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Report to the Chairman, Subcommittee
on Oversight and Investigations,
Committee on Energy and Commerce,
House of Representatives

April 1993

ENVIRONMENTAL PROTECTION AGENCY

Plans in Limbo for Consolidated Headquarters Space



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General Government Division

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April 19, 1993

The Honorable John D. Dingell
Chairman, Subcommittee on
Oversight and Investigations
Committee on Energy and Commerce
House of Representatives

Dear Mr. Chairman:

This report responds to your request that we review efforts being made by the Environmental Protection Agency (EPA) and the General Services Administration (GSA) to improve working conditions at EPA's present primary headquarters location and to obtain suitable consolidated headquarters space for EPA. You were concerned that a revised housing proposal currently under consideration for the Federal Triangle Building (FTB) may result in EPA not obtaining consolidated space. This report summarizes the information you requested.

Results in Brief

EPA's lease on its current headquarters space in the Waterside Mall complex has expired and is currently being renegotiated for up to 10 years because there is no short-term alternative that meets EPA's needs. EPA has already spent approximately \$5 million improving its Waterside Mall headquarters, and GSA plans to spend another \$2 million to improve working conditions and air quality at the complex. EPA has also moved some employees out of the complex and into other buildings to relieve overcrowding. In addition to these short-term improvements, both EPA and GSA agree that long-term EPA space consolidation is a priority. EPA estimated that travel among its eight headquarters locations in the Washington, D.C., area costs the agency approximately \$5.7 million annually for shuttle bus services and lost work time.

However, EPA currently has no resolution to its consolidated headquarters space needs. While EPA hopes to occupy all or a portion of the FTB project, this option remains in doubt because the Subcommittee on Public Buildings and Grounds, House Committee on Public Works and Transportation, has opposed EPA's occupancy of the building. Without a prompt decision on the FTB occupancy, alternative housing arrangements for EPA will remain in limbo.

Objectives, Scope, and Methodology

As agreed with the Subcommittee, the objectives of our review were to obtain information on (1) the office space EPA headquarters currently occupies and actions taken to improve working conditions at EPA's headquarters and (2) attempts to find EPA consolidated headquarters space over the past several years and the current status of those efforts.

To obtain information on problems with EPA's current headquarters workspace, leases, and improvement efforts, we interviewed officials within EPA's Facilities Management and Services Division. To determine what efforts have been made to find consolidated headquarters space for EPA and the current status of those efforts, we met with officials from EPA, GSA, and the Office of Management and Budget (OMB).

At each agency, we also obtained and reviewed information relating to EPA's housing needs. In addition, we reviewed relevant housing proposals; legislation; and EPA and GSA records, consultant studies, and real estate planning documents. Statistical data obtained on workspace, personnel, and improvement costs were provided by the agencies in summarized format. We did not verify these summaries to source documents.

Our work was done between November 1992 and February 1993 in accordance with generally accepted government auditing standards.

Background

Shortly after its establishment as an independent agency in December 1970, EPA requested space from GSA in Washington, D.C., to consolidate its activities, which were then dispersed in 10 locations around the city. At that time, GSA had no government-owned or government-controlled space available to meet EPA's requirements, which were for approximately 400,000 square feet.

In January 1971, GSA solicited offers for leased space in the southwest quadrant of Washington, D.C., because at the time there were no large blocks of space available elsewhere in the city. GSA received two offers and, after negotiations, selected space in the Waterside Mall complex that was then under construction. EPA began moving employees into the complex in August 1971.

Since then, EPA headquarters has expanded in the Waterside Mall complex and in seven other leased buildings in the metropolitan area. In total, these eight locations contain over 1.5 million square feet of space. Appendix I shows the building locations, square footage, approximate number of

employees at each location, and lease expiration dates. During 1993, EPA expects to occupy space in at least one additional building. GSA attributed the current dispersed housing situation to the agency's growth since 1971 and the lack of additional space at the Waterside Mall complex.

In addition, over the last 5 years, EPA has undertaken renovation projects at the Waterside Mall complex to resolve employee complaints about air quality and other working conditions. Because EPA's lease at Waterside Mall expired in September 1992 and no alternative for a consolidated headquarters has been decided, GSA is negotiating a lease renewal for up to 10 years with earlier cancellation provisions.

EPA's Efforts to Improve Working Conditions

Workspace at the Waterside Mall complex became overcrowded as EPA's staffing increased during its 20-year occupancy. In addition, over the years, the facility needed renovation, and indoor air quality and comfort increasingly became the concerns of EPA employees housed in the complex. In January 1987, GSA entered into a delegation of authority agreement transferring authority for the operation and lease administration of the Waterside Mall complex to EPA. Since then, EPA has initiated renovation projects to improve working conditions at the complex.

Complaints about working conditions increased dramatically when EPA began renovations at the aging Waterside Mall complex during 1988. In March 1992, we reported that between November 1988 and November 1991, 43 EPA headquarters employees were allowed to find alternative workspace because of health problems believed to be related to their office workspace. Some of these employees were authorized to work at home.¹

In response to employee complaints, EPA conducted research and proposed a plan of action to remedy the air quality and to relieve overcrowded conditions. From 1988 to 1992, EPA management undertook extensive cleanup operations, made ventilation system improvements, and installed new carpeting at the Waterside Mall complex. These improvements, as detailed in appendix II, cost EPA approximately \$5 million. According to EPA, these improvements were made during the last 5 years of the 20-year lease because EPA's employees and Congress insisted that workspace conditions be improved.

¹Workplace Accommodation: EPA's Alternative Workspace Process Requires Greater Managerial Oversight (GAO/GGD-92-53, Mar. 18, 1992).

As part of the lease renewal at the Waterside Mall complex, GSA plans to authorize additional upgrades to improve the workplace environment. These upgrades include additional office space renovations, asbestos removal, additional new carpeting, better air circulation, and fire safety and handicapped accessibility renovations. These improvements are estimated to cost about \$2 million.

During EPA's 20-year occupancy, the Waterside Mall complex became overcrowded, and additional space there was not available. As part of EPA's plan to improve working conditions, EPA moved some employees to other leased buildings, thus reducing the number of EPA employees at the complex.

Multiple Work Locations Increase Costs

Multiple work locations cause increased operating expenses for EPA. EPA's scattered work locations result in duplicate expenses for building operations, such as security, mail management, and copy centers. EPA officials said that such costs would be reduced with services consolidated at a central location, although it is difficult to estimate savings because some services would have to be expanded at one large facility.

Although EPA had not estimated the dollar savings from consolidating these activities, one cost saving that EPA said could be quantified is its shuttle bus contract and the related loss of staff time traveling between work sites. During 1992, EPA spent \$807,200 operating six shuttle buses that transported 507,000 passengers. In addition, EPA estimated that the lost work time based on an average 20-minute shuttle ride per EPA passenger cost the agency about \$4.9 million per year.

Efforts to Find EPA Consolidated Space

Knowing that the Waterside Mall complex lease would expire in 1992, EPA began talking with GSA about its need for a consolidated headquarters during the mid-1980s. According to EPA officials, market surveys of the Washington, D.C., metropolitan area at that time showed that buildings of approximately 100,000 to 200,000 square feet were the largest available for lease or purchase. Because EPA needed over 1 million square feet at one location, it began preparing a proposal to lease with an option to purchase a building to be built to its specifications.

The fiscal year 1988 continuing resolution directed GSA to submit to Congress a prospectus for consolidated EPA space in Washington, D.C.² A prospectus approved by OMB was submitted in March 1988. On September 27, 1988, the House Committee on Public Works and Transportation approved a lease/purchase project for EPA's consolidation. However, on October 19, 1988, OMB reiterated a Domestic Policy Council pronouncement opposing the use of lease/purchase arrangements for acquiring buildings that do not account for the full cost of the lease/purchase in the current budget year. OMB was concerned that a long-term lease/purchase contract created obligations beyond the current year that should be shown as budget obligations in the current year, even if actual payments were spread over the life of the lease. OMB has maintained that this will require agencies to compare lease/purchase to direct purchase or construction, which are generally less costly.

As an alternative to a lease/purchase building, in March 1989, GSA proposed constructing a consolidated EPA headquarters on government-owned land located at the Southeast Federal Center (about 10 blocks from the U.S. Capitol and adjacent to the U.S. Navy Yard). GSA planned to award a single contract to a developer who would both design and build the project by fiscal year 1994. EPA objected to the Southeast Federal Center location. In an April 1990 letter to GSA, the EPA Administrator cited the project's completion date, poor location, and security of the workforce and public as the major reasons for rejecting the proposed location. The EPA Administrator also expressed concern that the proposed level of funding would not provide an adequate headquarters facility. No further action was taken on this proposal because of EPA's objections.

According to EPA, in the summer and fall of 1990, EPA, GSA, and OMB continued to discuss where to locate a new EPA headquarters. Consideration was given to 21 federally owned sites within the metropolitan area. It was during this time that OMB proposed the FTB. EPA thought its housing needs would be met by becoming the major federal tenant in the FTB. GSA proposed this housing plan to Congress in March 1991 and subsequently curtailed further efforts to solicit additional alternatives for EPA. Because this building was already approved through

²The Public Buildings Act of 1959, as amended, (40 U.S.C. 606), requires that building construction or purchases over \$1.6 million or average annual leases of over \$1.6 million be approved by resolutions adopted by the Senate and House public works committees. The GSA Administrator must transmit to the committees a prospectus of the proposed facility that provides detailed information on who will be housed and which alternatives will be considered and an economic justification for the proposed project.

the Federal Triangle Development Act,³ no additional building prospectus was required.

The act required the Administrator of GSA to submit a housing plan for federal agencies to be located in the FTB to the Senate and House public works committees for approval as part of the overall development proposal. The original housing plan was included in the development proposal in June 1988 and proposed the Justice Department as the main tenant in the federal office space, with smaller space segments for components of the State and Commerce departments. This housing plan was not approved, and each committee passed resolutions reserving the right to approve the final housing plan.

In March 1991, the Administrator of GSA delivered a revised housing plan for the FTB to the public works committees. GSA's plan provided 1,255,000 square feet for EPA as the primary tenant of the federal office portion of this project, 500,000 square feet for the International Cultural and Trade Center, and 50,000 square feet for the Woodrow Wilson Center. Although the FTB would not be completed before 1996, EPA saw this option as a solution to the need to consolidate its headquarters operation.

Shortly after GSA's March 1991 housing plan was proposed, the Vice Chair of the House Public Buildings and Grounds Subcommittee, who is the District of Columbia's delegate to the House of Representatives, expressed concerns about it. She said that having one agency dominate this building changed the FTB's character from the international cultural and trade center originally intended, to an ordinary government office building. Further, she said that such a proposal was unlawful and not consistent with the Federal Triangle Development Act. She also said that to gain committee approval the plan must ensure that in keeping with the international character of the building, federal agencies assigned to the FTB have an international cultural or trade mission.

In our opinion, the act itself does not preclude EPA's occupancy of the federal office component of the FTB. Under the act, the Administrator of GSA must prepare a plan for the federal office space, subject to review by the appropriate congressional committees, but the act does not specify which agency or agencies will occupy the federal space or the nature of their missions. Moreover, as authorized by the act, up to 500,000 square feet of space will remain available for the international cultural and trade center.

³Public Law 100-113, August 21, 1987.

It is less clear whether locating EPA in this building complies with the intent of Congress in enacting the Federal Triangle Development Act, as evidenced by the statement of findings and purposes of the act and its legislative history. For example, one goal was to consolidate agencies from leased office space, a purpose that would be served by locating EPA in this space. However, that same goal states that a number of federal agencies would be consolidated, not just one. Moreover, the legislative history at the time of enactment identified the departments of Justice, State, and Treasury as targeted for occupancy in the FTB. Finally, there are references in the legislative history to identifying federal agencies with an international cultural or trade mission, even though the act does not dictate which agencies with what missions shall be located in this space. EPA's occupancy appears to meet only one of these goals—the consolidation of office space.

The concerns raised over the March 1991 housing plan left EPA's future headquarters move in limbo. Then in March and April 1992, high-level meetings among interested Members of Congress and OMB and GSA officials resulted in another FTB housing proposal and added to the uncertainty. The revised proposal split the FTB federal office space to allow for housing portions of both EPA's and the Department of Transportation's (DOT) headquarters in the FTB, with about 600,000 square feet of space allocated for each agency. However, in September 1992 the Vice Chair of the House Public Buildings and Grounds Subcommittee added language to an appropriation conference report requiring GSA to submit a new housing plan to Congress by March 1, 1993. The report states that this plan should provide "for the inclusion of federal agencies, or units thereof, in this facility which have trade or culture as their mission."

In a December 1992 letter to the Chairman, House Committee on Public Works and Transportation, GSA proposed the EPA/DOT split occupancy housing plan for the FTB. According to EPA and DOT officials, neither agency participated in the meetings that resulted in this revised housing proposal, and neither agency favors splitting its headquarters operations among multiple building locations, which would be necessitated by this proposal. The Vice Chair of the House Public Buildings and Grounds Subcommittee has expressed opposition to having EPA and DOT share the federal office space for the same reasons she opposes EPA's sole tenancy.

If the split DOT/EPA housing plan is implemented, EPA will still need approximately 800,000 square feet of additional space. EPA is currently working with GSA on a new prospectus for this additional need. According

to GSA, market surveys of the Washington, D.C., metropolitan area show that planned developments of commercial office buildings this size are limited. If EPA is denied tenancy in the FTB, EPA's housing plans will remain in limbo with any near-term solution unlikely. On March 1, 1993, GSA asked the appropriations committees for a 60-day extension for submitting a new housing plan for the FTB so that the new administration could complete its review of housing proposals for the FTB.

Conclusions

Both EPA and GSA agree that EPA needs a new headquarters. Until a solution is found, efforts to alleviate overcrowding and improve air quality and working conditions at the Waterside Mall continue and should provide interim improvements.

The long-term resolution of the search for a new headquarters for EPA looked promising with the proposal to house EPA in the FTB. However, neither GSA nor EPA anticipated the congressional concern over plans calling for either EPA's sole occupancy or the shared occupancy by EPA and DOT of the FTB.

In spite of the 5-year lead time to resolve EPA's needs for better space at a consolidated location, GSA has not been successful and does not know where, or if, EPA will be consolidated. As a result, EPA stands to continue incurring costs for short-term leased space and employee shuttle services until a long-term solution is found. In order to resolve this dilemma, the new administration should give prompt attention to addressing EPA's need for consolidated headquarters space. At the same time, Congress and the new administration need to resolve the housing plan for the FTB.

Recommendation

We recommend that the Acting Administrator of GSA give prompt attention to reaching an agreement acceptable to the new administration and the House and Senate public works committees on an approved housing plan for the FTB, since the outcome of that decision will affect EPA's and several other agencies' space planning. Depending on the decisions reached concerning the FTB, GSA needs to submit a building proposal for congressional approval that will settle EPA's future housing situation and provide adequate funding to fulfill its needs.

Agency Comments

We met with senior GSA and EPA officials on March 9 and 10, 1993, respectively, to discuss the facts and conclusions presented in this report.

Both GSA and EPA officials generally agreed with the facts, conclusions, and the recommendation we presented. They also suggested other minor changes that we incorporated, as appropriate, in the report.

Senior GSA officials said they are giving prompt attention to EPA's needs for consolidated space and to resolving the housing plan for the FTB. GSA said it is considering several options, including the FTB, new construction at the Southeast Federal Center or another location in Washington, D.C., the purchase of one or more buildings, lease/purchase, and leasing single or multiple buildings for EPA's needs.

EPA provided us with a copy of a March 9, 1993, letter from the Acting GSA Administrator to the White House Chief of Staff asking for guidance in finalizing the FTB housing plan and offering two alternative proposals for consideration in addition to the existing EPA/DOT split housing plan proposed by the prior administration. In one alternative, GSA proposed housing the Customs Service and the Agency for International Development (AID) in the FTB and constructing space for EPA at the Southeast Federal Center. In the other, GSA proposed consolidating EPA's total headquarters needs in the FTB. The Acting GSA Administrator cautioned the Chief of Staff that the latter proposal could meet stiff congressional resistance and could result in a gridlock over the housing plan and thus expose the government to unnecessary costs and embarrassing delays in achieving occupancy of the FTB. GSA also said that the plan to provide space for both EPA and DOT in the FTB would result in operational inefficiencies in two major agencies because both agencies would split their headquarters operations. The plan to house both EPA and DOT in the FTB would also create a need for large amounts of additional space nearby in one of the Washington, D.C., area's most expensive real estate markets. GSA noted that neither EPA nor DOT favored splitting their headquarters' components.

In addition, GSA pointed out that the Customs and AID housing plan for the FTB would most likely receive approval from those members of the public works committees supporting an international trade focus for the building, could help underscore the administration's support for improving the nation's competitive position in international trade, would provide operational efficiency for Customs and AID, and could enable GSA to expedite the renovation of buildings that Customs and AID currently occupy. The principal disadvantage of the plan was that it would eliminate the opportunity to reduce the cost of housing AID and Customs by locating them in areas that are less expensive than the FTB.

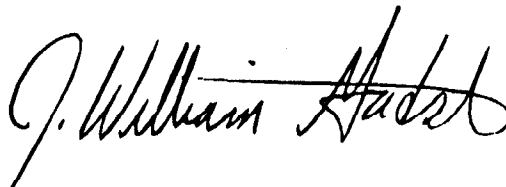
The letter the Acting GSA Administrator submitted to the White House stated that there would be no significant differences in the overall cost of housing the agencies regardless of which FTB housing plan is selected. In asking for White House guidance, GSA said that the objectives of any plan for the FTB should attempt to maximize the consolidation of agency functions at a single location, eliminate leases, reduce the demand for space in downtown Washington, D.C., and avoid the creation of secondary demand for contiguous space in a high-rent area of the local market.

On April 2, 1993, we discussed EPA's housing needs with House Committee on Public Works and Transportation, Subcommittee on Public Buildings and Grounds staff. The staff told us that the Subcommittee was actively seeking a consolidated headquarters for EPA and that the Subcommittee's objections to housing EPA in the FTB did not mean the Subcommittee believed that EPA should not be consolidated as soon as possible.

As agreed with the Subcommittee, unless you publicly announce the contents of this report earlier, we plan no further distribution until 30 days from the date of the report. At that time, we will send copies to the administrators of EPA and GSA; the Director, OMB; interested congressional committees; and others who may have an interest in this matter. Copies will also be made available to others upon request.

The major contributors to this report are listed in appendix III. If you have any questions or require any additional information, please call me on (202) 512-8387.

Sincerely yours,



J. William Gadsby
Director, Government Business
Operations Issues

EPA-Leased Space Occupied During 1992 in the Washington, D.C., Area

Location	Occupiable square footage	Number of personnel	Lease expiration date
Waterside Mall, 400 M St., SW, Washington, D.C.	1,061,186 ^a	4,497	09/13/92
Fairchild Building, 499 S. Capitol St., SW Washington, D.C.	125,673	716	03/31/95
Crystal Mall 2,3,4, 1921 Jefferson Davis Hwy Arlington, VA	103,019	717	02/11/95
2800 Crystal Drive, Arlington, VA	122,532	620	07/16/95
1550 Wilson Boulevard, Arlington, VA	18,190	75	12/19/96
501 3rd Street, NW, Washington, D.C.	75,400	470	04/01/97
Crystal Gateway I, 1235 Jefferson Davis Hwy Arlington, VA	56,625	325	04/22/97
607 14th Street, NW, Washington, D.C.	3,000	18	06/23/97
Total	1,565,625	7,438	

^aThe square footage at Waterside Mall includes 177,774 square feet of parking.

EPA-Funded Projects to Improve the Work Environment in the Waterside Mall Complex From 1988 to 1992

Project	Cost
Ventilation systems cleaning and ceiling tile replacement	\$1,752,785
Exhaust venting of copy centers and printing plant	201,677
Carpet replacement and cleaning	359,090
Heating, ventilating, and air conditioning balancing	458,603
Air conditioner diffuser changeouts	893,712
Elevator overhaul	882,386
Installation of supplemental heating and air conditioning systems	778,407
Total	\$5,326,660

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