

STATEMENT OF MELISSA J. ALLEN
DEPUTY ASSISTANT SECRETARY FOR ADMINISTRATION
ON THE NEW DEPARTMENT OF TRANSPORTATION HEADQUARTERS
BEFORE THE COMMITTEE ON PUBLIC WORKS AND TRANSPORTATION
SUBCOMMITTEE ON PUBLIC BUILDINGS AND GROUNDS
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Good morning.

Mr. Chairman, I am Melissa Allen, Deputy Assistant Secretary for Administration, Department of Transportation. On behalf of the Secretary, I'd like to thank you for scheduling this hearing so promptly and inviting us to testify in support of the proposal for a new Department of Transportation Headquarters. This proposal will provide a quality work environment for the 12,200 DOT headquarters employees in the District by constructing a 1.7 million occupiable square foot building on the air rights behind Union Station and renovating both Federal Buildings 10A and 10B. The President's 1992 Budget requests \$473 million in the Federal Buildings Fund for this project and \$69 million in DOT Appropriations. In addition, \$50 million was appropriated in FY 1991 for site acquisition for the new building subject to advance approval by the House and Senate appropriations and authorizing committees. Thus, the total amount associated with the new Headquarters building is \$591.5 million. In future years, DOT will request \$33.4 million for its share of renovation costs for FB10A and FB10B.

As you know, the FY 1992 Treasury, Postal Subcommittee mark includes \$239 million for our new building with the directive to again restrict the availability to obligate any funds until the prospectus is approved. On the Senate side we are concerned that the Senate Appropriations Committee may not appropriate funds until the prospectus is approved. We, therefore, appreciate your scheduling these hearings so that action can be taken on the prospectus

The Department of Transportation (DOT) is currently housed in three principal locations: the Nassif Building (1,080,838 occupiable square feet) which houses approximately 5400 employees and contractor support personnel, Federal Building 10A (533,631 occupiable square feet) which primarily houses approximately 3500 FAA employees and contractor support personnel, and the Transport Building (428,480 occupiable square feet) currently housing approximately 2700 Coast Guard military and civilian employees and contractor support personnel. In addition, we have approximately 250 employees located in several small leases in northwest Washington.

More than two thirds of our headquarters employees are housed in low quality rented space which would require extensive improvements if the Department were to remain in those buildings.

Those improvements would come at a significant long term cost to the U.S. taxpayer especially when applied to leased property. For example, in the Nassif Building alone, we have estimated that it would cost approximately \$175 million to bring the building up to an acceptable standard. In addition, FB10A is scheduled for a major renovation in the next several years to bring its systems and general work environment up to an acceptable standard. Aside from these renovation requirements, additional space is required to relieve the overcrowding of current employees and contractors in both FB10A and Transpoint. In FB10A, the average utilization rate is 22 percent below the GSA standard; in Transpoint, the average utilization rate is 10 percent below the GSA standard.

The prospectus which this Committee is considering today would provide a programmatically beneficial solution to our longer term housing needs by:

- o accommodating modern office technology
- o improving DOT's operational efficiency and productivity
- o reducing administrative costs, and
- o providing a quality work environment for our employees.

Our present value analysis comparing leasing replacement space to constructing the air rights proposal shows a 30-year cost advantage of \$98 million to the Federal Government. In addition, because the new building would be designed to meet DOT's requirements, as opposed to retrofitting to meet our requirements in existing space, we will be able to reduce our office utilization rate to meet the new GSA standard of 125 square feet per person.

GSA and the Department have been working together over the past several years to identify a solution that is as acceptable as the one you have before you today. In 1989, we went into the market with a request for expressions of interest from the development community. At that time, we were talking about a consolidation of all DOT. Not surprisingly, few sites had the capacity to accommodate the Department's occupiable square footage. As we explored the potential for building on government owned air rights, we again tested the real estate market in Washington -- this time for a building purchase at the end of construction. Several of the respondents to this testing of the market place had responded back in 1989 -- and we are continuing to evaluate the proposed alternatives as we proceed through the Environmental Impact Analysis.

As stated in the prospectus, we are proposing a 1.7 million occupiable square foot building to be built on air rights behind

Union Station. This is the preferred solution to the Department's Headquarters needs. We are proposing to combine 5.8 acres of government-owned air rights behind Union Station with the purchase of 10.7 acres of AMTRAK owned air rights to create a 16.5 acre site.

We are frequently asked about the feasibility and cost of building over air rights. We have expert contractors working with us to advise us on these issues. The development of air rights has been an established practice for many decades. In this country, we are seeing more development of air rights as these properties are at the hub of urban activity, ideally located in terms of public transportation and accessibility. In fact, a quick review of the air rights projects over railroad tracks in some major U.S. cities including Chicago, Atlanta, Philadelphia, New York and Los Angeles reveals that there is over 6 million square feet of office space already constructed and another 75 million proposed for development. In the District, there are several air rights buildings including the U.S. Departments of Labor and Health and Human Services Headquarters buildings. The cost of air rights construction, that is the cost associated with building a platform to create the "ground level," is most frequently offset by the reduced value of the air rights themselves. For example, if the comparable property value in an area is \$200 per square foot, and the cost to build a platform is \$100 per square foot, the air rights should be available for \$100 per square foot.

We propose to develop this site to only 75 percent of its zoning capacity to respect the urban scale of the immediate vicinity and to provide for generous open space between the historic Union Station and the new building. We are developing site specific design guidelines which will assure that the actual development adheres to these concepts. We will give the Fine Arts Commission, the National Capital Planning Commission, the District's Historic Preservation Review Board, the Architect of the Capital and community associations numerous opportunities to participate in this process.

We are most sensitive to the concerns of the community regarding increased traffic and noise around Union Station and Capitol Hill and believe that many of the concepts which we have developed will address these concerns. GSA and DOT have jointly initiated an environmental impact process and will be scheduling public hearings later this summer to gather information from the community. This will allow us to fully consider community concerns and provide us with the opportunity to include appropriate mitigating actions as part of the project plans. The

National Capital Planning Commission is a cooperating agency in the study.

In addition, the Department of Transportation is helping to fund a transportation study of the Union Station/North Capital Street area. The goal of this study is to develop a transportation improvement program that will permit redevelopment of this area of the city to proceed in an orderly fashion while ensuring that the necessary transportation improvements are in place to support that development.

As the prospectus suggests, the Department will be housed in three Federally owned buildings -- the new air rights, FB10A, and FB10B where NASA is currently headquartered. The total requirement of 2.4 million occupiable square feet will accommodate almost 12,200 employees. The older Federal Office Buildings will be extensively renovated and will be improved to provide the advanced technology and work environment planned for the air rights.

Our schedule envisions that we will continue with the Environmental Impact Analysis and our design concept guidelines for the balance of this year and into calendar year 1992. We are proposing to issue a request for proposals for a design build procurement late in the summer of 1992, with an award approximately 12 months later in 1993. Construction would begin in late calendar year 1993 with full occupancy of the air rights building and the renovated Federal Buildings in calendar year 1998.

Thank you for giving me this opportunity to testify in support of this significant project. I will be happy to respond to any questions.