

***Report to Congress on  
Consideration of Relocating the  
National Marine Fisheries Service Northeast Regional Office  
from Gloucester, Massachusetts,  
to the National Capital Region***



**U.S. Department of Commerce  
National Oceanic and Atmospheric Administration  
National Marine Fisheries Service**

**July 2012**



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Senate Report 112-78, Departments of Commerce, Justice, Science, and Related Agencies Appropriations Bill, 2012, directs the National Oceanic and Atmospheric Administration's (NOAA) National Marine Fisheries Service (NMFS) to "provide the Committee a report detailing a full analysis of relocating the NMFS northeast regional office closer to NOAA's headquarters within 2 years. This central office serves the eastern seaboard from Maine to North Carolina, and as far west as Minnesota. Better centrally locating the facility in an area close to NMFS headquarters would allow greater coordination with senior management of NOAA and the Department of Commerce. The Committee believes this will provide for efficiencies and enhance management, while still maintaining a strong regional presence." This report responds to that request.

### **NMFS Organization and Operation**

NMFS operates as a decentralized organization, with offices and laboratories located in 20 states, American Samoa, Guam, and Puerto Rico. The NMFS Northeast Regional Office (NERO) is located in Gloucester, Massachusetts. It is one of six Regional Offices, with the other five located in Florida, California, Washington, Alaska, and Hawaii. NERO staff is located throughout the region in field offices.

There are six regional Fisheries Science Centers—all located in the same states as the Regional Offices—in the Northeast, Southeast, Southwest, Northwest, Alaska, and the Pacific Islands. The Fisheries Science Centers comprise numerous laboratories geographically distributed to serve specific scientific requirements. The Northeast Fisheries Science Center's (NEFSC) primary laboratories, offices, and marine operations center are in Woods Hole, Massachusetts.

Figure 1 presents the location of each of the major facilities throughout the country. NERO field offices and NEFSC laboratories in the Northeast Region are also indicated on the map.

## NOAA Fisheries Field Structure and Facilities

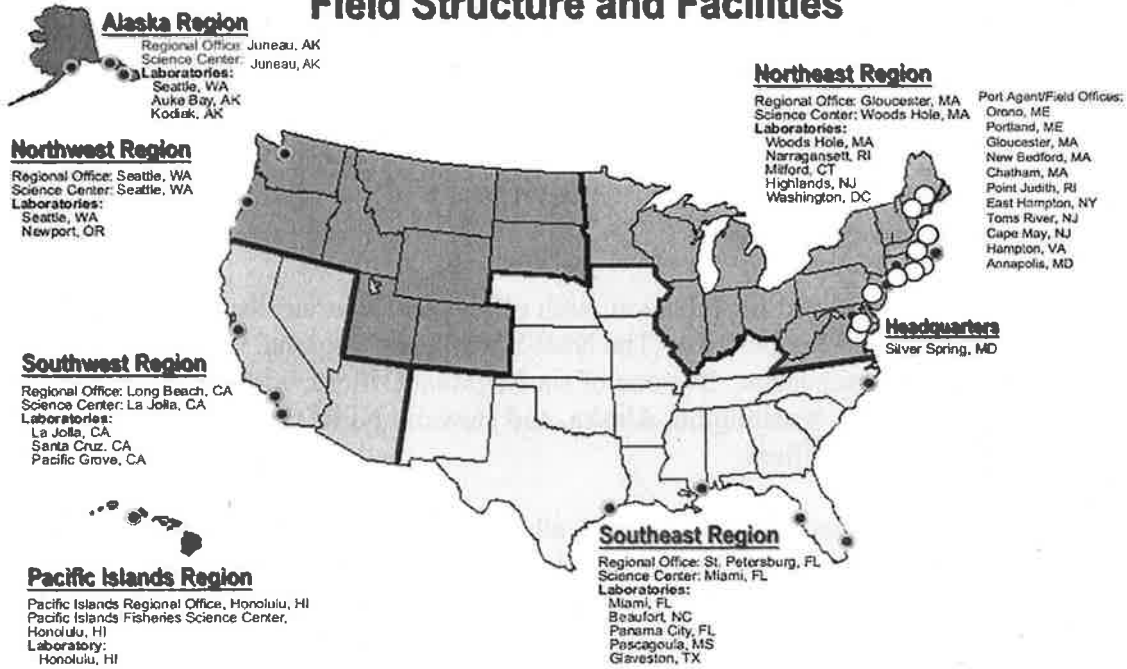


Figure 1. NMFS Regional Office and Science Center Locations

The NMFS regional offices and science centers are located close to major ecosystem centers and to the centers of economic activity associated with those centers. This geographical distribution originated with the close proximity to commercial, tribal, and recreational fisheries interests. NMFS Headquarters, on the other hand, is located in the National Capital Region to facilitate daily interaction, and face-to-face communication with NOAA and Department of Commerce (DOC) leadership, and with Congress. To maintain these essential linkages in light of the vast distribution of our Nation's living marine resources, NMFS has developed several cross-organization groups, such as the Leadership Council and Science Advisory Board, to ensure strong communication and collaboration across the breadth of the organization. NMFS also applies current information and telecommunications technology to ensure connectivity across numerous time zones and at all levels of the organization.

### NERO Functions and Structure

NERO administers NOAA's programs in the northeastern (Maine through Virginia) United States to manage living marine resources. It supports multidisciplinary analysis of fisheries data and development of a full range of policies to provide scientific and technical information and

legal advice necessary to manage living marine resources and to support the information requirements and decision-making processes of Regional Fishery Management Councils (Councils). NERO is responsible for planning, organizing, and implementing programs for fishery management, habitat protection, and protected species conservation. These activities are accomplished through development and implementation of Federal regulations required under the Magnuson-Stevens Fishery Conservation and Management Act (MSA), Endangered Species Act (ESA), Marine Mammal Protection Act (MMPA), and other legislative mandates; active monitoring of human interaction with protected species; and review of Federal activities that may impact essential fish habitat and/or species listed as endangered or threatened under the ESA.

NERO is comprised of the following divisions:

- **Directorate** provides leadership to the organization; directs the development of policies and sets management priorities for NERO; and coordinates closely with the leadership of NMFS, the Councils, and the Atlantic States Marine Fisheries Commission (ASMFC). The directorate also includes staff who lead NERO outreach, public affairs, and education programs, and those who support NERO's compliance with the National Environmental Policy Act.
- **Sustainable Fisheries Division** implements the MSA and Atlantic Coastal Act (ACA) and coordinates fishery management actions with the New England and Mid-Atlantic Fishery Management Councils and the ASMFC.
- **Protected Species Division** implements the ESA and MMPA and works with States, other Federal agencies, and private land owners.
- **Habitat Conservation Division** implements programs aimed at minimizing the effects of Federal activities on habitats essential to various life stages of managed species. Federal activities are often driven by permits issued by the U.S. Army Corps of Engineers, Environmental Protection Agency, Federal Energy Regulatory Commission, Bureau of Ocean Energy Management, and other Federal agencies.
- **Fisheries Data Services Division** collects fishery-dependent (e.g., commercial vessel and seafood dealer) data, conducts port sampling (collection of biometric data and tissues from commercially landed fish), and ensures data reporting compliance and data quality.
- **Analysis and Program Support Division** issues commercial fishing and fish dealer permits, monitors fishing quotas, and provides raw data and analytical products on fishery operations to internal users and members of the public, upon request.
- **Operations and Budget Division** issues sustaining grants to the Councils, ASMFC, and other qualified entities; manages NERO's budget; supports procurement and personnel concerns, and administers the regional aquaculture program.

In addition to the activities falling under the NERO organization, some staff from other NMFS and NOAA activities are co-located with NERO:

- **Financial Services Office** (part of the NMFS Office of Management and Budget) administers the Fisheries Finance Program loan program in the Northeast, which provides

business loans for fisheries development, fish processing, vessel repairs, aquaculture, and other activities.

- **Restoration Center** (part of the NMFS Office of Habitat Conservation) works with local stakeholders throughout the region to restore coastal, estuarine, and riverine habitats and to manage and oversee the Damage Assessment program in the Northeast Region.
- **Office of Law Enforcement (OLE)** enforces fishery, ESA, MMPA, and related regulations, primarily through field staff located throughout the region and through partnerships with each of the states. OLE also administers the region's vessel monitoring system.
- **Office of General Counsel** provides legal guidance on NERO's programmatic issues and consults daily with NERO personnel on issues related to the development and implementation of the MSA, ESA, MMPA, and other natural resources laws.
- **Seafood Inspection Office** provides fish quality control services to seafood processing plants worldwide and evaluates seafood quality. This office also provides training in inspection services and product quality assurance.
- **Highly Migratory Species Office** (part of the Office of Sustainable Fisheries Division) provides management and fisheries support related to large, migratory pelagic species (e.g., tunas and swordfish).

As of July 2012, 219 Federal employees and 42 contractors work in a recently constructed, leased facility in Gloucester. In addition, 53 Federal staff and contractors overseen by NERO are located offsite, stationed from Virginia to Maine.

### **NERO Facility in Gloucester**

Until 2008, NERO was located in an undersized and outdated leased building in Gloucester. Some staff were located in other buildings due to space limitations. In 2002, NMFS began planning for acquisition of a new leased facility that would better accommodate its space requirements and better support its missions. Following a competitive lease acquisition, in late September 2008, NMFS took occupancy of a new commercially leased facility at 55 Great Republic Drive in Gloucester.

The new Northeast Regional Building contains 90,335 rentable square feet (rsf). The lease term is 15 years, and terminates on September 26, 2023. The lease does not contain a termination or buy-out clause; therefore, should the Government decide to vacate the facility, the lessor must either agree to negotiated terms of the Government's vacating the premises, or the Government is financially liable for payments to the lessor for the remaining balance of the lease term.

NMFS pays an annual fully serviced rent of \$1.8 million (approximately \$19.93/rsf). Like most commercial leases, the lease agreement included a basic provision, \$2.4 million, for tenant improvement alterations and build-out to meet NERO's needs. However, the total cost for tenant improvements and co-located NOAA entities, including the seafood inspection laboratory and sensory training facility; upgrades to the HVAC system; and installation of security systems, office furniture, computer and telephone system infrastructure, and other equipment and services required was \$10.6 million. These costs also included roof modifications to support National Weather Service's "all hazards" radio antennae.

As of October 1, 2011, the remaining contract value of the term, net of operating rent and tax escalations, is \$16.2 million.

### **Program Considerations: Fisheries Management in the Northeast**

Aside from the NMFS headquarters office located in Silver Spring, Maryland, all other NMFS field offices and laboratories are sited near fisheries interests. In addition, all Regional Offices and Science Centers are located in relative close proximity.

The original reason to locate in Gloucester was proximity to the fishing industry in the Northeast. The Gloucester biological station was established July 9, 1878, and became the headquarters of the U.S. Fish Commission. The Federal Government has maintained a fisheries management and/or science presence in Gloucester for 134 years.

Massachusetts is the business center for many Northeast fisheries. The region's most economically valuable Federally managed fisheries—Atlantic sea scallops, American lobsters, and groundfish—loom large in the Commonwealth. The Port of Gloucester hosts the largest concentration of vessels operating in the Northeast groundfish fishery.

NERO provides many services to industry members, many of whom visit the office in person. Between December 2009 and November 2010 there were over 2,000 visits from commercial fishermen, who interacted with staff on matters related to permits, regulatory compliance, fishery reporting, and other topics. Staff fulfilled requests for data, trained fishermen in the use of vessel monitoring systems, and answered questions about details and background of regulations, among other things. The Gloucester location works well to facilitate interactions with and service to this fishing industry.

Gloucester is the oldest fishing port in the country, with a fishing heritage that traces to the city's founding in 1623. But in many ways, Gloucester is typical of most fishing ports in the Northeast. The Northeast fishing industry is largely characterized by small- to mid-size operators making brief trips to sea. Aside from New York City, most ports have fairly small populations with significant economic dependence on the fishing industry. Landings in Gloucester are usually sold and processed locally. The fishing industry shares strong cultural and socio-economic ties with the broader community.

More than 5,000 permitted vessels, almost 800 dealers, and more than 8,000 vessel operators are registered through the Northeast Regional Office. Table 1 shows distribution of the permits by state for 2011. To summarize:

- 72 percent of permitted vessels were from New England (Maine through Connecticut); 28 percent from the Mid-Atlantic (New York through Virginia).
- 64 percent of permitted dealers were from New England and 36 percent from the Mid-Atlantic.
- 67 percent of operators were from New England and 33 percent from the Mid-Atlantic.

<b>Table 1. Distribution of Vessels, Dealers, and Operator Permits by State for 2011</b>						
<b>State</b>	<b>No. of Vessels</b>	<b>%</b>	<b>No. of Dealers</b>	<b>%</b>	<b>No. of Operators</b>	<b>%</b>
<b>New England</b>						
<b>ME</b>	1,640	32%	198	25%	1,983	24%
<b>MA</b>	1,440	29%	209	27%	2,428	29%
<b>RI</b>	311	6%	59	8%	603	7%
<b>NH</b>	190	4%	16	2%	324	4%
<b>CT</b>	78	2%	10	1%	170	2%
<b>Total New England</b>	<b>3,659</b>	<b>72%</b>	<b>492</b>	<b>63%</b>	<b>5,508</b>	<b>66%</b>
<b>Mid-Atlantic</b>						
<b>NJ</b>	562	11%	91	12%	1,028	12%
<b>NY</b>	365	7%	105	13%	638	8%
<b>NC</b>	168	3%	41	5%	350	4%
<b>VA</b>	176	3%	22	3%	367	4%
<b>MD</b>	67	1%	14	2%	173	2%
<b>DE</b>	49	1%	5	1%	107	1%
<b>PA</b>	22	0%	4	1%	94	1%
<b>Total Mid-Atlantic</b>	<b>1,409</b>	<b>28%</b>	<b>282</b>	<b>36%</b>	<b>2,757</b>	<b>33%</b>

Source: NMFS Fisheries Statistics Division Database

Note: 1) Percentages may not sum due to rounding; 2) NC is included because it is part of the area under the jurisdiction of the Mid-Atlantic Fishery Management Council and the Northeast Regional Office processes these federal permits.

### **Potential Effects, Benefits, and Disadvantages of Relocating NERO**

Moving NERO to a location in the Mid-Atlantic area may benefit some Mid-Atlantic constituents and State Governments. The projected location in the greater Washington, DC, area, would afford the opportunity for frequent personal contact between NERO and NMFS headquarters leadership.

NERO currently has field staff located in Maryland and Virginia who work for the Habitat Conservation Division. They interact with staff from State resource management agencies, the U.S. Army Corps of Engineers, U.S. Fish and Wildlife Service, and the Environmental Protection Agency to consider the effects of Federal actions on NMFS trust resources, including all life stages of managed commercial species. The Federal actions considered through these Essential Fish Habitat consultations typically fall under the Clean Water Act and the Rivers and Harbors Act. Federal actions may include, for example, issuance of permits for wetland fill associated with construction of a marine terminal, maintenance dredging of a Federal navigational project, or approval of a state-administered water quality program.

These staff are located in the coastal region, where they have easy access to State and Federal partners working on these issues. If NERO relocated to the Washington, DC, area, these staff would not necessarily co-locate with NERO; however, they may have closer communication



with NERO than they do now. This could result in even better policy alignment between NERO program office and field staff. The internal communications chain for these staff would be shortened, and NERO staff responsiveness to State partners and constituents in the area may be improved. But this improvement would be offset by the effect of the relocation on those Habitat Conservation Division staff who worked with New England states. New field offices in New England may need to be established. Rather than being co-located with NERO, the New England staff would have a longer communications chain, and responsiveness to their respective states and constituents may be affected.

Locating NERO in or around Washington, D.C. would preclude location in a port city that hosts vessels with Federal fishing permits. For members of the fishing industry in the New England portion of the region, the move would complicate access to NERO. We assume most would process permits and submit vessel log books by mail and interact with NERO staff via e-mail and telephone, rather than visit the office. At its current location, NERO is accessible to many members of the fishing industry and many walk-in services are provided.

The relocation would allow NERO staff to reach Mid-Atlantic fishing ports more quickly. Currently, NERO staff occasionally visit the ports for meetings or public hearings. There would be travel time and cost savings associated with going to these Mid-Atlantic meetings from a location in the Washington, DC, metro area, although these savings would be offset by increased costs to travel to New England for similar purposes.

The Mid-Atlantic Fishery Management Council (MAFMC) maintains its offices in Dover, Delaware. Relocating NERO to the Mid-Atlantic would make travel to and from the MAFMC offices easier and less expensive. However, NERO and MAFMC currently enjoy excellent communications and collaboration through remote means. Also, the relocation would remove NERO staff from the proximity of the New England Fishery Management Council (NEFMC) and the NMFS NEFSC staff. The need for continuation and enhancement of communications among the NEFMC, NEFSC, NERO, and the New England fishing industry was emphasized in the April 2011 Review of the New England Fishery Management Process. A move to the Mid-Atlantic may compromise effective achievement of these communications in New England, which frequently necessitate face-to-face interactions.

The presence of NERO in the greater Washington, DC, metro region would simplify interaction between NERO and the NMFS headquarters office. This proximity would afford greater opportunity for face to face communication and collaboration between NERO and headquarters staff, including NMFS and NOAA leadership. This could ensure optimal policy alignment between NERO and headquarters.

Under a relocation scenario, collaboration between NERO and the NEFSC would require more effort. The frequent communications between the two facilities could continue by phone, e-mail, and video conference. However, easy and frequent face-to-face interactions between NERO and NEFSC staff would be lost. Additional overnight travel and greater use of the videoconferencing equipment may be needed to maintain a close collaborative relationship between NMFS' science and management programs in the region.

As noted above, the Gloucester facility hosts several organizations that do not fall under the NERO organizational structure. The transfer of these entities from Gloucester to the

Washington, DC, metro area would have a mixed effect. These field offices of headquarters are generally located in Gloucester to service New England partners and constituents.

- Moving the Northeast field office of the Highly Migratory Species Division would reduce direct interactions between New England fishermen and staff. The proximity to NMFS headquarters may provide for improved oversight.
- The Northeast field office of the Restoration Center is located in Gloucester because staff from the office conduct extensive field work in Massachusetts, New Hampshire, and Maine. Relocation to the Mid-Atlantic region, where Restoration Center staff is already located, would have a negative impact on New England partnerships and staff effectiveness with no significant benefits.
- The Office of Law Enforcement Northeast Division is located in Gloucester. Regional leadership, program support, and the staff who manage the regional vessel monitoring system are co-located with NERO. The effects of moving these staff to the Washington, DC, metro region would be similar to those of moving NERO itself. Industry's access to staff would be lost, and may affect the efficiency and effectiveness of the activity.
- The Financial Services Office administers the Fisheries Finance Program in New England, including the processing of loan applications. The proximity to headquarters would allow for more oversight, but travel to loan closings and other meetings with applicants would increase. Direct interactions would suffer.

In conclusion, moving NERO and co-located headquarters field offices from Gloucester to the greater Washington, DC, metro area may result in more interaction between NERO leadership and NMFS headquarters and in closer oversight. Removing NMFS services from the greatest concentration of fishing industry representation in the region would, however, impair face-to-face interactions between staff and industry. It may negatively affect staff efficiency, effectiveness, and rapport with the industry. It would also make it more challenging for staff to work effectively with State and Federal partners in New England, but improve those relationships in the Mid-Atlantic.

### **Financial Considerations**

Senate Report 111-229 directs NMFS to provide the Committee a report detailing an analysis of relocating the NMFS northeast regional office to "an area close to NMFS headquarters." For purposes of this analysis, NOAA used the Maryland and Virginia areas surrounding Washington, D.C. NOAA examined four scenarios over a 30-year life-cycle: the status quo, two that would allow relocation in 2013, and one that would delay the relocation until 2023 (when the current lease in Gloucester expires). If the decision were made to relocate the Northeast Regional Office, NOAA estimates it will take a minimum of three years to complete the relocation. NOAA assumed it would take 18 months to award a lease for the new facility per GSA planning guidance and another 18 months for construction of the new building.

- **Alternative 1: Status Quo** assumes no relocation of NOAA operations from the Gloucester facility during the life-cycle of the analysis. Base rent and amortized tenant improvements are escalated at the rate of inflation every 15 years. Operating rent is escalated at the rate of

inflation annually consistent with current assumptions and practices. The existing facility was leased in 2008, which included tenant improvements.

- **Alternative 2(a)** assumes relocation of 237 positions to the Maryland/Virginia metropolitan area by 2014, with 34 positions remaining in Gloucester per program/mission requirements. NOAA would "buy out" the remaining 10 years of the lease commitment for space vacated by relocated employees.
- **Alternative 2(b)** assumes relocation of 237 positions to the Maryland/Virginia metropolitan area by 2014, with 34 positions remaining in Gloucester per program/mission requirements. This alternative assumes that NOAA would continue to make scheduled lease payments for the space vacated by the relocated employees until the lease expires in September 2023. These payments would include base rent plus amortized tenant improvements.
- **Alternative 3** assumes relocation of 237 positions to the Maryland/Virginia metropolitan area by 2024 after the existing Gloucester lease expires. Thirty-four positions would remain in Gloucester per program/mission requirements.

All alternatives other than Alternative 1: Status Quo include costs for moving and relocation (including furniture, fixtures, and equipment), tenant improvement, Permanent Change of Station (PCS), and recruiting costs required for relocation.

Consistent with NOAA's standard practice for analysis of alternatives involving real property and facilities issues, we have conducted the net present value (NPV) analysis using a 30-year life-cycle, and the most recent assumptions published by the Office of Management and Budget (OMB). The complete analysis is presented in the Appendix. The business assumptions for analysis of these scenarios are as follows:

### ***Cost Estimating***

- Lease rates for Gloucester are based upon the actual Gloucester agreement established in 2008.
- Lease rates for Maryland, Virginia, and Washington, DC, are based upon market data from the 2010 Building Owners and Managers Association Experience Exchange Report. These rates are also consistent with current lease rates for the Silver Spring Metro Center occupied by NOAA.
- U.S. General Services Administration (GSA) lease fee of 7 percent included for Maryland and Virginia.
- All other initial costs (e.g., moving and relocation, tenant improvements, PCS, and lease buy-out) are based upon actual Gloucester costs and/or GSA and market data for Massachusetts and the Washington, DC, metro area.
- Moving and relocation, tenant improvements, and PCS costs are assumed to occur in the budget year prior to rent start.

### ***Economics***

- Inflation Rate = 1.5 percent (basis: FY 2012 Budget, Summary Tables - Table S-13, Page 202, Economic Assumptions)
- Discount Rate = 4.2 percent (basis: 30-year Nominal Treasury Interest Rates - OMB A-94 Appendix-C, December 2010)

**Escalation**

- Lease escalation (at the rate of inflation) is assumed at the end of the term and upon the initiation of a new lease.

<b>Table 2. Net Present Value Analysis in \$M*</b> <i>(costs reflected are discounted at 30-year Nominal Treasury Interest Rate)</i>				
<b>Base Year FY2012</b>	<b>ALT1</b>	<b>ALT 2(A)</b>	<b>ALT 2(B)</b>	<b>ALT 3</b>
	<b>Status Quo</b>	<b>Relocate w/Buy-out (3-years)</b>	<b>Relocate (3-years)</b>	<b>Relocate (end of lease)</b>
Early Lease Buy-out (Gloucester, MA)	\$ -	\$ 8.88	\$ -	\$ -
Space Reconfiguration (Gloucester, MA)	\$ -	\$ 0.44	\$ 0.44	\$ -
Moving & Relocation (incl'd FF&E)	\$ -	\$ 2.97	\$ 2.97	\$ 2.29
Tenant Improvements (TI) (Lump Sum)	\$ -	\$ 2.16	\$ 2.16	\$ 1.66
PCS Costs	\$ -	\$ 14.79	\$ 14.79	\$ 11.38
Recruiting Costs	\$ -	\$ 0.17	\$ 0.17	\$ 0.13
Base Rent (Gloucester, MA)	\$ 22.88	\$ 4.86	\$ 12.81	\$ 12.81
Operating Rent (Gloucester, MA)	\$ 9.54	\$ 1.97	\$ 1.97	\$ 5.33
Amortized TI (Gloucester, MA)	\$ 3.28	\$ 0.54	\$ 1.84	\$ 1.84
Base Rent (MD, VA)	\$ -	\$ 35.58	\$ 35.58	\$ 19.93
Operating Rent (MD, VA)	\$ -	\$ 15.01	\$ 15.01	\$ 8.35
GSA Public Buildings Service Fee (MD, VA)	\$ -	\$ 2.42	\$ 2.42	\$ 1.48
Amortized TI (MD, VA)	\$ -	\$ 3.77	\$ 3.77	\$ 2.11
<b>Total 30 Year NPV Costs</b>	<b>\$ 35.71</b>	<b>\$ 93.57</b>	<b>\$ 93.94</b>	<b>\$ 67.31</b>
		<b>1 vs. 2A</b>	<b>1 vs. 2B</b>	<b>1 vs. 3</b>
<b>NPV Savings</b>		<b>\$ (57.86)</b>	<b>\$ (58.24)</b>	<b>\$ (31.60)</b>

\*See Appendix for more details

The net present value analysis indicates that Alternative 1: Status Quo would present the least cost to the Government. Even assuming no “early lease buy-out costs”, the NPV cost of Alternative 2(A) would be \$84.69 million (\$93.57 – \$8.88) making the NPV cost of moving still \$49 million (\$84.69 - \$35.71) more expensive than the status quo of remaining in Gloucester. Any cost savings associated with being closer to NMFS headquarters would be in the form of reduced travel expense to Silver Spring, MD and the Mid-Atlantic states. These savings would be offset by higher travel costs to the New England states. NERO expects its total travel costs in FY 2012 to be approximately \$500 thousand making the opportunity for savings very small.

In the year of the relocation, considerable one-time funding would be needed. For example, appropriations would be required to effect a lease acquisition and tenant improvements for a new site/facility; relocate staff (including permanent change of station); move and/or procure furniture, fixtures, and equipment; vacate the terms of the current Gloucester leased facility; and reconfigure spaces and services for those staff who would remain in Gloucester.

Table 3 shows the estimated one-time costs and the year of the anticipated need. Of particular note, the table also shows the anticipated recurring costs for each scenario, per year and totaled for a 30-year life-cycle. The result is consistent with the net present value analysis; the status quo alternative would present the least cost to the government.

Table 3. Funding Required in Nominal (Then-Year) \$M*				
Base Year FY2012	ALT 1	ALT 2(A)	ALT 2(B)	ALT 3
	Status Quo	Relocate w/Buy-out (3-years)	Relocate (3-years)	Relocate (end of lease)
<b>30-Year Average Annual Recurring Cost</b>	<b>\$ 2.11</b>	<b>\$ 3.87</b>	<b>\$ 4.27</b>	<b>\$ 3.35</b>
<b>Total Cost Over 30-year Life Cycle</b>	<b>\$ 63.39</b>	<b>\$ 147.26</b>	<b>\$ 149.63</b>	<b>\$ 124.91</b>
<b>Initial Costs - Identified by first year of budget need</b> <i>(incl'd lease buy-out, Moving &amp; Relocation, TI, PCS &amp; recruiting costs)</i>	N/A	FY2013	FY2013	FY2023
	\$ -	\$ 31.07	\$ 21.43	\$ 24.31

\*See Appendix for more details

### Additional Considerations

There will be a continuing need for space in Gloucester for certain customer-service-oriented programs to remain accessible to much of the New England fishing industry. The Seafood Inspection Program, with 18 employees located in Gloucester, would remain in its space in the complex. This office provides and trains staff who go to seafood processors to inspect product and processes. To somewhat mitigate serious degradation in the Region's service to the fishing community, a satellite office with four to six employees to support permitting and vessel reporting would be maintained in Gloucester or somewhere accessible to the New England fleet. Some program impacts would be felt beyond what can be expressed in a financial table. This analysis assumes that 15 percent of existing NERO staff would not relocate. In addition to the associated costs, the loss of key staff would create a short-term (12-24 months) decrease in the office's ability to fully perform its mission while new staff are hired and trained for NERO's functions.

### CONCLUSION

This report found that there are some benefits to moving NERO to a location in the Mid-Atlantic area such as: more interaction between NERO leadership and NMFS headquarters; better oversight; and greater accessibility for NERO staff to Mid-Atlantic ports, which has some cost savings. However, the final cost analyses of relocation scenarios indicate that the status quo—maintaining NERO in Gloucester—would result in the least cost to the Government. This is because a minimum \$21 million investment would be needed to relocate the office to the Mid-

Atlantic in the first year, and costs in the out-years would be higher under any relocation scenario than under the status quo.

Furthermore, in the short term, the relocation of NERO to the Washington, DC, capital region from the location it has held for over 130 years, would have a negative impact on the effectiveness and efficiency of the functions and services provided by NERO. Losing NERO's proximity to 71 percent of the vessels, 63 percent of the dealers, and 67 percent of the operators—the densest segment of the fishing industry in the Northeast region—would adversely affect the services provided to the industry. The relocation could cause the loss of valuable staff. Relocating the operations and staff of this office could be disruptive over the short term and could potentially degrade NERO's ability to fully perform its mission, particularly as it relates to management of commercial fisheries in the region.

**Appendix**  
30-Year Net Present Value and Nominal Analysis of Alternatives





**30-YEAR NPV AND NOMINAL ANALYSIS OF ALTERNATIVES:  
GLOUCESTER, MA  
NMFS Office**

<b>Net Present Value Analysis in \$M</b> <i>(costs reflected are discounted at 30-year Nominal Treasury Interest Rate)</i>				
Base Year FY2012	ALTERNATIVE 1	ALTERNATIVE 2 (A)	ALTERNATIVE 2 (B)	ALTERNATIVE 3
	Status Quo	Relocate w/Buy-out (3-years)	Relocate (3-years)	Relocate (end of lease)
Early Lease Buy-out (Gloucester, MA)	\$ -	\$ 8.88	\$ -	\$ -
Space Reconfiguration (Gloucester, MA)	\$ -	\$ 0.44	\$ 0.44	\$ -
Moving & Relocation (incl'd FF&E)	\$ -	\$ 2.97	\$ 2.97	\$ 2.29
Tenant Improvements (Lump Sum)	\$ -	\$ 2.16	\$ 2.16	\$ 1.66
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Operating Rent (Gloucester, MA)	\$ 9.54	\$ 1.97	\$ 1.97	\$ 5.33
Amortized TI (Gloucester, MA)	\$ 3.28	\$ 0.54	\$ 1.84	\$ 1.84
Base Rent (MD, VA)	\$ -	\$ 35.58	\$ 35.58	\$ 19.93
Operating Rent (MD, VA)	\$ -	\$ 15.01	\$ 15.01	\$ 8.35
PBS Fee (MD, VA)	\$ -	\$ 2.42	\$ 2.42	\$ 1.48
Amortized TI (MD, VA)	\$ -	\$ 3.77	\$ 3.77	\$ 2.11
<b>Total 30 Year NPV Costs</b>	<b>\$ 35.71</b>	<b>\$ 93.57</b>	<b>\$ 93.94</b>	<b>\$ 67.31</b>
		<b>A1 vs. A2-A</b>	<b>A1 vs. A2-B</b>	<b>A1 vs. A3</b>
<b>NPV Savings</b>		\$ (57.86)	\$ (58.24)	\$ (31.60)
<b>NPV Assumptions</b>				
<p>1. Cost Estimating</p> <p>a. Lease rates for Gloucester are based upon the actual Gloucester agreement established in 2008.</p> <p>b. Lease rates for Maryland, Virginia and Washington, DC are based upon market data from the 2010 BOMA Experience Exchange Report. These rates are also consistent with current lease rates for the Silver Spring Metro Center occupied by NOAA.</p> <p>c. GSA lease fee of 7% included for MD and VA.</p> <p>d. All other initial costs (e.g., M&amp;R, TI, PCS and lease buy-out) are based upon actual Gloucester costs and/or GSA and market data for Massachusetts and the DC metro area.</p> <p>e. Moving &amp; Relocation, Tenant Improvements and PCS costs are assumed to occur in the budget year prior to rent start.</p> <p>2. Economics</p> <p>a. Inflation Rate = 1.5% (basis: FY 2012 Budget, Summary Tables - Table S-13, Page 202, Economic Assumptions)</p> <p>b. Discount Rate = 4.2% (basis: 30-year Nominal Treasury Interest Rates - OMB A-94 Appendix-C, December 2010)</p> <p>3. Escalation</p> <p>a. Lease escalation (at the rate of inflation) is assumed at the end of the term and upon the initiation of a new lease.</p>				
Conclusion: Alternative 1 provides the lowest cost to the U.S. Government.				

**30-YEAR NPV AND NOMINAL ANALYSIS OF ALTERNATIVES:  
GLOUCESTER, MA  
NMFS Office**

Funding Required in Nominal (Then-Year) \$M				
Base Year FY2012	ALTERNATIVE 1	ALTERNATIVE 2 (A)	ALTERNATIVE 2 (B)	ALTERNATIVE 3
	Status Quo	Relocate w/Buy-out (3-years)	Relocate (3-years)	Relocate (end of lease)
<b>30-Year Average Annual Recurring Cost</b>	\$ 2.11	\$ 3.87	\$ 4.27	\$ 3.35
<b>Total Cost Over 30-year Life Cycle</b>	\$ 63.39	\$ 147.26	\$ 149.63	\$ 124.91
<b>Initial Costs - Identified by first year of budget need</b> <i>(including lease buy-out, M&amp;R, TI, PCS &amp; recruiting costs)</i>	N/A	FY2013	FY2013	FY2023
	\$ -	\$ 31.07	\$ 21.43	\$ 24.31
<b>DESCRIPTION OF ALTERNATIVES</b>				
Alternative-1: Status Quo; assumes no relocation of NOAA operations from the Gloucester, Massachusetts facility during the life-cycle of the analysis. Base rent and amortized tenant improvements are escalated at the rate of inflation every 15-years. Operating rent is escalated at the rate of inflation annually consistent with current assumptions and practices. The existing facility was leased in 2008 which included tenant improvements.				
Alternative-2 (A): Assumes relocation of 237 positions to the Maryland/Virginia metropolitan area by 2014. 34 positions will remain in Gloucester, Massachusetts per program/mission requirements. NOAA would "buy-out" the remaining 10-years of the lease commitment for space vacated by relocated employees. This alternative includes cost for moving and relocation (including furniture, fixtures and equipment), tenant improvement, Permanent Change of Station (PCS) and recruiting costs required for relocation.				
Alternative-2 (B): Assumes relocation of 237 positions to the Maryland/Virginia metropolitan area by 2014. 34 positions will remain in Gloucester, Massachusetts per program/mission requirements. This alternative assumes that NOAA would continue to make scheduled lease payments for the space vacated by the relocated employees until the lease expires (i.e., September 2023). These payments would include base rent plus amortized tenant improvements. This alternative also includes cost for moving and relocation (including furniture, fixtures and equipment), tenant improvement, PCS and recruiting costs required for relocation.				
Alternative-3: Assumes relocation of 237 positions to the Maryland/Virginia metropolitan area by 2024 upon the expiration of the existing Gloucester, Massachusetts lease. 34 positions will remain in Gloucester per program/mission requirements. This alternative also includes cost for moving and relocation (including furniture, fixtures and equipment), tenant improvement, PCS and recruiting costs associated required for relocation.				
Funding Detail by Cost Category in Nominal (Then-Year) \$M				
Base Year FY2012	ALTERNATIVE 1	ALTERNATIVE 2 (A)	ALTERNATIVE 2 (B)	ALTERNATIVE 3
	Status Quo	Relocate w/Buy-out (3-years)	Relocate (3-years)	Relocate (end of lease)
Early Lease Buy-out (Gloucester, MA)	\$ -	\$ 9.65	\$ -	\$ -
Space Reconfiguration (Gloucester, MA)	\$ -	\$ 0.47	\$ 0.47	\$ -
Moving & Relocation (incl'd FF&E)	\$ -	\$ 3.10	\$ 3.10	\$ 3.60
Tenant Improvements (Lump Sum)	\$ -	\$ 2.25	\$ 2.25	\$ 2.61
PCS Costs	\$ -	\$ 15.42	\$ 15.42	\$ 17.89
Recruiting Costs	\$ -	\$ 0.19	\$ 0.19	\$ 0.22
Base Rent (Gloucester, MA)	\$ 40.55	\$ 7.09	\$ 17.41	\$ 17.41
Operating Rent (Gloucester, MA)	\$ 17.02	\$ 2.91	\$ 2.91	\$ 7.29
Amortized TI (Gloucester, MA)	\$ 5.82	\$ 0.81	\$ 2.50	\$ 2.50
Base Rent (MD, VA)	\$ -	\$ 65.77	\$ 65.77	\$ 45.80
Operating Rent (MD, VA)	\$ -	\$ 27.98	\$ 27.98	\$ 19.30
PBS Fee (MD, VA)	\$ -	\$ 4.65	\$ 4.65	\$ 3.45
Amortized TI (MD, VA)	\$ -	\$ 6.97	\$ 6.97	\$ 4.85
<b>Total 30 Year NPV Costs</b>	\$ 63.39	\$ 147.26	\$ 149.63	\$ 124.91