



Memorandum from the Office of the Inspector General

September 30, 2025

David L. Bowling, Jr.

**REQUEST FOR FINAL ACTION – EVALUATION 2025-17530 – ALTERNATIVES FOR
THE CHATTANOOGA OFFICE COMPLEX**

Attached is the subject final report for your review and final action. Your written comments, which addressed your management decision and actions planned or taken, have been included in the report. Please notify us when final action is complete. In accordance with the Inspector General Act of 1978, as amended, the Office of the Inspector General is required to report to Congress semiannually regarding evaluations that remain unresolved after 6 months from the date of report issuance.

If you have any questions or wish to discuss our findings, please contact Lisa H. Hammer, Director, Evaluations – Projects, at (865) 633-7342. We appreciate the courtesy and cooperation received from your staff during the evaluation.

A handwritten signature in black ink that reads "Greg Stinson".

Greg Stinson
Assistant Inspector General
(Audits and Evaluations)

ARR:KDS

Attachment

cc (Attachment):

TVA Board of Directors
Collins Bishop
Hannah S. Clements
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OIG File No. 2025-17530



Office of the Inspector General

Evaluation Report

To the Senior Vice President,
Safety, Environment, and
Enterprise Support

ALTERNATIVES FOR THE CHATTANOOGA OFFICE COMPLEX

Evaluation Team

Amy R. Rush
Colin P. Ross

Evaluation 2025-17530

September 30, 2025

ABBREVIATIONS

BR	Blue Ridge
COC	Chattanooga Office Complex
GSA	General Services Administration
MR	Missionary Ridge
O&M	Operations and Maintenance
NEPA	National Environmental Policy Act
SREG	Strategic Real Estate and Governance
TVA	Tennessee Valley Authority

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MEMORANDUM DATED SEPTEMBER 29, 2025, FROM DAVID L.
BOWLING, JR. TO GREG STINSON



Evaluation 2025-17530 – Alternatives for the Chattanooga Office Complex

EXECUTIVE SUMMARY

Why the OIG Did This Evaluation

The Tennessee Valley Authority's (TVA) Strategic Real Estate and Governance group under TVA's Facilities Transformation organization was responsible for TVA's valley-wide corporate and regional real estate strategy.ⁱ The strategy includes aligning TVA's facilities portfolio to evolving business needs, reducing square footage, and lowering long-term real estate costs for TVA.

In January 2023, the General Services Administration (GSA) announced that a portion of the Chattanooga Office Complex (COC)ⁱⁱ was being considered for the site of a new federal courthouse. In anticipation of a possible move, TVA created a stand-alone project to vacate Missionary Ridge (MR) and Blue Ridge (BR) and consolidate (Vacate and Consolidate) into the other three COC buildings.

In March 2024, TVA requested public input on four alternatives identified for the COC in accordance with the National Environmental Policy Act.ⁱⁱⁱ Public input was to inform TVA decision makers about expected environmental consequences related to each alternative. On February 13, 2025, the TVA Board approved MR and BR for surplus and in July 2025, TVA made the decision to remain in three buildings at the COC.

Due to the cost and complexity of the project, we performed a review to evaluate the financial impacts of the options being considered for the COC.

What the OIG Found

We determined that TVA's analysis of the options for the COC could have been improved. Specifically, (1) TVA did not compare the financial impacts of the four alternatives identified in the National Environmental Policy Act process to determine the best course of action before starting a project, and (2) the economic analysis for the Vacate and Consolidate project was flawed because it did not include all relevant costs and included an inaccurate input that was not reviewed for reasonableness by TVA. During TVA's process for evaluating alternatives for the COC, we

ⁱ During this evaluation, TVA restructured the Chief Administrative Officer organization, removing the Strategic Real Estate Group and Facilities Transformation groups and placing their responsibilities under the newly created Facilities, Strategy, Programs, and Projects organization.

ⁱⁱ The COC consists of five buildings (Signal Place, Lookout Place, BR, MR, and Monteagle Place).

ⁱⁱⁱ National Environmental Policy Act is a law requiring federal agencies to assess the environmental impacts of their proposed actions and to provide opportunities for public input.



Evaluation 2025-17530 – Alternatives for the Chattanooga Office Complex

EXECUTIVE SUMMARY

informed management of our findings. Subsequently, TVA took interim actions to address the concerns before making a final decision.

What the OIG Recommends

We recommend the Senior Vice President, Safety, Environment, and Enterprise Support, evaluate the financial impacts of project alternatives for future projects, verify economic analyses include all project costs, and review economic analysis inputs for reasonableness.

TVA Management's Comments

TVA management agreed with the recommendations and provided planned actions to address each recommendation. See the Appendix for TVA management's complete response.

Auditor's Response

We agree with TVA management's planned actions.

BACKGROUND

The Tennessee Valley Authority's (TVA) Strategic Real Estate and Governance (SREG) group under TVA's Facilities Transformation organization was responsible for TVA's valley-wide corporate and regional real estate strategy.¹ The strategy includes aligning TVA's facilities portfolio to evolving business needs, reducing square footage, and lowering long-term real estate costs for TVA. Execution of the strategy consisted of, among other things, developing and implementing site plans for certain facilities in TVA locations, including Knoxville, Nashville, and Chattanooga.

In January 2023, the General Services Administration (GSA) announced that a portion of the Chattanooga Office Complex (COC)² was being considered for the site of a new federal courthouse. In anticipation of a possible move, TVA created a stand-alone project to vacate Missionary Ridge (MR) and Blue Ridge (BR), consolidating (Vacate and Consolidate) all functional workspaces and employees from these buildings to the three remaining buildings, with a total forecasted cost of \$29.5 million. In March 2023, SREG contracted with a real estate advisor for assistance with transforming TVA's real estate portfolio, which would include navigating the transaction between TVA and GSA. To identify possible options, TVA issued a request for proposals in June 2023 for replacement office space in the downtown Chattanooga area. In response to that request, TVA obtained multiple proposals with varying square footages and lease/purchase terms.

In March 2024, TVA requested public input on four alternatives identified for the COC in accordance with the National Environmental Policy Act (NEPA).³ Public input was to inform TVA decision makers about expected environmental consequences related to each alternative. On February 13, 2025, the TVA Board of Directors approved MR and BR for surplus and in July 2025, TVA made the decision to stay in the three remaining buildings at the COC rather than relocating.

TVA's Standard Programs and Processes 34.000, *Project Management*, which provides requirements for projects exceeding \$400,000, states that alternatives are to be evaluated to select a recommended project alternative. This includes evaluating and comparing different approaches, options, or solutions to achieve project objectives and is typically performed through various analyses, including environmental studies and economic analyses,⁴ as required by TVA procedures.

¹ During this evaluation, TVA restructured the Chief Administrative Officer organization, removing the SREG and Facilities Transformation groups and placing their responsibilities under the newly created Facilities, Strategy, Programs, and Projects organization.

² The COC consists of five buildings Signal Place, Lookout Place, BR, MR and Monteagle Place.

³ NEPA is a law requiring federal agencies to assess the environmental impacts of their proposed actions and to provide opportunities for public input.

⁴ Economic analysis includes the examination of benefits, costs, and economic impacts of the project under consideration.

Due to the cost and complexity of the project(s), we performed an evaluation of the options being considered for the COC.

OBJECTIVE, SCOPE, AND METHODOLOGY

The objective of this evaluation was to evaluate the financial impacts of the options being considered for the COC and the scope included alternatives considered for the COC. We conducted this evaluation in conjunction with TVA's analysis and decision-making process related to real estate alternatives, periodically providing results of our analysis to management. We also:

- Reviewed applicable TVA standard programs and processes and other guidance related to project management, real property, and economic analysis to obtain an understanding of requirements and guidance for projects involving real estate transactions.
- Interviewed the real estate advisor and personnel from Safety, Environment, and Enterprise Support; Facilities Transformation; Portfolio Analytics; Facilities Management; and SREG to (1) gain an understanding of the work performed by the real estate advisor and TVA personnel for the COC project(s) and (2) obtain associated supporting documentation.
- Reviewed Project Review Board⁵ and project documentation to gain an understanding of project costs and risks for the Vacate and Consolidate project.
- Examined documentation, including feasibility studies, facilities condition studies, project estimates, and other supporting documentation.
- Reviewed industry standards for estimating operations and maintenance (O&M) costs.
- Performed a walkdown of the COC, to validate the accuracy of information provided in interviews and documentation.
- Reperformed economic analyses for the Vacate and Consolidate project to validate the accuracy and/or reasonableness of the information.

This evaluation was conducted in accordance with the Council of the Inspectors General on Integrity and Efficiency's *Quality Standards for Inspection and Evaluation*.

FINDINGS

We determined that TVA's analysis of the options for the COC could have been improved. Specifically, (1) TVA did not compare the financial impacts of the four

⁵ The Project Review Board is a group of individuals under the express authority of TVA's Chief Executive Officer that has oversight responsibilities for the TVA project management framework. These responsibilities include serving as control for project authorization approvals and reviewing project funding approval requests in accordance with established thresholds.

alternatives identified in the NEPA process to determine the best course of action before starting a project, and (2) the economic analysis for the Vacate and Consolidate project was flawed because it did not include all relevant costs and included an inaccurate input that was not reviewed for reasonableness by TVA. During TVA's process for evaluating alternatives for the COC, we informed management of our findings. Subsequently, TVA took interim actions to address the concerns before making a final decision. In July 2025, TVA made the decision to remain in three buildings at the COC.

IMPACTS OF ALTERNATIVES WERE NOT EVALUATED

In March 2024, TVA requested public input on alternatives for the COC, in accordance with NEPA regulations. Although four alternatives were described in the request, we found that financial impacts for the alternatives were not properly evaluated. Specifically, TVA's Standard Programs and Processes 34.000, *Project Management*, states that project alternatives shall be evaluated before a recommended alternative is chosen. However, the alternatives were not compared against each other to determine the best course of action before the Vacate and Consolidate project was started.

ECONOMIC ANALYSIS WAS FLAWED

We reviewed documentation for the Vacate and Consolidate project and determined the economic analysis was flawed and did not provide TVA's Project Review Board with an accurate depiction of the financial impacts associated with the project. Specifically, the project did not include all costs and included an inaccurate input that overstated cost savings.

All Costs Were Not Included

According to TVA project personnel, there were planning costs related to an environmental study and benchmarking, which totaled approximately \$3 million, that were not included in the economic analysis for the Vacate and Consolidate Project. This resulted in an understatement of the projected costs in the analysis.

Inaccurate Input

We determined that avoided O&M costs were overstated in the Vacate and Consolidate economic analysis because of an inaccurate input. We noted that TVA used benchmarking data from its real estate advisor to calculate the annual O&M costs in the economic analyses rather than TVA actuals. The use of industry benchmarking data for O&M costs resulted in an overstatement in cost avoided of \$9.39 per square feet or approximately \$13.6 million annually. This equated to an overstatement in project value of approximately \$32 million. The documentation provided by TVA's real estate advisors contained a disclaimer stating that it was the client's responsibility to independently confirm the accuracy and completeness of the information provided; however, TVA did not perform the review.

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We informed TVA management of our findings during the decision-making process for the COC. According to TVA personnel, some of the issues were the result of accelerating the process in preparation for the potential sale or transfer of land to GSA. Based on our discussions, TVA performed additional analyses, including (1) validation of inputs from TVA's real estate advisor, including O&M costs and assessment of relocation risks and (2) economic analysis of the decisions for remaining at the COC or relocating. In July 2025, TVA made the decision to remain in three buildings at the COC.

RECOMMENDATIONS

We recommend the Senior Vice President, Safety, Environment, and Enterprise Support, implement steps for future projects to:

1. Evaluate financial impacts of project alternatives in accordance with TVA project management procedures.

TVA Management's Comments – TVA management agreed with the recommendation and stated TVA's Facility Strategy Programs and Projects will review financial impacts of project alternatives in accordance with TVA Standard Programs and Processes 34.000, *Project Management*, to ensure informed decision-making and effective resource allocation. See the Appendix for TVA management's complete response.

Auditor's Response – We agree with TVA management's planned actions.

2. Verify projects include all costs.

TVA Management's Comments – TVA management agreed with the recommendation and stated TVA's Facility Strategy Programs and Projects will verify projects include all costs. See the Appendix for TVA management's complete response.

Auditor's Response – We agree with TVA management's planned actions.

3. Review inputs used in economic analysis for reasonableness.

TVA Management's Comments – TVA management agreed with the recommendation and stated that Facility Strategy Programs and Projects will review inputs used in economic analysis for reasonableness. See the Appendix for TVA management's complete response.

Auditor's Response – We agree with TVA management's planned actions.



Tennessee Valley Authority, 1101 Market Street, Chattanooga, TN 37402

September 29, 2025

Greg Stison, WT 2C-K
Assistant Inspector General
(Audits and Evaluations)

RESPONSE: DRAFT EVALUATION 2025-17530 – Alternatives for the Chattanooga Office Complex

Thank you for the opportunity to address recommendations from DRAFT Evaluation 2025-17530-Alternatives for the Chattanooga Office Complex. We agree with the recommendations provided. Ongoing and planned actions described below will help ensure improvement within this key business area.

Below are the three recommendations that were made and responses for each, including actions in progress and/or planned.

Recommendation 1: Evaluate financial impacts of project alternatives in accordance with TVA project management procedures.

Response: TVA reviewed financial impacts of scenarios as prepared by its real estate advisor. Facility Strategy Programs and Projects will review financial impacts of project alternatives in accordance with TVA-SPP-34.000 – Project Management to ensure informed decision-making and effective resource allocation.

Recommendation 2: Verify projects include all costs.

Response: Due to the acceleration of the process in preparation for the potential sale or transfer of land to the General Services Administration, some planning costs were not included in the economic analysis. Facility Strategy Programs and Projects will verify projects include all costs.

Recommendation 3: Review inputs used in economic analysis for reasonableness.

Response: In preliminary analysis, TVA used benchmarking data from its real estate advisor instead of TVA actuals. An economic analysis was reviewed and prepared by Finance prior to the final decision. Facility Strategy Programs and Projects will review inputs used in economic analysis for reasonableness.

We would like to thank Amy Rush and the OIG staff for their professionalism and cooperation in conducting this audit. This memorandum provides acceptance of the noted recommendations. If you have further questions, please contact me at 865-414-7310.



David L. Bowling, Jr.
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Safety, Environment & Enterprise Support

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