



UNITED STATES DEPARTMENT OF COMMERCE
The Inspector General
Washington, D.C. 20230

July 27, 2010

The Honorable Barbara A. Mikulski
United States Senate
Washington, DC 20510

Dear Senator Mikulski:

This letter responds to your request for information regarding the leases of nine local Census offices (LCOs) in the state of Maryland. In your March 10, 2010, letter, you expressed concern over the costs of the leases and requested that the Inspector General (OIG) of the General Services Administration (GSA) and I look into this matter. Specifically, you asked for (1) an independent assessment of the nine Maryland LCO leases to determine if the Census Bureau's requirements for office space were reasonable and (2) a review of GSA's criteria for procuring office space to ensure that the most cost-effective properties were selected.

In response to your request, my staff conducted a survey assessing the Census Bureau's role in acquiring office space for the LCOs and the associated costs. We spoke with managers from the Philadelphia Regional Census Center, who are responsible for decennial operations in the state of Maryland, and reviewed documentation on the nine LCOs.

Overall, the Census Bureau and GSA worked together and appeared to follow their established procedures to search, solicit, and acquire office space in the time allowed per the bureau's office deployment schedule. However, we suggest that Census and GSA address the underlying issues—such as short lease periods, time constraints, and unique space requirements that limited the number of bidders during this decennial census—to mitigate potential challenges in acquiring office space for the 2020 Census. Specifically, we found that the Census Bureau worked with GSA to search for and assess potential LCO sites. In Maryland, GSA's solicitations to prospective lessors generated few bids within the areas delineated by the Census Bureau for LCOs. The lack of prospective lessors coupled with Census's tight deployment schedule meant that there were few choices for LCO sites and insufficient time to solicit additional bids. The problems in receiving an adequate number of bids led, in part, to the location of two LCOs in Baltimore approximately one-half mile apart. Our detailed results are provided below.

Since our oversight is limited to the Department of Commerce, we did not assess GSA's criteria and process for selecting the most cost-effective properties. The GSA OIG is in the process of reviewing these issues.

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locations of group quarters nationwide.¹ After the locations of residences were updated, the ELCOs were transitioned to LCOs to conduct the ten decennial field operations. Between August and December 2009, 344 additional LCOs were opened to conduct the ten decennial field operations.² In 2008 and early 2009, the Census Bureau opened three ELCOs in Maryland, located in West Baltimore, Frederick, and Largo. The Census Bureau later opened additional LCOs in Catonsville, Easton, La Plata, Rockville, Towson, and East Baltimore—bringing the total number of local Census offices in Maryland to nine.

How LCOs Leases Were Acquired: Coordination Between the Census Bureau and GSA

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After this information was provided, GSA had approximately 8 months to search for sites, conduct market surveys, solicit bids, and negotiate and award leases.³ These tasks were carried out by GSA and Equis Corporation, a real estate services company hired to assist with local office space acquisition, with some participation by Census. As part of the search for sites, Census and Equis staff independently surveyed vacant commercial office space within the area of consideration. Based on information from these surveys, Equis formulated a list of sites for formal market surveys and then Census, Equis, and GSA staff met with lessors to assess the properties’ suitability. Sites were rated on criteria such as location, parking, interior amenities, and safety features. The results of market surveys were used to generate suitable candidates to receive solicitations.

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Significant Tenant Improvements Initially Paid by Lessors Could Have Deterred Bidders

Before occupying local offices, the Census Bureau usually required improvements such as erecting walls, installing intrusion-detection systems, installing doors, and installing electrical outlets. As shown in Table 1,⁶ tenant improvements constituted the second largest expense for most Maryland LCO leases—an average of 37 percent.⁷ We did not analyze Census's space requirements or the cost of the tenant improvements for each office. Therefore, we cannot assess whether Census's space requirements or improvements were necessary, or whether some could have been eliminated to reduce costs. However, the costs of the tenant improvements were initially paid by the lessor and recouped only as part of the lease,⁸ which may have deterred potential lessors, particularly small-scale landlords.⁹

⁵ The offices that received only one qualified bid were Baltimore East, Catonsville, Easton, Frederick, and Rockville. For Baltimore East, the initial solicitation only generated one bid and during the subsequent solicitation, there were two bids but only one was within the area of consideration.

⁶ Table 1 breaks out lease costs per office by shell rent, tenant improvements, operating costs, and Public Buildings Service (PBS) fee. The total cost of each office covers the duration of the lease, which ranges between 16 and 25 months. GSA negotiated lease terms with lessors before making final awards and determined reasonable rent costs and tenant improvements. Shell rent represents the cost for the enveloping office space and excludes tenant improvements and operating costs; the PBS fee covers GSA's overhead expenses and is 5 percent of the total rent (shell rent, tenant improvements, and operating costs).

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Lack of Qualified Bids Contributed to the Proximity of Two Local Census Offices in Baltimore

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The bureau decided to open an ELCO in West Baltimore after GSA recommended the use of leased backfill space in that part of the city.¹² Negotiations with the lessor, from April to September 2008, ultimately failed to result in a lease award because of problems with financing tenant improvements, obtaining permits, and securing a contractor to perform the improvements. GSA subsequently recommended a second backfill space—this time in a GSA-owned building—a few blocks away and within the same area of consideration. This office space, at 103 South Gay Street, ultimately became the Baltimore West ELCO, opening a little more than 2 months behind schedule in March 2009.

The search for an LCO in East Baltimore was renewed in September 2008. After two rounds of market surveys over the next several months, GSA sent out solicitations to two lessors and received two bids. However, the property from one bidder was found to be outside the area of

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Census and GSA Should Address Issues Resulting in Few Acceptable Bids on Maryland LCO Leases to Mitigate Challenges in Acquiring 2020 Census Space

Our findings suggest that both Census and GSA worked together and appeared to follow their established procedures to search, solicit, and acquire office space in the time allowed per the bureau's office deployment schedule. However, we suggest that Census and GSA address the underlying issues that limited the number of bidders during this decennial census to mitigate potential challenges in acquiring office space for the 2020 Census.

We are sending identical letters to Senator Benjamin L. Cardin and Representatives John P. Sarbanes, C.A. Dutch Ruppersberger, and Frank M. Kratovil. If I can be of further assistance, please contact me at (202) 482-4661.

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The bureau decided to open an ELCO in West Baltimore after GSA recommended the use of leased backfill space in that part of the city.¹² Negotiations with the lessor, from April to September 2008, ultimately failed to result in a lease award because of problems with financing tenant improvements, obtaining permits, and securing a contractor to perform the improvements. GSA subsequently recommended a second backfill space—this time in a GSA-owned building—a few blocks away and within the same area of consideration. This office space, at 103 South Gay Street, ultimately became the Baltimore West ELCO, opening a little more than 2 months behind schedule in March 2009.

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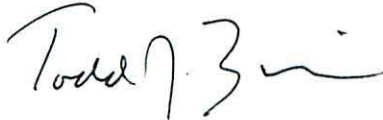
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Census and GSA Should Address Issues Resulting in Few Acceptable Bids on Maryland LCO Leases to Mitigate Challenges in Acquiring 2020 Census Space

Our findings suggest that both Census and GSA worked together and appeared to follow their established procedures to search, solicit, and acquire office space in the time allowed per the bureau's office deployment schedule. However, we suggest that Census and GSA address the underlying issues that limited the number of bidders during this decennial census to mitigate potential challenges in acquiring office space for the 2020 Census.

We are sending identical letters to Senators Barbara A. Mikulski and Benjamin L. Cardin and Representatives C.A. Dutch Ruppersberger and Frank M. Kratovil. If I can be of further assistance, please contact me at (202) 482-4661.

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UNITED STATES DEPARTMENT OF COMMERCE
The Inspector General
Washington, D.C. 20230

July 28, 2010

The Honorable C.A. Dutch Ruppertsberger
United States Representatives
Washington, DC 20515

Dear Representative Ruppertsberger:

This letter responds to your request for information regarding the leases of nine local Census offices (LCOs) in the state of Maryland. In your March 10, 2010, letter, you expressed concern over the costs of the leases and requested that the Inspector General (OIG) of the General Services Administration (GSA) and I look into this matter. Specifically, you asked for (1) an independent assessment of the nine Maryland LCO leases to determine if the Census Bureau's requirements for office space were reasonable and (2) a review of GSA's criteria for procuring office space to ensure that the most cost-effective properties were selected.

In response to your request, my staff conducted a survey assessing the Census Bureau's role in acquiring office space for the LCOs and the associated costs. We spoke with managers from the Philadelphia Regional Census Center, who are responsible for decennial operations in the state of Maryland, and reviewed documentation on the nine LCOs.

Overall, the Census Bureau and GSA worked together and appeared to follow their established procedures to search, solicit, and acquire office space in the time allowed per the bureau's office deployment schedule. However, we suggest that Census and GSA address the underlying issues—such as short lease periods, time constraints, and unique space requirements that limited the number of bidders during this decennial census—to mitigate potential challenges in acquiring office space for the 2020 Census. Specifically, we found that the Census Bureau worked with GSA to search for and assess potential LCO sites. In Maryland, GSA's solicitations to prospective lessors generated few bids within the areas delineated by the Census Bureau for LCOs. The lack of prospective lessors coupled with Census's tight deployment schedule meant that there were few choices for LCO sites and insufficient time to solicit additional bids. The problems in receiving an adequate number of bids led, in part, to the location of two LCOs in Baltimore approximately one-half mile apart. Our detailed results are provided below.

Since our oversight is limited to the Department of Commerce, we did not assess GSA's criteria and process for selecting the most cost-effective properties. The GSA OIG is in the process of reviewing these issues.

Background on Local Census Offices (LCOs) and LCOs in Maryland

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locations of group quarters nationwide.¹ After the locations of residences were updated, the ELCOs were transitioned to LCOs to conduct the ten decennial field operations. Between August and December 2009, 344 additional LCOs were opened to conduct the ten decennial field operations.² In 2008 and early 2009, the Census Bureau opened three ELCOs in Maryland, located in West Baltimore, Frederick, and Largo. The Census Bureau later opened additional LCOs in Catonsville, Easton, La Plata, Rockville, Towson, and East Baltimore—bringing the total number of local Census offices in Maryland to nine.

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After this information was provided, GSA had approximately 8 months to search for sites, conduct market surveys, solicit bids, and negotiate and award leases.³ These tasks were carried out by GSA and Equis Corporation, a real estate services company hired to assist with local office space acquisition, with some participation by Census. As part of the search for sites, Census and Equis staff independently surveyed vacant commercial office space within the area of consideration. Based on information from these surveys, Equis formulated a list of sites for formal market surveys and then Census, Equis, and GSA staff met with lessors to assess the properties’ suitability. Sites were rated on criteria such as location, parking, interior amenities, and safety features. The results of market surveys were used to generate suitable candidates to receive solicitations.

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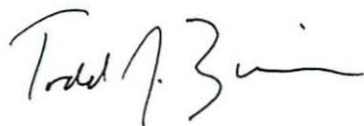
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July 28, 2010

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¹¹ The offices were to be located in Maryland congressional districts 3 and 7, respectively.

¹² Backfill space refers to vacant government space available to new tenants.

consideration specified by Census staff and, therefore, was not considered. The second bidder, for the property at 250 South President Street, was awarded the lease contract in April 2009 because, according to GSA, the lessor met the solicitation's requirements, was the only viable offeror, and proposed a fair and reasonable rental price. This office, which is approximately one-half mile from the West Baltimore location, was opened in November 2009.

Census and GSA Should Address Issues Resulting in Few Acceptable Bids on Maryland LCO Leases to Mitigate Challenges in Acquiring 2020 Census Space

Our findings suggest that both Census and GSA worked together and appeared to follow their established procedures to search, solicit, and acquire office space in the time allowed per the bureau's office deployment schedule. However, we suggest that Census and GSA address the underlying issues that limited the number of bidders during this decennial census to mitigate potential challenges in acquiring office space for the 2020 Census.

We are sending identical letters to Senators Barbara A. Mikulski and Benjamin L. Cardin and Representatives John P. Sarbanes and C.A. Dutch Ruppersberger. If I can be of further assistance, please contact me at (202) 482-4661.

Sincerely,

A handwritten signature in black ink, appearing to read "Todd J. Zinser". The signature is stylized and includes a long horizontal flourish at the end.

Todd J. Zinser