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United States General Accounting Office
Washington, DC 20548

June 26, 2003

The Honorable Ernest F. Hollings
United States Senate

Subject: *Status of the L. Mendel Rivers Federal Building Exchange*

Dear Senator Hollings:

The L. Mendel Rivers Federal Building (Rivers Building) in Charleston, South Carolina, has been vacant since it sustained damage in 1999 from Hurricane Floyd. For several years, the General Services Administration (GSA) has been working with the City of Charleston to negotiate an exchange of the Rivers Building and its site for land and a building to be constructed by the City. This report responds to your March 21, 2003, request for information on the progress of GSA's efforts to exchange the Rivers Building with the City of Charleston. To determine the current status of the exchange, we interviewed GSA officials and reviewed the draft Memorandum of Understanding (MOU) between GSA and the City of Charleston. We performed our work during May and June 2003.

GSA and the City of Charleston have developed a MOU setting forth the terms and conditions for the exchange. Under the MOU, in exchange for the Rivers Building, the City of Charleston would convey to the federal government a parcel of city-owned land at 101 Broad Street and construct a building on it to support existing federal functions. This newly constructed federal building will be located next to the existing federal courthouse. GSA would have to approve all plans and specifications for the new building. The City would also construct a parking garage near the new building that would be used in part by the occupants of the new building but would not be part of the exchange. The MOU also states that the City would be responsible for the demolition and asbestos abatement of the Rivers Building. GSA will retain ownership of the Rivers building until the new federal building is constructed at 101 Broad Street and the exchange is completed.

According to a GSA official, the MOU was approved initially by Charleston's City Council and GSA's regional office. The MOU was then sent to GSA's Headquarters Office of Portfolio Management and reviewed by GSA's Office of General Counsel. We were informed that the General Counsel's Office made some technical changes to the MOU, and it was sent back to the City for the Mayor's signature. According to a GSA official, the Mayor signed the MOU on June 17, 2003, and the Administrator of GSA is expected to sign it in early July.

According to the MOU, the City plans a three-phase construction project. It would start with the construction of the new building, followed by the parking garage and then the demolition and redevelopment of the Rivers Building site. The City and GSA are working to develop the requirements for the new building. Once the MOU is executed, the City of Charleston can begin the process of selecting a developer for the new building. When construction of the building is completed and an independent appraisal shows the value of the new building and land is equal to the appraised value of the Rivers Building and its site, the exchange can occur. If the values of the properties are not equal and the City of Charleston cannot reach an agreement with GSA to provide additional consideration to recover the disparity in value, GSA retains the right not to complete the exchange. According to the MOU, if the exchange does not occur by February 10, 2007, the agreement will expire, and neither party will have any obligation to the other.

Please contact me at (202) 512-6670, or at goldsteinm@gao.gov, if you or your staff have any questions. We are sending copies of this report to the Administrator of GSA and will make copies available to others upon request.

Sincerely yours,

A handwritten signature in black ink, appearing to read 'Mark L. Goldstein', with a long, sweeping horizontal line extending from the end of the signature.

Mark L. Goldstein
Acting Director
Physical Infrastructure

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