

MASTER FILES
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0404

INTERNATIONAL MONETARY FUND

Minutes of Executive Board Meeting 87/58

3:00 p.m., March 30, 1987

R. D. Erb, Acting Chairman

Executive Directors

Alternate Executive Directors

Dai Q.

S. M. Hassan, Temporary

E. L. Walker, Temporary

G. Seyler, Temporary

M. Hepp, Temporary

T. Alhaimus

G. Grosche

J. Reddy

J. Hospedales, Temporary

M. Foot

M. A. Kyhlberg, Temporary

D. McCormack

C. V. Santos

I. A. Al-Assaf

L. Filardo

G. Pineau, Temporary

H. van der Burg, Temporary

C.-Y. Lim

O. Kabba j

A. Vasudevan, Temporary

M. Sugita

F. Di Mauro, Temporary

L. Van Houtven, Secretary

A. Akanda, Assistant

Also Present

Administration Department: G. F. Rea, Director; D. S. Cutler, A. B. Harper, T. J. Hill, W. B. Hobbs, J. B. Kaiser, G. Vaughan. Legal Department: J. S. Powers. Secretary's Department: J. W. Lang, Jr., Deputy Secretary. Office of the Managing Director: R. Noë, Internal Auditor. Advisors to Executive Directors: A. Bertuch-Samuels, L. P. Ebrill. Assistant to Executive Director: A. R. Al-Abdullatif.

1. OFFICE SPACE - LEASE AT INTERNATIONAL SQUARE BUILDING

The Executive Directors considered a staff paper on the leasing of 55,000 square feet of additional office space at the International Square building (EBAP/87/61, 3/20/87). They also considered the possibility of acquiring, in the same building, a further 55,000 square feet to accommodate future needs.

The staff representative from the Administration Department requested the Executive Directors' views on developing a long-term strategy for future Fund office space. He also mentioned that earlier difficulties relating to the development of the entire block on which the Fund was currently situated had eased.

Mrs. Walker noted that since 1983, when Phase 2 of the Fund building had been completed, there had been only 129 members added to the staff; during 1985 to 1987, there had been only 30 new staff members. In view of the small number of new staff, it appeared that office automation was responsible for taking up added Fund space. However, there had also been an increase in manpower years that had substantially exceeded the increase in the staff ceiling. That increase was attributed to the hiring of consultants and part-time staff which, between 1985 and 1987, had added 110 man-years. Thus, there was certainly a need for additional space, and she supported the proposal for leasing 55,000 square feet at the International Square building. Nonetheless, it appeared that if the increase in manpower years continued at the present rate, more office space might soon be required. According to management, there would be an increased need for manpower in the future, but part of that increase would be offset by more efficient utilization of staff and the reallocation of staff positions between departments. In the context of space planning, it would be very important to examine carefully the use of existing space, after which medium-term plans for future office space could then be examined. The acquisition of 110,000 square feet at the present time rather than 55,000 square feet should be given appropriate consideration, since it might provide a number of long-term advantages, such as avoiding the possibility of a shortage of office space within a few years.

Mr. Grosche said that a long-term strategy regarding office space should be developed. He supported the staff's intention to develop the Fund's present site, which apparently would take some time. In the meantime, some more thought should be given to the possibility for the Fund to lease 110,000 square feet at the International Square building and sublet the office space that would not be used immediately. Although that option might be more expensive in the short run, it could be advantageous in terms of future prices and having a specific location to accommodate future growth. In passing, he added that the open location of the staff lounge on the second floor of the main Fund building was inappropriate.

Mr. Al-Assaf asked whether in the light of the current soft rental market conditions, it would be possible to renegotiate a lower price for the proposed office space. He also asked how the rental rate per square foot in downtown Washington compared with the offer by the Carr Company.

Mr. Foot commented that it would be helpful if the staff provided more detail on the costs of acquiring 110,000 square feet of office space. He considered that the Fund was now at a critical juncture in its growth and it was necessary to develop a strategy for its manpower requirements over the medium term. Unlike the World Bank, the Fund was still small enough to be run in a relatively centralized way. If the Fund were to continue to grow--and he had doubts about the desirability of that--the present management structure would need to be re-examined. Like Mr. Grosche, he believed that the staff lounge should be relocated.

Mr. McCormack said that although 55,000 square feet of additional office space was described in the staff paper as reasonably close to a conservative view of the space that was immediately needed, the suggestion by the staff that a minimum of 70,000 square feet was actually required indicated that it would not be long before the Board would again be requested to approve the lease of yet more office space. Against that background, and in view of the present soft conditions in the Washington office rental market, he supported the proposal for negotiating the lease of 110,000 square feet if there was a consensus by the Board to that effect. Nonetheless, he would prefer a more detailed analysis of that option to assess its net cost and, more generally, to put it in the context of the Fund's medium-term manpower requirements.

Mr. Santos observed that office space at the Fund was inadequate and that advantage should be taken of the opportunity to lease additional office space at the International Square building. The staff had noted that the Fund would require at least 70,000 square feet of additional office space. Thus, it appeared more cost efficient to lease 110,000 square feet at the present time and sublease the space that was not presently required rather than to lease 55,000 square feet and run out of office space within the next two years. There was no guarantee that two years hence the Fund would be able to obtain the space that would be needed in the International Square building. If leasing 110,000 square feet was not financially possible, he would support the decision to lease only 55,000 square feet.

Mr. Sugita considered that a long-term manpower plan should be developed before the Fund committed itself to acquiring neighboring land and building more office space. The size of the Fund was now at a critical stage and any expansion would have to take into consideration the needs of the institution and the necessity of limiting its size. He could not support the lease of office space in excess of the proposed 55,000 square feet because the present rental market was soft and there was no reason to be worried about the availability of office space in the future.

Mr. Grosche considered that the Fund should be kept as small as possible, and should grow in quality. However, a ceiling could not be put on growth by limiting space requirements. The staff should provide a detailed study on the cost of acquiring 110,000 square feet of office space.

Mrs. Walker commented that her authorities would be willing to consider the lease of 110,000 square feet of office space if two conditions were met: first, the staff should provide an analysis of the costs of acquiring 110,000 square feet of office space; and second, there should be an analysis of the Fund's future manpower needs, as well as a move by it toward more efficient utilization of current staff, which was implied in the administrative budget for 1988.

The staff representative from the Administration Department said that the proposal for leasing 55,000 square feet had been presented with budgetary constraints in mind, since the lease of 110,000 square feet would be well in excess of the Fund's current requirements. The renegotiation of the existing lease would be discussed with the Carr Company. The current rental rate was \$31 a square foot, which was within the range of rental rates for comparable space in the area of \$27 to \$35 a square foot. The cost of leasing 110,000 square feet in FY 1988 would be approximately \$1 million more than the cost of leasing 55,000 square feet; the rental rate for 55,000 square feet was \$29.50 a square foot, compared with \$28.50 a square foot for the 110,000 square feet. The staff was considering the relocation of the staff lounge.

The Acting Chairman noted that although there was clear support for the lease of 55,000 square feet at the International Square building, most Directors who spoke would like to examine the possibility of leasing 110,000 square feet in more depth, not only from the financial point of view but also in the light of the Fund's future manpower requirements.

The Executive Board then took the following decision:

Management is authorized to enter into a lease for approximately 55,216 square feet of office space on the sixth floor at the International Square building (1850 K Street, N.W., and 1875 I Street, N.W.) and to augment the FY 1987 Administrative Budget by \$200,000 as outlined in EBAP/87/61 (3/20/87). As with previous leases, the lease may, if necessary, include a waiver of the Fund's immunity from suit on matters arising under the lease.

Adopted March 30, 1987

APPROVED: October 30, 1987

LEO VAN HOUTVEN
Secretary

