inspected the building in April 1992. It is one of six embassies scheduled for renovation in October 1992.
Tashkent, Uzbekistan	A 17,000 square foot embassy building was occupied in March 1992 and leased in May 1992 for \$175,000 per year. An FBO technical team inspected the building in June 1992 and is preparing a scope of work document for renovations.
Tbilisi, Georgia	A 25,000 square foot embassy building was occupied in May 1992 and leased in June 1992. An FBO technical team inspected the building in June 1992 and is preparing a scope of work document for renovations.

(continued)

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**Appendix II**  
**Status of Embassy Facilities as of July 1992**

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<b>Post</b>	<b>Status</b>
Yerevan, Armenia	An embassy building was fully occupied in July 1992 and a lease was signed in August 1992. An FBO technical team inspected the building in May 1992 and is preparing a scope of work document for renovations.
Tallinn, Estonia	A 15,000 square foot embassy building was partially occupied and leased in November 1991 for \$74,820 per year. Tenants occupy portions of the building. Full occupancy of the embassy is planned for August 1992. An FBO technical team inspected the building in April 1992. It is one of six embassies scheduled for renovation in October 1992.
Riga, Latvia	A 22,000 square foot embassy building was occupied in January 1992 and leased April 1992 for \$155,902 per year. (A Cultural Center has also been leased for \$50,449 per year). An FBO technical team inspected the building in March 1992. It is one of six embassies scheduled for renovation in October 1992.
Vilnius, Lithuania	An 11,155 square foot embassy building was occupied in January 1992, and a purchase agreement was signed in March 1992 for \$1,100,000. (This price includes the Ambassador's residence.) The purchase agreement is pending the host government's approval. An FBO technical team inspected the building in March 1992. It is one of six embassies scheduled for renovation in October 1992.

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# Status of Ambassadorial Residences as of July 1992

<b>Post</b>	<b>Ambassadorial residence</b>
Alma-Ata, Kazakhstan	A suitable residence has not been identified, and post officials are considering using an apartment as a temporary solution.
Ashgabat, Turkmenistan	A suitable residence has not been identified, and the Department is exploring using U.S. manufactured housing.
Baku, Azerbaijan	A 4,579 square foot section of the embassy building will be converted to an Ambassador's residence.
Bishkek, Kyrgyzstan	A suitable residence has been identified, and lease negotiations are ongoing.
Chisinau, Moldova	The Ambassador is currently living in a hotel, and lease for a residence is under negotiation.
Dushanbe, Tajikistan	A suitable residence has not been identified, and the Department is exploring using U.S. manufactured housing.
Kiev, Ukraine	A temporary residence is being used, and the post is looking for other alternatives closer to the city that would provide better residential security.
Minsk, Belarus	A residence has been selected and was leased in July 1992.
Tashkent, Uzbekistan	The U.S. government plans to build a residence and is currently renting a house at a government guest compound.
Tbilisi, Georgia	A potential residence has been identified. The post has been authorized to negotiate a lease up to \$30,000 annually. Negotiations are still ongoing.
Yerevan, Armenia	An apartment is being used as a temporary facility.
Tallinn, Estonia	A temporary residence was leased in May 1992 for \$42,000 per year.
Riga, Latvia	An apartment within the chancery is being used as a temporary facility, and other alternatives are being considered.
Vilnius, Lithuania	A purchase agreement for residence was signed in March 1992 for \$1,100,000. This price includes purchase of the embassy building.

# Status of Housing Facilities and Prospects as of July 1992

<b>Post</b>	<b>Number of housing units leased</b>	<b>Total needed</b>	<b>Shortfall</b>	<b>Prospects</b>
Alma-Ata, Kazakhstan	0	12	12	12
Ashgabat, Turkmenistan	0	11	11	2
Baku, Azerbaijan	1	12	11	3
Bishkek, Kyrgyzstan	5	11	6	1
Chisinau, Moldova	1	11	10	6
Dushanbe, Tajikistan	1	11	10	2
Kiev, Ukraine	10	31	21	17
Minsk, Belarus	5	11	6	2
Tashkent, Uzbekistan	5	12	7	5
Tbilisi, Georgia	1	11	10	3
Yerevan, Armenia	4	11	7	0
Tallinn, Estonia	7	10-12	3-5	1
Riga, Latvia	5	10-12	5-7	2
Vilnius, Lithuania	3	10-12	7-9	11



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