

DOCUMENT RESUME

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[Site Selection Procedures for Postal Facility in Euclid, Ohio].
GGD-78-102; B-114874. August 7, 1978. Released August 14, 1978.
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Report to Rep. Charles A. Vanik; by Victor L. Lowe, Director,
General Government Div.

Contact: General Government Div.

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Organization Concerned: Postal Service.

Congressional Relevance: Rep. Charles A. Vanik.

Questions were raised concerning the Postal Service's selection and acquisition of a site for a new post office in Euclid, Ohio. Allegations concerned overpriced land, improper acquisition procedures, and undesirability of the location. The majority of the allegations were based on inadequate data or a lack of familiarity with Postal Service policies and procedures. The Service followed established procedures in selecting the site for the facility; it made an adequate effort to identify all possible sites within the desired area and appeared to have selected the best site available. Although the original cost of the land to the seller was difficult to determine, the price the Service paid was reasonable. Requested zoning changes and unannounced purchase agreements were in accord with Service policy. It is unclear what impact, if any, the rezoning may have had on the price. The site is desirable from operational standards, is near major shopping areas, and is easily accessible to the public. However, high accident rates in the area may be an undesirable feature of the location. Because of the questions raised, the Postal Service agreed to consider possible alternatives. Two alternative sites were evaluated, but neither was acceptable because of extensive renovations required and the triangular configuration of the land. (RBS)

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UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

GENERAL GOVERNMENT
DIVISION

R-114874

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AUGUST 7, 1978

The Honorable Charles A. Vanik
House of Representatives

Dear Mr. Vanik:

Your February 23, 1978, letter, and accompanying report raised several questions concerning the Postal Service's selection and acquisition of a site for a new post office in Euclid, Ohio. In response to your request, we reviewed the procedures the Service followed in selecting and acquiring the site.

We concluded that allegations from interested parties concerning overpriced land, improper acquisition procedures and undesirability of the location were generally not valid. The majority of the allegations were based on inadequate data and/or a lack of familiarity with Postal Service policies and procedures.

The Postal Service evaluated alternate sites proposed by concerned parties, however, the sites were not acceptable from a cost and operational standpoint.

In reaching these conclusions we interviewed postal officials involved with the Euclid site selection and reviewed project files. We also discussed the matter with Euclid and Cuyahoga County officials, interviewed real estate representatives concerning the reasonableness of the land's price, and reviewed County records.

The results of our work are discussed in detail in the following sections.

GGD-78-102
(22487)

WHY EUCLID NEEDS A
NEW POSTAL FACILITY

Euclid needs a new postal facility because the Shore and Nobel branch post offices, two of the city's four branch offices, have become too small to accommodate increased workload. The workloads of the Shore and Nobel branch offices exceed plant capacity by 100 percent and 50 percent, respectively. There is also insufficient on-site parking for customers and postal vehicles at the offices. A new facility would consolidate the two branches, leaving room for growth and reducing operating expenses.

After the consolidation, all mail sorting and delivery activities for the Shore and Nobel service territories would be handled at the new post office. The Service plans to place some sort of mail collection and postage dispensing facility at the Shore and Nobel shopping centers. There are no plans for remodeling or rebuilding the other two branches.

SERVICE FOLLOWED ESTABLISHED
PROCEDURES IN SELECTING
BEST AVAILABLE SITE

The Service followed established procedures in selecting the site for the consolidated office. It made an adequate effort to identify all possible sites within the desired area and appears to have selected the best site of those considered.

As required, when the need for facility changes in Euclid was identified, the Service prepared a facility planning concept and an economic analysis. The facility planning concept described the facilities to be affected by the change and the functions to be performed in the new facility, and identified the preferred area for the facility. The economic analysis identified alternative solutions to the change which included:

- a. Remain in present facilities.
- b. Lease an adjacent building to provide an annex for the facilities.
- c. Lease a newly constructed facility to replace both facilities.
- d. Construct a new facility to replace both facilities.
- e. Lease or buy a facility in Euclid Square Mall to replace both facilities.
- f. Build new individual Shore and Nobel facilities.

The economic analysis indicated that options a and b were not acceptable because (1) the present facilities were too small, and (2) no property was available at the time of the analysis to provide annexes. Options c, d, and e were the recommended alternatives with option f acceptable only if the recommended alternatives were not available.

Following the identification of the most desirable alternatives, the Service's Louisville Area Real Estate and Building Office was directed to find a suitable site in March 1974. A Service real estate specialist conducted a market survey as required by Service procedures.

According to a postal official, when the Service began its search, its first choice was the Euclid Square Mall--located almost in the center of the preferred area. They said they made repeated attempts to locate there, but the mall developers could not find appropriate space for a post office.

Once the mall was ruled out as a possible location, the real estate specialist contacted other property owners and real estate brokers. By March 1975, the real estate specialist identified three possible locations:

- A 128,000 square foot unimproved lot on Lakeland Boulevard--a one-way traffic artery parallel to a freeway.
- A 23,000 square foot space on the ground floor of a vacant engineering office building.
- A portion of the space in a vacant retail department store.

The 128,000 square foot lot on Lakeland Boulevard was selected as the most desirable of the three. The other two alternatives were not chosen because the available space in the buildings was not suitable. The space in the engineering building had an unusual configuration and 9-foot ceilings which presented insurmountable problems for positioning a lookout gallery required by the Service's inspectors. Service officials said the vacant department store lacked the visibility to the public desired for a post office and the configuration of the site would make its use difficult.

In March 1975, the real estate office decided the Lakeland Boulevard site was the most desirable. The owner of the selected site asked \$300,000. The Postal Service had an independent appraisal made of the property in accordance with its procedures. In determining the fair market value of the property, the appraiser evaluated five other parcels that had been sold during the previous three years. Based on the prices paid for these parcels, and considering the subject property's location, the appraiser concluded that \$266,200 would be a reasonable price. The appraised price was agreed to by the owner and in January 1976 the Postal Service offered to buy the property. The Service purchased the property on May 6, 1976.

ALLEGATIONS CONCERNING SITE
ACQUISITION GENERALLY NOT VALID

Several allegations have been made concerning the propriety of the Service's site selection and acquisition procedures, including:

- The land was overpriced.
- Zoning changes were made merely to increase the price.
- The owner had a commitment from the Postal Service to buy the property before the purchase was recommended.
- The site was undesirable because it was not near the central business district and because the surrounding area had a high accident rate.

We followed up on these allegations and found that they were generally not valid. They were generally based on inadequate data and/or lack of familiarity with the Postal Service's policies and procedures.

Price of land was reasonable

Although the original cost of the land to the seller was difficult to determine, it appears that the price the Service paid was reasonable, even though the seller made a handsome profit.

Original cost of land difficult to determine

The original cost to the seller for two of seven parcels purchased by the Service was difficult to determine. Confusing circumstances surrounding four real estate transfers which were recorded in county records on May 6, 1976, raised questions as to the seller's actual profit on the sale to the Postal Service.

The property the Service purchased consisted of 7 parcels which the seller accumulated over a 10-1/2 year period. We reviewed the deeds in the Cuyahoga County Recorder's Office to determine what the seller paid for the property. Based on the County transfer tax paid and discussions with two of the original owners, it appears the seller paid the following for each parcel.

<u>Parcel</u>	<u>Date of purchase</u>	<u>Amount paid</u>
1	12-20-65	\$ 4,600
2	2-28-74	10,000
3	1-02-74	30,000
4	7-03-74	37,025
5	4-18-75	10,500
6	2-28-76	20,000
7	2-28-76	<u>25,000</u>
Total cost		<u>\$137,125</u> -----

The seller held options to buy parcels 6 and 7 for \$20,000 and \$25,000 respectively. County records show, however, that the seller's brother-in-law bought the two parcels for \$50,000 each--one on February 11, 1976, and the other on February 28, 1976. The brother-in-law then sold both parcels to the seller on February 28, 1976, for \$50,000 and \$50,800. These four transactions and the Service's purchase were all recorded on May 6, 1976.

The original owners of parcels 6 and 7 informed us that they were paid \$20,000 and \$25,000, respectively, as specified in the option agreements. In addition, the owners told us that while both men were present during the sale they thought they were selling directly to the individual who sold the property to the Postal Service and not his brother-in-law. We contacted the individual who sold the property to the Postal Service and he said he could not remember the details of the sale.

It appears that the seller's total purchase cost for the 7 parcels amounted to \$137,125. Considering the purchase price paid by the Service of \$266,200, the seller's profit amounted to \$129,075.

Service appears to have paid a reasonable price

Contrary to allegations of overpriced land, the price of the property seems reasonable, based on the opinion of the Service's independent appraiser and the County's commercial property assessment department.

The allegation of overpriced land was reportedly based on (1) a statement by the Cuyahoga County Auditor that the purchase price was the highest price per acre of any vacant property in Euclid and (2) the Service's April 13, 1976, evaluation report which valued the land at \$201,240.

We contacted the County auditor's office and talked to the supervisor who reportedly made the statement about the high price paid by the Service. The supervisor denied saying that the Service paid the highest price per acre of land in Euclid.

The \$201,240 cost estimate contained in the Service's evaluation report was prepared in 1974 and pertained to a hypothetical alternative of buying 117,000 square feet of land, 11,000 square feet less than actually purchased. It had no relationship to land actually available for sale at that time. As discussed earlier, the Service's independent appraiser valued the land at \$266,200, the final purchase price. Further, an official of the County's commercial property assessment department stated that the price paid by the Postal Service was reasonable.

Zoning changes and
unannounced purchase
agreement normal policy

Contrary to alleged impropriety, the requested zoning changes and unannounced purchase agreement were in accord with Service policy.

It was alleged that the zoning change was not required, but was sought by the seller to raise the price of the land. Also, when the seller appeared at a zoning meeting in February 1975, he indicated that the Service would use the property although the Service report recommending its purchase was not completed until March 1975.

Although rezoning is not required to construct a postal facility on land zoned residential, it is the Service's normal policy to comply with the objectives of zoning ordinances. In the Euclid case, it is unclear what impact, if any, the rezoning may have had on the price.

The inference that there was something improper about the Service's contacting the seller before recommending the site is not valid. Postal procedures in existence at the time the Euclid site was selected called for a real estate specialist to develop the basic information needed for considering a new postal building and to survey the community for available land or buildings without publicity.

Since May 1976, however, the Service has changed its procedures to provide for contacting local public officials as early as possible in the planning process.

Site desirable

The site is desirable from a Service operational standpoint, is near major shopping areas, and is easily accessible to the public. However, the high accident rates in the vicinity may be an undesirable feature of the location.

The Shore Center was described as the "downtown" of Euclid by a local city official. The site selected for the proposed consolidated facility is about one mile from the Shore Center and, consequently, the local business district. However, it is only about three blocks from the Euclid Square Mall and is located on a major road with others near by, making it reasonably accessible to the public. The site is also located on the delivery boundaries of the present Shore and Nobel Post Office branches making it desirable from a service operational standpoint.

It has been alleged that the area around the proposed postal site has a high accident rate. As indicated in enclosure I, the major traffic hazard appears to be an off-ramp from Lakeside Freeway, which is only a short distance before East 250th Street.

In calendar year 1977, 12 accidents were recorded by the police on Lakeland Boulevard between the apartment complex adjacent to the postal site and East 250th Street, and an additional 15 accidents between Lakeland and Stephen Avenue on East 250th Street. Another 15 accidents were recorded on East 260th Street, which may or may not be germane to the potential traffic problem with the postal site.

Postal officials felt that most of the traffic to the post office would be from local streets and not from the freeway. Postal vehicles exiting the freeway, however, have to turn onto East 250th Street to gain immediate access to the post office. To do so requires crossing Lakeland Boulevard.

Officials of the Euclid Police Department did not want to confirm or deny the claim that the area has a high accident rate.

POSTAL SERVICE CONSIDERING
OTHER ALTERNATIVES

In response to the concern raised regarding the site selected for the new post office, the Postal Service agreed to consider any reasonable alternatives presented to it. On April 19, 1978, a Euclid official presented the Service with two possible alternatives:

--Acquiring buildings adjacent to the Shore Center Post office.

--Using a former discount department store.

The owner of the buildings adjacent to the post office is asking \$550,000. If these buildings were used, some would have to be demolished and the remainder renovated. In addition, a car wash and a tire store would have to be purchased and demolished to provide sufficient parking. The cost of the demolitions and renovations has not been determined.

The discount store is a much larger building than the Service needs. Renovations would have to be made to the building, including partitioning a portion of the building for the Service's use and building a ramp to the basement to provide parking for postal vehicles. According to a postal official, any existing building must also meet the current energy conservation and handicapped access requirements to qualify for a post office. The older the building, the more difficult it is to meet these requirements.

The Postal Service evaluated these two alternatives and found neither site acceptable because of the extensive building renovations required and the triangular configuration of land.

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B-114874

The Postal Service has reviewed this report and concurs with the findings. Its comments are included as enclosure II.

As arranged with your office, copies of this report will be made available upon request 7 days from the date of the report unless you publicly release its contents earlier.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "Victor L. Lowe".

Victor L. Lowe
Director

Enclosures - 2

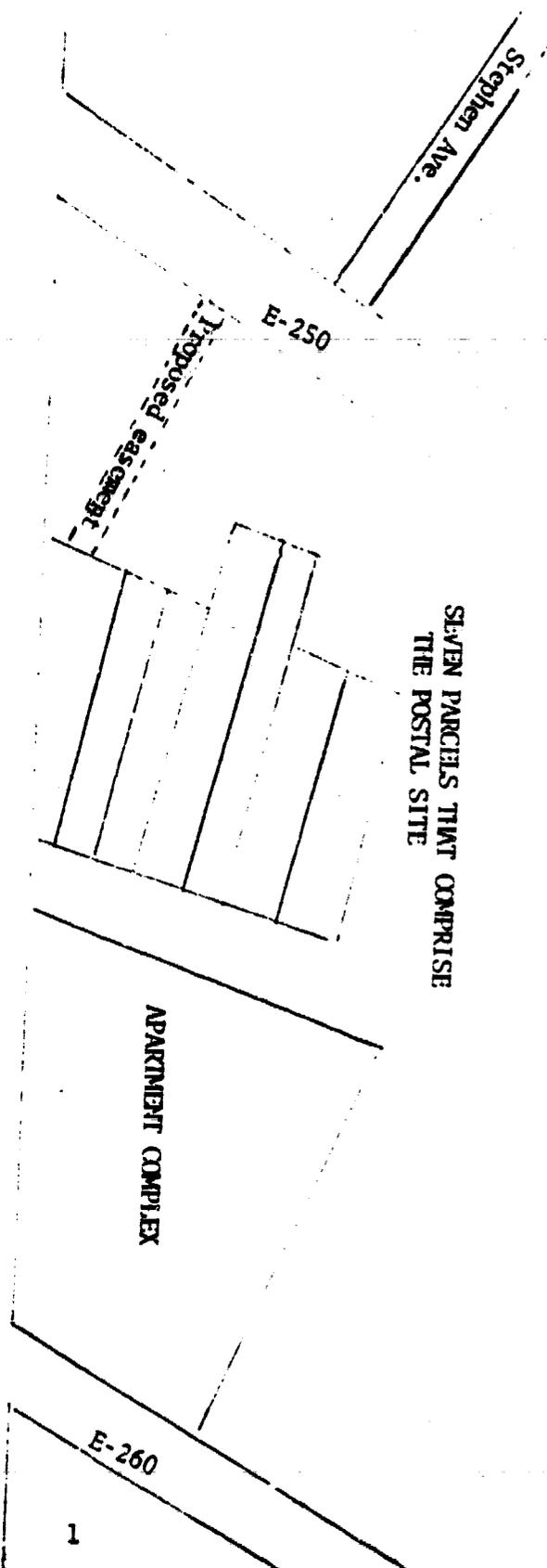
ENCLOSURE I

ENCLOSURE I

FREEMWAY

OFF-RAMP

LAKELAND BOULEVARD



SEVEN PARCELS THAT COMPRISE THE POSTAL SITE

APARTMENT COMPLEX

E-260

ENCLOSURE II



ENCLOSURE II

THE POSTMASTER GENERAL
Washington, DC 20260

July 31, 1978

Mr. Victor L. Lowe
Director, General Government
Division
U. S. General Accounting Office
Washington, D. C. 20548

Dear Mr. Lowe:

Thank you for the opportunity to comment on your proposed report concerning the acquisition of a postal facility in Euclid, Ohio.

The report's findings are consistent with our records and we agree with its conclusions.

Sincerely,



William F. Bolger