



July 9, 2004

MEMORANDUM FOR JOHN F. WALSH
VICE CHAIRMAN, BOARD OF GOVERNORS

FROM: David C. Williams
Inspector General

SUBJECT: Arlington, Virginia, Main Post Office
(Product Number CA-OT-04-002)

At a recent Capital Projects Committee meeting, you asked whether the OIG had any concerns with the Postal Service's proposed partnership with a private company to develop a mixed-use facility as recommended in the Arlington, Virginia, Main Post Office Decision Analysis Report.

We examined the alternatives presented in the Decision Analysis Report, considering issues such as population growth and overall project cost. In addition, we clarified information in the Decision Analysis Report with Postal Service personnel. Based on our limited work, nothing came to our attention that would preclude the recommended alternative in the Decision Analysis Report from being implemented. Attached is an overview of the recommended alternative.

If you have any questions or need additional information, please contact me at (703) 248-2300.

Attachment

cc: Governor Daniels
J. Potter
W. Johnstone
J. Reynolds

Overview of Recommended Alternative for Arlington, Virginia, Main Post Office

The Decision Analysis Report (DAR) recommended alternative includes several projects within the Arlington area. The most significant of these projects is the sale of the existing Arlington Main Post Office to a developer and the subsequent purchase of space as condominium ownership in two new buildings to be constructed by the developer. Additional projects in the recommended alternative are for the lease and build out of temporary space for use during construction, the renovation of the existing Buckingham Station, and the disposition of the Rosslyn carrier leased space.

The Arlington, Virginia, Main Post Office is a Postal Service-owned facility located at 3118 Washington Boulevard. The Postal Service also owns an approximately 40,000-square-foot vacant lot adjacent to the Arlington Main Post Office that was acquired under advance site acquisition procedures in July 1995. The Arlington Main Post Office facility is a historic building and will be preserved under this project.

The DAR recommended alternative is to sell the Postal Service-owned land and buildings at the Arlington Main Post Office site to a developer who will construct two separate mixed-use buildings. A four-story office building will be constructed on the site of the existing Main Post Office, directly behind the existing historic building, and an 11-story residential and commercial building will be constructed on the vacant lot adjacent to the Main Post Office. Both buildings will be connected via a five-level underground parking garage.

The Postal Service will receive condominium ownership of approximately 38,600 square feet of workspace (retail operations, support, workroom, and platform) and 84,000 square feet of parking within these buildings and garages. This is an increase of approximately 16,000 square feet of workspace. The additional workspace obtained by the USPS through this plan will allow the consolidation of delivery operations currently housed in the Buckingham Station and Rosslyn-leased facility. This will result in a reduction of square footage leased in Rosslyn and is projected to save approximately \$475,000 in rent annually.

The developer has agreed to a price of \$16.5 million for the Postal Service condominium space. The Postal Service had previously estimated that the cost of constructing a stand-alone structure to provide the same square footage would have cost approximately \$25.5 million.

The population of the three ZIP code areas that will be impacted by these projects was 57,218 in 2003 and is expected to increase to 61,613 (7.7 percent increase) by 2013. The current total interior space at the three facilities impacted by these projects is 48,028 square feet. These projects will increase the total space to 51,610 square feet (7.5 percent increase).

The project has received positive reviews from the Smart Growth Alliance, a coalition of five regional environmental and real estate groups. The project has also received approval from the Arlington County Board.