CUTTING SPENDING AND CONSOLIDATING FEDERAL OFFICE SPACE: GSA'S CAPITAL INVESTMENT AND LEASING PROGRAM

(112–14)

HEARING

BEFORE THE

SUBCOMMITTEE ON
ECONOMIC DEVELOPMENT, PUBLIC BUILDINGS, AND EMERGENCY MANAGEMENT

OF THE

COMMITTEE ON
TRANSPORTATION AND
INFRASTRUCTURE
HOUSE OF REPRESENTATIVES

ONE HUNDRED TWELFTH CONGRESS

FIRST SESSION

MARCH 10, 2011

Printed for the use of the
Committee on Transportation and Infrastructure

Available online at: http://www.fdsys.gov/

U.S. GOVERNMENT PRINTING OFFICE

65–449 PDF WASHINGTON : 2011

For sale by the Superintendent of Documents, U.S. Government Printing Office
Internet: bookstore.gpo.gov Phone: toll free (866) 512–1800; DC area (202) 512–1800
Fax: (202) 512–2104 Mail: Stop IDCC, Washington, DC 20402–0001

COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE

JOHN L. MICA, Florida, *Chairman*

DON YOUNG, Alaska
THOMAS E. PETRI, Wisconsin
HOWARD COBLE, North Carolina
JOHN J. DUNCAN, JR., Tennessee
FRANK A. LOBIONDO, New Jersey
GARY G. MILLER, California
TIMOTHY V. JOHNSON, Illinois
SAM GRAVES, Missouri
BILL SHUSTER, Pennsylvania
SHELLEY MOORE CAPITO, West Virginia
JEAN SCHMIDT, Ohio
CANDICE S. MILLER, Michigan
DUNCAN HUNTER, California
TOM REED, New York
ANDY HARRIS, Maryland
ERIC A. "RICK" CRAWFORD, Arkansas
JAIME HERRERA BEUTLER, Washington
FRANK C. GUINTA, New Hampshire
RANDY HULTGREN, Illinois
LOU BARLETTA, Pennsylvania
CHIP CRAVAACK, Minnesota
BLAKE FARENTHOLD, Texas
LARRY BUCSHON, Indiana
BILLY LONG, Missouri
BOB GIBBS, Ohio
PATRICK MEEHAN, Pennsylvania
RICHARD L. HANNA, New York
STEPHEN LEE FINCHER, Tennessee
JEFFREY M. LANDRY, Louisiana
STEVE SOUTHERLAND II, Florida
JEFF DENHAM, California
JAMES LANKFORD, Oklahoma

NICK J. RAHALL II, West Virginia
PETER A. DEFAZIO, Oregon
JERRY F. COSTELLO, Illinois
ELEANOR HOLMES NORTON, District of Columbia
JERROLD NADLER, New York
CORRINE BROWN, Florida
BOB FILNER, California
EDDIE BERNICE JOHNSON, Texas
ELIJAH E. CUMMINGS, Maryland
LEONARD L. BOSWELL, Iowa
TIM HOLDEN, Pennsylvania
RICK LARSEN, Washington
MICHAEL E. CAPUANO, Massachusetts
TIMOTHY H. BISHOP, New York
MICHAEL H. MICHAUD, Maine
RUSS CARNAHAN, Missouri
GRACE F. NAPOLITANO, California
DANIEL LIPINSKI, Illinois
MAZIE K. HIRONO, Hawaii
JASON ALTMIRE, Pennsylvania
TIMOTHY J. WALZ, Minnesota
HEATH SHULER, North Carolina
STEVE COHEN, Tennessee
LAURA RICHARDSON, California
ALBIO SIRES, New Jersey
DONNA F. EDWARDS, Maryland

SUBCOMMITTEE ON ECONOMIC DEVELOPMENT, PUBLIC BUILDINGS, AND EMERGENCY MANAGEMENT

JEFF DENHAM, California, *Chairman*

TIMOTHY V. JOHNSON, Illinois
ERIC A. "RICK" CRAWFORD, Arkansas, *Vice Chair*
RANDY HULTGREN, Illinois
LOU BARLETTA, Pennsylvania
BOB GIBBS, Ohio
PATRICK MEEHAN, Pennsylvania
RICHARD L. HANNA, New York
STEPHEN LEE FINCHER, Tennessee
JOHN L. MICA, Florida *(Ex Officio)*

ELEANOR HOLMES NORTON, District of Columbia
HEATH SHULER, North Carolina
MICHAEL H. MICHAUD, Maine
RUSS CARNAHAN, Missouri
TIMOTHY J. WALZ, Minnesota
DONNA F. EDWARDS, Maryland
BOB FILNER, California
NICK J. RAHALL II, West Virginia *(Ex Officio)*

CONTENTS

U.S. House of Representatives
Committee on Transportation and Infrastructure

John L. Mica, Chairman — Washington, DC 20515 — Nick J. Rahall, II, Ranking Member

March 4, 2011

James W. Coon II, Chief of Staff — James H. Zoia, Democrat Chief of Staff

BRIEFING MEMORANDUM

TO:	Members of the Subcommittee on Economic Development, Public Buildings, and Emergency Management
FROM:	Subcommittee on Economic Development, Public Buildings, and Emergency Management Staff
SUBJECT:	Oversight Hearing on "Cutting Spending and Consolidating Federal Office Space: GSA's Capital Investment and Leasing Program"

PURPOSE

The Subcommittee on Economic Development, Public Buildings and Emergency Management will meet on Thursday, March 10, 2011, at 10:00 a.m., in 2167 Rayburn House Office Building to receive testimony from the General Services Administration (GSA). The hearing will focus on GSA's Capital Investment and Leasing Program (CILP) including alteration, design, modernization, construction, leasing and building purchase activities.

BACKGROUND

General Services Administration

The Subcommittee has jurisdiction over all of GSA's real property activity through the Property Act of 1949, the Public Buildings Act of 1959, and the Cooperative Use Act of 1976. These three Acts are now codified as title 40 of the United States Code. The Public Buildings Service (PBS) is responsible for the construction, repair, maintenance, alteration, and operation of United States courthouses and public buildings of the Federal Government. Additionally, PBS leases privately owned space for Federal use. GSA owns or leases 9,600 assets and maintains an inventory of more than 362 million square feet of workspace. GSA acts as the "landlord" for the federal government, obtaining and managing space to meet the space needs of other federal agencies. GSA, however, is just one of nine[1] federal agencies that, in total, own or manage 93% of federal real property.

Management Issues

Given the vast real estate holdings of the federal government, poor asset management and missed market opportunities cost taxpayers significant sums of money. For this reason, in 2003, the Government Accountability Office (GAO) placed real property management on its list of "high risk" government activities where it remains today. GAO conducts biennial reviews on high-risk areas within the Federal government to bring focus to specific areas needing added attention and oversight. Areas are identified as "high" risk due to their greater vulnerabilities to fraud, waste, abuse, and mismanagement or areas that need broad-based transformation to address major economy, efficiency, or effectiveness challenges.

The key reasons the GAO identified federal real property as high risk are:

- excess and underutilized real property,
- deteriorating and aging facilities,
- unreliable property data, and
- the over reliance on costly leasing.[2]

Unfortunately, despite executive orders and memoranda issued during two administrations and acts of Congress intended to improve the management of federal real property, these problems persist.[3] The GAO noted recently in the 2011 High Risk report issued in February 2011 that some progress has been made in some of these areas but that "federal agencies continue to face long-standing problems, such as overreliance on leasing, excess property, and protecting federal facilities."[4]

The high risk activities of Federal real property are significant. Considerable amounts of vacant or underperforming assets can translate into significant costs associated with their operation, maintenance, and security. For example, in fiscal year 2009, the federal government spent $1.7 billion in annual operating costs for under-utilized buildings and $134 million, annually, for excess buildings.[5]

[1] The other major land-holding departments and agencies include the Department of Defense, Veterans Affairs, Department of Energy, Department of Homeland Security, Department of the Interior, Department of State, National Aeronautics and Space Administration, and the U.S. Postal Service.
[2] *See* High Risk Series: Federal Real Property, U.S. General Accountability Office, GAO-03-122, January 2003.
[3] *See*, for example, Executive Order 13327, Federal Real Property Asset Management, signed by President George W. Bush, February 4, 2004; Presidential Memorandum, Disposing of Unneeded Federal Real Estate, signed by President Barack Obama, June 10, 2010; Public Buildings Cooperative Use Act of 1976; Public Law 108-447, Division H, Title IV, Section 412, December 8, 2004 (providing enhanced flexibility to GSA in real property management).
[4] High Risk Series: Managing Federal Real Property, U.S. General Accountability Office, GAO-11-278, February 2011, p. 58.
[5] FY2009 Federal Real Property Report, Federal Real Property Council, September 2010, p. 5.

GSA's Capital Investment and Leasing Program

PBS activities are funded primarily through the Federal Building Fund (FBF), an intra-governmental fund into which agencies pay rent for the properties they occupy. Any excess funds generated by the rental system are used for building repairs and new construction. In 1975, the FBF replaced appropriations to GSA as the primary means of financing the operations and capital costs associated with the Federal space owned or leased by GSA. Each year, GSA submits to the House Committee on Transportation and Infrastructure and the Environment and the Senate Public Works Committee its Capital Investment and Leasing Program (CILP) for the subsequent fiscal year. The CILP submission includes what are known as prospectuses for each project, detailing the project scope, need, and estimated costs. The prospectus must be approved by the Office of Management and Budget, and must detail the particular project along with the cost, benefits, and plan for Federal occupancy. Those prospectuses are submitted as part of the CILP each year. For FY 2011, a prospectus is required for any project in excess of $2.79 million.

Congress exercises control over the FBF through the annual appropriations process by setting limits on how much of the fund can be expended for various activities. Section 3307 of Title 40, United States Code, requires the Committee on Transportation and Infrastructure of the House of Representatives and the Committee on the Environment and Public Works of the Senate to pass resolutions authorizing prospectuses for construction, repair, alteration, or leasing of space prior to an appropriation of funds.

In the FY 2011 CILP, GSA submitted prospectuses for 47 projects, including those for alteration, design, construction, and leasing. 26 prospectuses for leased space, most of which were submitted later in 2010, have not been acted on by the Committee through resolution and are still pending before the Committee. In addition, as of this Briefing Memorandum, GSA has failed to submit to the Committee its FY 2012 CILP, despite repeated requests in the past by the Committee to ensure their timely submission following the issuance of the President's budget which details the prospectus-level construction, repair and alteration projects the Administration proposes to fund.

In particular, the President's FY 2012 Budget requests authority to fund the following projects from the FBF (Some projects, such as those listed for St. Elizabeths, were previously authorized by the Committee in 2010):

<u>**CONSTRUCTION AND ACQUISITION**</u>

Executive Agencies:

Washington, DC, St. Elizabeths Highway Interchange	$55,400,000
Washington, DC, St. Elizabeths West Campus Infrastructure	$41,906,000
Washington, DC, St. Elizabeths Activities	$100,000,000
Washington, DC, St. Elizabeths East Campus Road Development	$20,400,000
Lakewood, CO, Denver Federal Center Remediation	$9,307,000

San Juan, PR, FBI Consolidation	$145,506,000
Frederick County, VA, FBI Central Records Center	$97,060,000
Total:	**$469,579,000**

Land Ports of Entry:

Columbus, NM, U.S. LPOE	$59,598,000
Alexandria Bay, NY, U.S. LPOE	$173,565,000
Laredo, TX, Convent Street U.S. LPOE	$74,947,000
Dunseith, ND, U.S. LPOE	$35,863,000
Brownsville, TX, Gateway U.S. LPOE	$26,090,000
Total:	**$370,063,000**

REPAIRS AND ALTERATIONS

Full Scope Repairs and Alterations:

Washington, DC, Main Interior Building	$50,400,000
Washington, DC, Harry S. Truman Building	$54,700,000
Honolulu, HI, Prince J. Kuhio Kalanianaole Federal Building and Courthouse	$198,650,000
San Francisco, CA, Phillip Burton FBI Consolidation	$49,900,000
Overland, MO, Prevedel Federal Building	$24,386,000
Washington, DC, EEOB Pennsylvania Avenue Screening Facility	$17,000,000
Total:	**$395,036,000**

Major Repairs and Alterations Design Program:

Los Angeles, CA, Federal Building (ICE)	**$9,478,000**

Special Emphasis Programs:

Energy and Water Retrofit and Conservation Measures	$40,000,000
Fire Prevention Program	$15,000,000
Wellness and Fitness Program	$7,000,000
Total:	**$62,000,000**

Non-Prospectus-Level (Basic) Repairs and Alterations Program	**$402,388,000**

The FY 2012 Budget requests a total of $9.5 billion in new obligational authority (NOA) for the FBF to funds these projects.

WITNESS

Mr. Robert Peck
Commissioner
Public Buildings Service
U.S. General Services Administration

CUTTING SPENDING AND CONSOLIDATING FEDERAL OFFICE SPACE: GSA'S CAPITAL INVESTMENT AND LEASING PROGRAM

Thursday, March 10, 2011

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON ECONOMIC DEVELOPMENT, PUBLIC BUILDINGS AND EMERGENCY MANAGEMENT,
COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE,
Washington, DC.

The subcommittee met, pursuant to notice, at 10:16 a.m. in room 2167, Rayburn House Office Building, Hon. Jeff Denham [chairman of the subcommittee] presiding.

Mr. DENHAM. This subcommittee will come to order. Ranking Member Norton will be detained for a short period of time. She is at a different hearing right now, testifying. So we are going to go ahead and get started this morning.

This hearing is focused on the General Services Administration's capital investment and leasing program, and examining ways to cut spending and consolidate Federal office space. Today we are reviewing the 2012 program and the remaining lease prospectuses from the 2011 program.

Given the financial crisis facing our country, we simply must reduce the amount of money we spend to house Federal employees. Excess and under-utilized properties must be eliminated. The price we pay for space has to be controlled. And agencies will have to house more people in less space. The committee intends to scrutinize each project from this perspective, in order to determine if they will save taxpayer money.

We received the President's proposal, 2012 budget proposal, nearly a month ago. That budget proposes to spend $840 million on construction and acquisition projects, and $869 million on repairs and alteration projects. The budget includes funding for specific projects, including ports of entry, FBI consolidations, and the repair and alteration of other Federal buildings.

Our committee just received GSA's fiscal year 2012 capital improvement program yesterday, nearly a month after the release of the President's budget. Year after year, this subcommittee has requested GSA provide its capital investment program early in the year, so that we can act in a timely fashion. I do appreciate that we did receive the program prior to this hearing, and hope we can work with GSA on ensuring timely submission in the future.

I also want to thank Mr. Peck for his response to the letter signed by all the Members of this Committee last week, requesting access and information from the Federal real property profile database regarding GSA properties. I do remain concerned, however, that some of the requests remain outstanding. For example, in January GSA briefed subcommittee staff on the lease prospectuses still pending from the 2011 leasing program, and staff requested information on many of those projects. Responses to those requests were only received yesterday.

In addition, at the hearing we had last month, members of the subcommittee asked for information to be submitted. Many of those deadlines are today, including: the Old Post Office Building, an explanation to the subcommittee why the RFP has not been released; a list of properties losing money on an annual basis in the national capital region—we did have the operating costs in there, but without the revenues associated with that, it does not allow us the opportunity to see whether or not we are losing money; recommendations on any changes needed to existing law to streamline the property disposal process.

We will be coming out with our own recommendations in bill form. So we would certainly like to work with GSA on their recommendations in that process.

I hope we are going to receive the responses to those questions very soon. This committee does not plan to approve leases until we receive this information. I want to make sure GSA is very well aware of that.

The administration's goal of addressing the problem of unneeded and underutilized assets is one that is shared by this subcommittee. It is critical that we have access to relevant information in a timely fashion, so that we can effectively work with GSA and the administration on proposals to stop waste when it comes to our public buildings and facilities. I look forward to working with Mr. Peck on these issues.

And I would just like to add for the record we had a great meeting yesterday over at your office. I appreciate the opportunity not only to get together, but some frank conversation on how we can greatly improve the process and work together.

Ms. Norton will be here shortly, and I will still allow her an opening testimony.

But for now, I would like to call on Mr. Peck for an opening statement.

TESTIMONY OF ROBERT PECK, COMMISSIONER, PUBLIC BUILDINGS SERVICE, UNITED STATES GENERAL SERVICES ADMINISTRATION

Mr. PECK. Well, thank you. And thank you, Mr. Chairman, for coming over to the office yesterday. I also thought we had a very productive conversation.

Chairman Denham, Congressman Crawford, and members of the subcommittee, thank you for inviting me here today to discuss the investments that GSA is making in our Nation's infrastructure through our fiscal year 2012 capital investment program. The projects in our fiscal year 2012 program are critical investment needs for our country and tenant agencies.

PBS is investing in our Nation's economic recovery while meeting our sustainability responsibilities. These investments stimulate job growth, increase space utilization, enhance asset condition, and improve the environmental performance of our inventory.

GSA utilizes a detailed asset analysis strategy to drive investment decisions. This plan prioritizes agency requirements and asset needs based on criteria, including agency mission, facility conditions, space utilization, return on investment, and sustainability.

PBS continues to demonstrate strong operational performance, surpassing many private-sector benchmarks to improve asset utilization and achieve the greatest return to taxpayers. Eighty-three percent of GSA's government-owned assets achieve a positive cash flow. Our vacancy rate, just under 3 percent, is well below the private-sector rate of about 17 percent.

PBS is also becoming a green proving ground through judicious investment in new and innovative technologies. GSA is the steward of more than 1,500 government-owned buildings, which have a replacement value of $45 billion. PBS is requesting a repair and alterations program of $869 million to enable GSA to maintain and improve these properties, so that they can continue to meet the needs of our tenant agencies.

Industry benchmarks suggest investing at least two percent of replacement value annually in capital upgrades, and our request is at about 1.9 percent. This program includes completing multi-phase renovations at the Interior and State Department headquarters in Washington, and at the Prince Jonah Kuhio Kalanianaole Building in Honolulu. I just say that because I'm proud that I know how to pronounce it.

[Laughter.]

Mr. PECK. It also includes major consolidations that will permit us to relocate tenants from lease space into federally owned space in San Francisco and in Overland, Missouri.

PBS is requesting $840 million, as you noted, for our new construction program. PBS's fiscal year 2012 priorities reflect urgent tenant mission needs, and investments that will ensure a long-term payback for taxpayers. Highlights of the program include: $217 million for the Department of Homeland Security consolidation at St. Elizabeths in Washington; $243 million for FBI projects in San Juan, Puerto Rico and Frederick County, Virginia; and $371 million for land port of entry construction in New Mexico, Texas, New York, and North Dakota.

In addition to GSA's budget request, the Department of Transportation has requested $2.2 billion in service transportation investments which will be transferred to GSA for the design and construction of a number of critical facilities at our Nation's borders. These investments prioritize the largest border crossings that support high-volume transportation and cross-border trade.

You have a right to ask if we can deliver on these projects. In our hundreds of accelerated projects under the American Recovery and Reinvestment Act passed just two years ago, we met every contracting deadline, and are also on our construction targets. We have created some 16,000 jobs to date.

GSA's fiscal year 2012 request assumes full funding of the President's fiscal year 2011 budget for GSA's capital program. If, in the end, we do not receive funding for the fiscal year 2011 capital program, GSA may need to alter our fiscal year 2012 request. If any revisions to the fiscal year 2012 budget request are necessary, we will notify the committee accordingly.

We do want to thank the committee and subcommittee for authorizing our fiscal year 2011 capital program in a timely way last year.

We urge you also to authorize the balance of our fiscal year 2011 prospectus level leasing program. More than half the workforce we accommodate is in space leased from private-sector building owners. As you know, we prefer to provide space in federally owned assets whenever possible. But when we do not have such space, we lease in the private market. We will submit prospectus-level leases for the fiscal year 2012 program to the committee this summer for authorization.

I need to alert you to an urgent concern. Proposed continuing resolution cuts to the Federal building funds operations and leasing accounts for the remainder of the fiscal year would seriously inhibit our ability to provide basic building services, and even to remain current on lease payments to our lessors.

We all want to minimize the size of the Federal inventory. The President announced in his fiscal year 2012 budget a legislative initiative to accelerate the identification and disposal of surplus properties. This is a follow-on to his memorandum to Federal agencies in June of 2010 ordering stepped-up efforts to identify excess property. That is a government-wide effort that we have been leading, since we are the Federal Government's central agency for disposing of surplus property.

The administration is proposing a civilian property realignment initiative that will enable us to improve how we identify and move surplus properties out of the Federal inventory, allowing us to realize a financial return, and perhaps as important, eliminate the cost of maintaining these properties. An appointed board would review all Federal agency properties and provide a mechanism to overcome some current impediments to moving surplus space out of the inventory. And I thank you for your passion and commitment for helping move surplus property out, as well.

More than a year ago we stepped up our consulting with Federal agencies on ways to embrace new mobile workplace technologies and office strategies that should permit dramatic reductions in the amount of space agencies need to carry out their missions. We are using the renovations of our headquarters building currently underway as an example. We expect nearly to triple the number of people that that building accommodates.

The program we present today reflects an analytic and best-practice-based approach to meeting Federal agency real estate needs, while at the same time we improve operational efficiencies and space utilization to minimize costs for the American taxpayer. We are concentrating reinvestment in core assets, and disposing of unneeded assets.

Mr. Chairman, this concludes my prepared statement. And, of course, I am pleased to answer any questions you have.

Mr. DENHAM. Thank you, Mr. Peck. We have got a number of questions here, and we expect that we will have more than one round of questioning. But let me start.

As you point out in your testimony, Administration intends to aggressively pursue dispositions of unneeded assets. However, the 2012 budget proposed by the administration anticipates that GSA's proceeds from sales will drop from $24 million in 2010 to $16 million in 2012. Why is there a drop, when disposal of properties is a priority for the administration?

Mr. PECK. Mr. Chairman, as you know, I will get you a more comprehensive answer for the record. But it takes a while to get properties into the pipeline, and then to move them through the process that we have and out into the marketplace.

I will have to check on the numbers. It may be just the GSA properties that we are disposing. The government-wide total, I believe, is in the hundreds of millions of dollars for this year. I think you are talking about—remember, there are two aspects to our property disposal: properties that GSA itself owns and controls; and those that other Federal agencies give to us to dispose of. I think you are giving the GSA numbers, but I will double-check for the record. We are working pretty——

Mr. DENHAM. You would have those other numbers——

Mr. PECK. We will have—we have the estimates on how much we are moving through the pipeline right now.

And one thing—can I—one thing I would like to highlight is we are beginning—for example, this afternoon at noon—an online auction of the Fort Worth Federal Center in Fort Worth, Texas. It's about a million-square-foot warehouse and 75 acres of land.

Mr. DENHAM. And GSA does liquidate the properties outside of GSA's——

Mr. PECK. Yes, sir. And it's important, I want to make sure we're clear on what we do. GSA owns 1,500 building assets, and we at the moment have something like 30 properties that are vacant that we ourselves, in GSA, are trying to move out onto the marketplace. The Federal Government, obviously, holds thousands and thousands of assets. And, on behalf of other land-holding agencies such as the Department of Interior, the Department of Defense, the Department of Energy, we—they—when we find that they have excess assets, or surplus assets, we then move them out into the marketplace.

Our job—if you give me a minute—is to take assets that an agency describes to us as no longer being needed for their purposes in the Federal inventory, to then, in essence, market those properties to other Federal agencies and see if anyone else in the government needs it, because we are the government's central real estate clearinghouse. If we don't find anybody in the Federal Government that has it, then we declare the property surplus, and take them through the surplus property process, which I think Members of the Committee are familiar with.

Mr. DENHAM. So the $16 million that we're looking at here you anticipate is just from GSA property?

Mr. PECK. Yes, sir. And that's been confirmed by my staff behind me.

Mr. DENHAM. And the other properties from other agencies, you have direct control over the disposal of those, and should also have those numbers?

Mr. PECK. It's—I mean in most years—and we have stepped up our efforts over the last 5 or 6—we have hit a number somewhere around, I believe, $300 million in disposals.

The other thing I will point out, though, is the sales dollars that we get understates how much property we actually get off our books. Because, in addition to sales—and, in fact, more than sales, if you look at square footage—we sometimes dispose of properties by giving them away for reduced or no compensation to cities and states for specific purposes that are stated in the Federal Property Act.

Mr. DENHAM. Does GSA retain the proceeds for the non-GSA properties that——

Mr. PECK. No, sir. The—under legislation that passed in about 2004, Federal agencies can retain proceeds but they go to the agency that was the original land-holding agency.

So, for example, if the Department of the Interior has a property that we sell, all or part of the proceeds go back to the Department of the Interior. The only thing we retain is we're allowed to take some of our costs out of the proceeds.

Mr. DENHAM. Also in your written testimony you had pointed out the President has proposed a civilian property realignment initiative, a BRAC-like process that we have talked about many times. What involvement has GSA had in formulating this process, and what would be the role of GSA, and specifically the Public Building Service, in the process, should legislation be enacted?

Mr. PECK. Thank you for asking. Since the President issued his memorandum last June, GSA has been leading a working group of Federal agencies that are taking a look at—that have asked agencies to come back with Federal plans. And I should mention that this is under the auspices of the Office of Management and Budget, but we have been with some of their staff, the arm executing the work on the President's memorandum.

We have been part of a group of Federal agencies that have been sitting around the table, figuring out how we can make that effort even stronger. And so, we have been a part of vetting the President's legislative proposal, and we are actually now—legislation or no, we are working together to pull together a stronger inter-agency working group to make this effort go forward. We are looking at taking detailees out of some other Federal agencies, putting them in a GSA space which we have, and working on this thing full time, with our GSA disposal people helping to lead the effort.

Mr. DENHAM. So, under the President's BRAC proposal, which I understand is not fully out yet, or vetted, it would not be looked—I mean if we're greatly expanding the $15 billion goal, does GSA, in the next 3 budgets, have the money and the personnel to be able to liquidate that number of properties, or are we looking to go out to private companies that can help the liquidation process, or a hybrid thereof?

Mr. PECK. The President's proposal, which was included as an—in an appendix to the budget request for this year, asks for an appropriation for—to capitalize, in essence, the effort of this property effort of about—I think the request is for about $80-some million. And then the intention is that, as we get proceeds from properties that we sell, we would replenish and increase that fund.

Let me say there are two reasons for that dollar amount. One is to pay for private-sector expertise, where we need it to do analysis of the properties and possibly to help take it to market. I should note that right now, when we do disposals, we sometimes use private brokers to help sell them under a blanket purchase agreement.

But we also need some of the money because, in some cases—I will give you an example from some of our buildings. We have a couple of buildings that we report as partially vacant. And if we have as much of—in a case where we have a third of a building vacant, if there are other Federal agencies in the area, what we would like to do is have enough money to be able to move people out of the partially vacant building, consolidate them into other buildings, and create a vacancy—and totally empty out the partially vacant building and put it on the market. It takes some upfront money to do that, as they learned in the Defense BRAC, as well.

One other thing, Mr. Chairman. The $15 billion is a goal that the administration put forward in the President's press briefing last week. It is a $15 billion——

Mr. DENHAM. We expect to exceed that goal.

Mr. PECK. We would love to, as well. But let me say one thing, that, again, I want to note that there are two ways to look at the numbers. One is how much money do we get from selling. The other is the savings that we get from not operating and maintaining vacant properties. And even when they're totally vacant, people say, "Well, how much can that cost?" Well, you have to secure them, just so people don't break into them, so they don't become nuisances in their communities. And there are some costs of keeping them——

Mr. DENHAM. $6 million a year for the Old Post Office, correct?

Mr. PECK. Well, it's—you know, again, the Old Post Office has tenants in it. But we do lose money on it.

Mr. DENHAM. Thank you. And just as a side note before we start a round of questioning, I'm looking forward to watching the online auction today on how things go with the Fort Worth, Texas property. But it did come to my attention that this committee held a hearing on that in 1997. Why has it taken so long to get to this process?

Mr. PECK. Well, I can tell you, as Jeff Zients said in his press briefing last year, a couple of things. One is we had to move some—we had some of the warehouse space partially occupied, and we were—I don't know—I can't account for before 2007, which is the farthest back time that I have been briefed on. But we did have to move some people out of the warehouse so it could become vacant.

And then we spent a long time talking to local officials about their interest in taking the property. And as you and I have discussed, and as Jeff Zients, the deputy director of OMB, mentioned in his briefing last week, sometimes local political considerations really extend the amount of time that it takes us to get properties out on the market. The process that allows us to talk to states and localities looks like it has a time bound to it when you look at our process. But I will just say it sometimes gets extended.

Mr. DENHAM. Political from both the local level, as well as sometimes Members from Congress that may have an interest in a specific area, or——

Mr. PECK. Yes, sir. And, more often than not, it's—localities have legitimate uses to which they want to put the properties. But we have, in law, some fairly narrow purposes for which they can get it at a discount. And if we can't give it to them under that law at a discount, which usually means for free, we talk to localities about paying fair market value. And then, sometimes negotiations become protracted.

Mr. DENHAM. Thank you. And as we discussed yesterday, some of the challenges with putting a property like this on auction, as well as the timing, again, one of the things that this committee is looking for that we had discussed 30 days ago was how to streamline the process. And we still look forward to a list of recommendations on that.

Mr. PECK. Thank you.

Mr. DENHAM. With that, I would like to start our five-minute round of questioning. First Member would be Mr. Crawford, our vice chair.

Mr. CRAWFORD. Thank you, Mr. Commissioner, for being here today.

In your written testimony you highlighted GSA's vacancy rates in leased space, as compared to the private sector. How are those GSA vacancy rates formulated, and do they take into account the actual utilization by tenant agencies?

Mr. PECK. The fair answer is yes and no, sir. The way we count tenancy and occupancy—and I have done this in the private sector—is the way a private sector landlord would. If a Federal agency is paying us rent on the space, we count it as occupied space. That—and the "no" part of my answer is that that could mean that an agency is, by our own standards, not making the optimum use of the space. Or, in some cases, we have a lease on space where one agency has downsized and another one has increased, and we are moving people in. So there are occasional vacancies, too.

And I want to be clear. This is not—we are in a very different situation from the private sector. This is not a knock on the private sector. The private sector has vacancy because the economy has contracted more than in previous recessions, for example, where the private sector may have overbuilt. So I don't—this is no knock on them. In our case, we are much more able to control the tenancy. We just—when we lease space, it's because we know we have a real need for it.

Mr. CRAWFORD. OK. Thank you. In the 2012 program, GSA included a number of projects intended to avoid costly leases, including the consolidation of the FBI in San Francisco, and back-filling the Veterans Benefits Administration into a Federal building in Missouri. What would be the avoided lease cost for those projects?

Mr. PECK. Let me—unless someone behind me knows immediately, it's something I can provide you for the record. It's a finite number.

Mr. CRAWFORD. OK, sure. If you want to, provide that for the record a little bit later on.

And then I have one other question here I would like to ask, if I could. Can you explain why the request for energy and conservation measures has doubled from $20 million in 2011 to $40 million in 2012, especially given that most of the $5.5 billion Recovery Act funds went to converting buildings into high-performance green buildings?

Mr. PECK. Yes, sir. The Recovery Act funds of the $5.5 billion, about $3.5 billion was money to be—to put—some of it was new construction, and $3.5 billion was money to put into repairs and alterations in our buildings that included not just greening the buildings, it included, in many cases, total building rehabilitations, where we had a 40-year-old building. So it means replacing the roof, replacing facades, all that kind of stuff.

In every case where we did that, we did green the buildings, that's absolutely true. But even that didn't reach—there was something like 270 major building renovations projects. We have 1,500 buildings. And so there are still buildings that need work on their energy and water conservation. And these funds generally go to smaller things that you can do to buildings, like putting in smart meters, low-cost technology upgrades that can make a difference.

Mr. CRAWFORD. OK. And I've got a little bit of time left, so I am going to ask you another question. Can you explain why two of the most costly projects included in the President's budget for 2012 include an FBI consolidation in San Juan, Puerto Rico, at a cost of $146 million, and the renovation of a Federal building and courthouse in Hawaii at a cost of nearly $200 million? Can you talk about the need for each of those projects, what the utilization rates are, and how they save money?

Mr. PECK. In the—in Hawaii, there are two issues in the—I'm not going to try to pronounce it again—the PJKK Building, as it's affectionately known. The building is—it's an old building. It's had some major—we don't have structural issues, but we have some major facade issues, water infiltration in the building, and it's—mostly it's—in that case, it's mostly an operating asset.

And we operate like a private-sector landlord in this sense. At some point a building gets to the point where it's no longer functional. We can, by investing that money, save money on operating costs. And I will say that, since we do operate like a business in the sense that we have a rent roll—we're mostly self-financing—when we do that we are also able, over the years, to recapture our investment by raising the rent, because the building will now be a higher class building. That's in that case.

In the FBI—in Puerto Rico, there are—I will get you the utilization rates in the building, but I'm going to just say to you, sir, that, looking at our inventory, utilization rates in general could be improved.

Mr. CRAWFORD. OK.

Mr. PECK. I'm not going to—I will see what they are in that building, but I think we could improve. And I'm looking forward to having an opportunity to discuss with you some of the things that we're doing to do that.

Mr. CRAWFORD. OK. Thank you, Commissioner. I yield back, Mr. Chairman.

Mr. PECK. Thank you. Mr. Hultgren?

Mr. HULTGREN. Thank you, Mr. Chairman. Thank you, Mr. Commissioner, for being here. A few questions.

The President proposes over $200 million for projects related to DHS consolidation at St. Elizabeths in D.C. Can you explain how these projects fit into the overall consolidation plan, and what is needed for Coast Guard's occupancy of its new headquarters?

Mr. PECK. OK. The Coast Guard building is well along, as anybody who flies out of National and gets to sit on that side of the plane will notice. We are on track to finish that building. We have got funding for the Coast Guard building. But there are associated projects at the DHS headquarters that are essential, both in the fiscal year 2011 and fiscal year 2012 programs.

So, let me just restate. The purpose of the consolidation is to get—as we all know, one of the issues on homeland—with improving homeland security is getting the various agencies that are involved to coordinate better, so that they coordinate intelligence and operations. And the idea is to get their major operating entities up on the St. Elizabeths campus.

The next phase of projects, the immediate next phase of projects in fiscal year 2011, in fact, is to create the national operations center, which is, obviously, the heart of their operation. There is some construction on that going underway at the moment. The space for the Secretary's headquarters—again, the heart of the agency—is next on the agenda. And there is a lot of infrastructure work that has to be done so we can continue with some of the other buildings which will house aspects of—parts of customs and border protection.

Mr. HULTGREN. The President's proposal requests funds to begin a repair and alteration project for a Federal building for ICE in Los Angeles. Wonder if you could just talk briefly, too, how you see that this project would save money and increase utilization.

Mr. PECK. I'm sorry, tell me——

Mr. HULTGREN. The ICE in Los Angeles.

Mr. PECK. Oh.

Mr. HULTGREN. For ICE——

Mr. PECK. That's a—oh, that's a good story. That was a—we were going to do a—what's called a lease construction project, a project in which we go out in the private market and ask someone to basically do us a build-to-suit project. And we have converted that to a government construction project.

The advantage is—I am going to be clear about what I say about leasing. As with any corporate real estate operation, there should be a mix of leased and owned space. You generally lease space when you have relatively short-term needs, or needs that you think you might have to move around. When you have permanent operations that you know will be around—and generally it's for more than 15 to 20 years—it makes sense over time to own the asset.

And so, this is a product that we converted from leasing to construction. And, in the long run, that means that we—that the Federal buildings fund, which is basically a revolving fund, will retain the revenues and make enough of a net income to be able to do those things we have to do in our inventory.

Mr. HULTGREN. OK. So you do see it with the ICE project, there is a net savings?

Mr. PECK. Yes, sir. I could get you the net present value difference between leasing and ownership, as well.

Mr. HULTGREN. That would be great, if you could. Thank you.

The President's proposal also requests funds for the FBI record center in Frederick County, Maryland. Why is this space needed, and how will the project cut spending and improve space utilization, as well?

Mr. PECK. There is a long and, in the end, I think, a good story here. We have been—the FBI has needed a place for its records. A lot of things are digitized these days, and so they need different kinds of record storage facilities. They still have a lot of paper records. And they have needed this for a long time.

But because of technology, we have been able to—this project has gone from at one time being nearly a million square feet down to where it is today, which I think is a little over 300,000.

And again, at one time we were talking about a lease construction project, and this too has been converted to a request for funds to build it. I mean this is a classic kind of a warehouse records center kind of a facility that we're going to need for a long time.

Mr. HULTGREN. So with the smaller size, though, it does appear that it would still accomplish the purposes of the FBI, but also would have the utilization that we really need there?

Mr. PECK. Yes, sir.

Mr. HULTGREN. OK.

Mr. PECK. We have taken out of it at least one minor function that they don't feel needs to be collocated there. But, because of technology and another look at how they do their work, we have been able to skinny it down.

Mr. HULTGREN. I'm going to switch just a little bit. I've got just a little bit of time left here.

But dealing with border crossings, the 2012 program includes funding for a number of land ports of entry. As you know, last year our committee had concerns that some of the Recovery Act funds were going to border crossings that saw very little traffic. Can you provide the committee with the traffic and utilization rates for each of the facilities in the President's budget?

Mr. PECK. Yes, sir, I will. And that's in the—these projects were screened by looking at where we have the most cross-border traffic.

Could I just say I was in—about a month ago I went down to—looked at a number of the border crossings in Arizona and our border crossings in El Paso, and there are places in which the trucks line up for, sometimes, eight hours to get across the border. It increases—they need to be screened, there is no question about that. But it increases cost to the American consumers when that happens. And so we have—I will get you the counts.

Mr. HULTGREN. Thank you, sir. Do I have time for one more question, or——

Mr. DENHAM. Absolutely.

Mr. HULTGREN. In your testimony you note that the Department of Transportation has requested $2.2 billion in their surface transportation funding for critical facilities at the borders. These funds, you note, would be transferred to GSA out of what the DoT account—I'm sorry—out of what DoT account would these funds come from? Is it from the highway trust fund, or from another account?

Mr. PECK. I think—yes, it's service transportation funds, but I'm going to have to—I want to—I know a little bit about this. I want to find out if it's from highway trust funds. I don't believe so.

Mr. HULTGREN. Well, if you can get that to us, as well——

Mr. PECK. I will.

Mr. HULTGREN [continuing]. That would be great. I will just keep going, if that's OK, until they cut me off.

Would the $2.2 billion in DoT funding be for actual construction of new buildings and facilities, or for the roads leading to the facilities?

Mr. PECK. It's mostly design and construction. But in a lot of cases on our facilities as they are, we—well, not in a lot of cases. In some cases we do pay for some of the road infrastructure, although generally that's done by the state departments of transportation.

But there are cases in which, because if we just plunk a land port of entry—a new one—down we will create terrible congestion, we do spend some of the money outside the ports as well.

Mr. HULTGREN. OK. Will we receive prospectuses for the projects funded with the $2.2 billion in DoT funding?

Mr. PECK. No, sir. I believe on that—am I right? On that account you would get a spending list, somewhat the way we did on the American Recovery and Reinvestment Act. I note, though, that transportation funds come through this committee as well, so you would certainly have every opportunity to review it.

Mr. HULTGREN. OK. One last thing, if I could sneak it in, you highlight in your written testimony again that more than 10,000 jobs have been created through GSA's $5.5 billion that was included in the Recovery Act. Do you have a breakdown of the types of jobs created, and how many of them are long-term permanent positions? And, if you do, could you get those to us?

Mr. PECK. I will. But I should say they are—these are generally not long-term, permanent positions. These are design, architecture, engineering, and construction jobs.

Mr. HULTGREN. OK. But if you could, get us a list of approximate time for those positions, and just a follow-up of how that's gone.

Mr. PECK. I will. Actually, on those, I have to tell you we have been very scrupulous about that. We even go out and ask our contractors on a monthly basis, I think it is, to give us their breakdown of their jobs.

Mr. HULTGREN. Great. Thank you, Commissioner. Thank you, Mr. Chairman, for your indulgence. I yield back.

Mr. DENHAM. Thank you, Mr. Hultgren. Obviously, we went over the five minutes because there is some new questions that have come up under this. I didn't realize that the $2.2 billion is coming from the highway trust fund.

Mr. PECK. I believe it is not coming from the highway trust fund. It is coming from the Department of Transportation. We are going to check and find out if it's highway trust fund money or appropriated funds. Generally, appropriated funds.

Mr. DENHAM. Because the highway trust fund would go to fix roads and highways.

Mr. PECK. Correct. We know that. And the reason that the money would come from the Department of Transportation is that this is—has a lot to do with cross-border traffic and trade. And the administration felt that it was—that the DoT funding was appropriate to carry this activity.

You will see the—in the projects that we are going to propose, you are going to see they're mostly from congested land ports of entry.

Mr. DENHAM. OK. And even though this is DoT funding—I know you're going to go back and see which fund this is coming out of—but DoT funding, and we're not going to receive prospectuses on this?

Mr. PECK. That's—it would be because it's a transfer of funds, somewhat the way the American Recovery and Reinvestment Act was carried out. We would provide a list of projects that we would propose to fund under it.

I think some of the thinking has been, Mr. Chairman, that this committee obviously funds the Department of Transportation and the transportation program as well, and would have every opportunity to review the list of projects. It's a matter of legislative interpretation that funding that comes to us outside of the public buildings fund, the Federal buildings fund, doesn't go through a prospectus process.

It doesn't mean that we aren't—that you aren't welcome to have a hearing and make whatever decision you make, because it's going to be a full—it's going to be a request for at least an appropriation. And I believe that an authorization to the Department of Transportation, but I have to check on that.

Mr. DENHAM. We can obviously hold a hearing any time we find out new information. This seems like it is trying to get around the process, almost like a blank check. We're going to go out and spend the money, and then we will tell you where we spent it afterwards.

Mr. PECK. No, sir. I mean you will get a list of proposed projects to review before any spending is done. Yes.

Mr. DENHAM. When do you expect to have that list?

Mr. PECK. I will have to get back to you on that. I don't—it's not being developed—there is a draft list, and I don't know where it is at the moment.

Mr. DENHAM. When do you expect to spend the money?

Mr. PECK. Well, it's for fiscal year 2012, so we would propose to start at the beginning of the fiscal year, if we get it funded.

Mr. DENHAM. So, similar to our prospectus, you must have some information on it——

Mr. PECK. We do. There is—like I said, there is a spending list that is not—a project list that has not yet been cleared for submission to the Congress.

Mr. DENHAM. Thank you. Chairman Mica? Five minutes to Chairman Mica.

Mr. MICA. Thank you. And thank you, Mr. Chairman. And welcome, Mr. Peck. Good to see you today. I know you're talking a bit about some of GSA's capital investment leasing program.

I always go back to my favorite subject, which is the consolidation of the FTC current space. And for some time now you have had before us a prospectus to lease a total of over 400,000 square feet. And we have one lease expiring, the FTC currently has their 306,000 gross feet of space in the Apex Building, where they are headquartered now. And then they have, on New Jersey Avenue, I think, another over 200,000 square feet. And then they lease a smaller amount of space. And there was the possibility of getting a third building for them, or consolidation.

Now, the New Jersey space lease expires. Is that in 2012 or 2013, do you recall?

Mr. PECK. Checking my—expires in August of 2012.

Mr. MICA. 2012. The other thing, too, is I know some time ago you did propose leasing additional space for them, and they have additional requirements. We also have the Apex Building in which they are housed as 306,000 gross square feet, a net usable of 258, and they're using 180, or maybe a little more than that currently, with somewhere between 450—and they claimed up to 700—employees. But that request for additional space—have you been in consultation with them on their space needs?

Mr. PECK. Yes, I have not personally, but we certainly have, as an agency. Yes, sir.

Mr. MICA. And when we received the prospectus last year I had pretty much the agreement of the former chair of the committee to try to move forward with the consolidation of—approval on moving forward. And, as you know, we passed a resolution.

I have been here a while. It's sort of unprecedented to have a resolution of the nature we did in response to a prospectus request. Isn't that—that's sort of unusual. I know it puts you——

Mr. PECK. Right.

Mr. MICA [continuing]. In a dilemma, but I think it set forth some of the issues that we felt were important. You provide us with a prospectus and a request, and then I thought it was incumbent on us to pass or adopt a resolution that stated our position.

I know that puts you in a little bit of an awkward situation, and there has been a certain amount of lobbying by the FTC commissioners to retain their space. Have you undertaken yet, or your folks undertaken yet, since we have passed the resolution, any discussions with FTC about, again, consolidation of space or meeting their space needs, given that we are intent on trying to transfer their building to the National Gallery of Art, so they don't have to lease additional space outside, and could consolidate some of their operations?

Mr. PECK. Mr. Chairman, I have not talked to them. I don't know that anyone else in GSA has, but I have not personally engaged them since you all passed the resolution. But I intend to. And I would like to, if I could, lay out a couple of points of view, and see if we can continue a discussion soon about——

Mr. MICA. We would like to work with them. My intent is not to deprive them of any of the space that they need, but rather to look at a consolidation that makes sense. Folks have quoted, you know, Roosevelt, when he dedicated the building. We went back and researched the—when the building was dedicated in the 1930. In fact, it was a consolidation of multiple FTC locations around

Washington that they put into one building. And now we have a situation where they need much more beyond this space than they have in the headquarters.

And you also came to us with their request for additional lease space, which we think would make sense, and finding something suitable—and Ms. Norton, of course, would like that in the District—and I think there could be substantial savings. Our resolution outlined that.

Plus we have the unprecedented situation of the National Gallery of Art being willing to come in and renovate an 80-year-old building, and again relieve of us leasing space that they currently lease, and meeting their space requirements for the future. So, it's not a wild-eyed proposal, but I think it also has the potential—if you start out with $200 million in saving and renovating a building, eventually you will have to renovate. I saw the figures, 138, but I think it will be closer to the $200 million mark by the time you get through giving, again, the cost of projects we have seen that we have a pretty good handle on.

We have no intent on changing—our proposal wouldn't change the facade in any way, and I think that many more people would access the structure. They have 4.5 million versus 450 or 600 or 700 that go into the building every day now, which would again provide an opportunity also to let people know that that was historically their building, what the FTC does, and they wouldn't be lost, so to speak, in the mix.

The other thing, too, is we outlined in legislation we passed in the transfer—you have space coming up at the GSA building, we have space behind us next to the Ford building.

And we have also heard—and I won't get into public discussion of it—several other agencies that might like to relocate that are in the District that—this might be a good time to be looking at those kinds of deals, where they, for security or other reasons might want to relocate or spread out some of our activities in national security interest that I think you're aware of.

So, we have a number of choices. The committee will work with you. We will be willing to sit down, if—I know the FTC commissioners like their view and their particular setting right now, but that's not—that shouldn't be the paramount question. It should be the net savings, the—providing adequate space, both for the FTC and for the National Gallery, and doing it all in a responsible fashion that looks out for the taxpayer, too. Because I know you will work with us and appreciate it.

And if you see any obstacles, too, that we can assist you with, I want to make certain that you know that we have initiated this process, and we are willing partners to work with you to find a satisfactory resolution. It's not something we just want to cram down people's throats or act on in a singular fashion. It has to be a cooperative effort. We know that.

So, again, I look forward to working with you on it. And if you start those discussions, you can let Mr. Denham know, and we would be glad to join you and, again, look for positive solutions.

Mr. PECK. Mr. Chairman, may I response?

Mr. MICA. Yes.

Mr. PECK. First, I really—I very much appreciate your statement. And, as you know, I once worked at the National Endowment for the Arts. I have been friends with two directors of the Gallery, and I——

Mr. MICA. I didn't know all that.

Mr. PECK. It's the—it's a—it's one of the great art museums in the world. And I think doing what we can for the National Gallery is—should be a high priority for the government, as it has been since the Roosevelt administration.

I very much appreciate your concern, as is ours, and we have discussed this, that we—since the strategy, which the committee and GSA mutually has pursued for a long time is trying to keep government agencies in government-owned space as much as we can, we have a concern which you have just expressed, too, that we try to keep the FTC in government-owned space.

I will just add two things. One is that, as you noted, I have a—we have a tenant, a client who wants to stay in their building, they are wedded to it. That's kind of a good thing, because it's a beautiful building, and I appreciate the fact that they like it a lot.

And finally, I will just say I will take you up on the suggestion that we talk to staff and Chairman Denham about how we proceed on this. As you note, there may be alternatives. I need to talk to the FTC. And at some point soon we should try to find a way to satisfy all the parties, including—as I recognize—the needs the National Gallery of Art, and us, to keep the FTC in government-owned space.

Can I also assure you that I have spoken to Chairman Denham any number of times, and he has never once failed to include this on his list of issues?

Mr. MICA. Well, again, we have certain priorities. This is my priority, working with Mr. Oberstar—and we were close to an agreement at that point.

And I think the other thing, too, is we have to do things that are in the best interest, long-term, of the government. And this is our Nation's capital. And I think, looking to the future and what we're leaving here, the National Gallery, which is the repository of our Nation's treasures, FTC, which has an important function, we can both serve their needs in a responsible way for the taxpayers and for the mission that we're responsible making certain they complete.

So, I look forward to working with you. I know we put you sometimes in a difficult position. We will be working with the other body now. But I can assure you that, one way or the other, that this transfer will take place, and we want to work with you to make it as smooth as possible.

Mr. PECK. Mr. Chairman, this is a great job that the people and the President have allowed me to have. And dealing with issues with this is one of the challenges that I welcome taking on.

Mr. MICA. And I will just tell you I have no other priority for the balance of my tenure in Congress, so I am sort of focused on this. Thank you.

Mr. PECK. All right. Thank you, sir.

Mr. DENHAM. Thank you. We are going to continue on questions a little bit further here, specifically the evaluation process on how you take a look at weighting different properties and how you sell them.

When you're prioritizing projects, are you looking at mission urgency, energy conservation, return on investment? How are the different factors weighted?

Mr. PECK. OK. You're talking about repair and—when we do the—look for repair and alteration projects and mostly—or new construction?

Mr. DENHAM. Yes.

Mr. PECK. Either one?

Mr. DENHAM. Well, as you're evaluating projects as a whole. I mean, if you have one that may not be utilized completely, you know, before that goes out to other agencies and other uses, are you also weighing in that proposal different weights on—you know, is it going to—do you have extensive TIs, do you have energy conservation——

Mr. PECK. If you're asking about properties that we think are close to being excess or surplus, we—there are two different levels on which I think we should all be talking about our surplus properties.

One is—and this will also describe the process that we are going though right now, under the President's memo, and hopefully under some kind of legislation to go deeper—is, one, we have properties that we know are either unused or almost unused at the moment. And as I said, when the ones that are almost done used—meaning that we have enough vacancy or enough underutilization that we think that we can move out—we take a look at, "Is it a property worth putting more investment in, so that we can get more people into the property and use it better?"

Some properties, I should note, in other agencies—you can imagine; I will just give you a—the example that people use a lot is at one point lighthouses were important to the country. And then, obviously, technology overtook them and the Coast Guard had a lot of excess property on its hands. Even there, we asked other agencies if they could use that kind of property on the coast. And in many, and probably most, cases the lighthouses went out to somebody else. So, there are those things, where you say, "All right. Can anybody use it?"

There are properties in which you—that—in our properties—more often, say a Federal building, we have areas in which we ask ourselves the question, "OK, if we have vacancy in a Federal building, should we take it to—should we try to tenant the building, or is this an asset that's not worth spending the money on?" And you can do—you can crunch the numbers on it. Because we charge rent, we can figure out what our return on investment would be.

Mr. DENHAM. So, how often do you crunch the numbers? I mean do you do a general assessment for every property, all 1.2 million properties, to see exactly where we are? Because some of these properties may not have been assessed for decades.

Mr. PECK. No, I'm talking about GSA properties now.

Mr. DENHAM. OK. So——

Mr. PECK. Yes. GSA properties, we have three tiers of properties. We—there are short-term holds, meaning we're looking to get rid of them; medium term, and we—we're not sure; and long term, that we are going to keep for a long time.

For our other properties—and can I just say that for the other properties and other government agencies, one of the issues that I think anyone will tell you we have in the government is that there are—we don't, as GSA, review other agencies' properties, at least haven't until the last year, unless and until the agencies report them as excess to us?

I will qualify that only through this. We have a very entrepreneurial, aggressive disposal staff in GSA, and when they get word one way or another that an agency has a property that may be underutilized, they have in the past gone out to the agency and said, "Is this possibly an excess property?"

I think anyone who has looked at this business over the last 20 to 30 years would tell you that there are properties that agencies sometimes hold on to in the wish, in the hope, that some day they will get the funds to do something with it. They may even have legitimate plans.

But there comes a point—and this is where I think we ought to work together—there comes a point where it's pretty clear that we're not going to get the funding to do it, that the uses to which an agency wants to put the property are not going to come about, and that we ought to get them out of the inventory.

And what percentage of underutilized properties are in that category that we could move them into excess, it's really hard to tell at the moment. But I think in the next six months or so, we will have a much better handle on that.

Mr. DENHAM. Just under GSA properties, 1,500 properties——

Mr. PECK. Yes. Yes, sir.

Mr. DENHAM [continuing]. You begin your evaluation based on underutilized properties, and then push them to become surplus properties at a certain point when you deem the criteria not met?

Mr. PECK. Right, right. As you will note, we don't have all that many. We have—most of our properties are in major or almost major metropolitan areas, in which there is a continuing Federal need. So if we own a Federal building and some agency moves out, we almost always have someone we can move in from leased space.

We do, however, have some smaller properties in outlying locations around the country where we—too, if we find a vacancy, we decide, you know, it's probably not worth putting the money into the building. And in that case we might dispose of it and lease what space we need. But we just do a financial analysis, like—that's fairly straightforward, and just like anybody in the real estate business would do.

Mr. DENHAM. But there is nothing that would alert you or your team, unless you have one of the properties that's up for a new lease, if somebody moves out or——

Mr. PECK. Oh, no. I'm sorry. We, on a rotating basis, continually look at our own inventory. We have a portfolio management office in our national headquarters and in each region, and their job is continually, whether we have something moving in the building or not, to take a look at it.

Mr. DENHAM. Continuously, or random?

Mr. PECK. Continuously. And the way that—the——

Mr. DENHAM. So, how often?

Mr. PECK. Well, I—I'll tell you what drives it. I will tell you why it's a continuous process. Every year we put out a call. We have, as I said, a benchmark of wanting to spend something like two percent of the replacement value of our inventory on repairs and alterations. We put out a call to our operating elements, our 11 regions every year, and say, "Given your inventory, tell us"—you know, "do an evaluation of the inventory that you hold, and tell us which of the buildings you think need a repair and alteration investment in them."

We have hurdle rates. We know how much of a return on taxpayer dollar put into that building we expect to get back in increased rents or increased usage. So—and as I said, we have already tiered all of our properties into three tiers in which we know which ones we think are short, medium, and long-term holds.

I will note in the early 2000s, GSA disposed of a number of properties, and we actually sold off about $220 million worth of properties as a result of that kind of tiering of the inventory.

Mr. DENHAM. So the 1,500 GSA properties have all been evaluated at some point in the recent past?

Mr. PECK. Yes, sir.

Mr. DENHAM. So you know——

Mr. PECK. You know, I have—first of all, one of the great things about GSA is we have weekly, monthly data on vacancy, rent rolls, by asset, by region, and nationally. So we're constantly looking at where we have vacancy, where we're not getting—at the beginning of every year we have a budget for a building. And if we're not getting the rent that we expect from the building, we go to people and say, "What's happening here? Does that mean that nobody is in the space?" And so we have that.

We have asset status studies on every single one of our buildings. And let me ask how—what's the longest period a building could go before the asset study gets reviewed? Every building, every year, is going to get some kind of a review of its asset status.

Mr. DENHAM. So you are confident that the 1,500 properties under your purview, you can tell me, square footage, how many people are in there, what it's worth, what the ROI is?

Mr. PECK. Yes, sir. Yes, sir. I want to be—I want to make the other point I have made to you before. Take the GSA building. One of the things we are doing as we are looking at renovating it is that we could probably assign—we will assign a lot more people to the building.

So, when we say our main Federal building in a city is fully occupied, it is. We are in the process of talking to a number of Federal agencies intensively about how well they utilize that space. Some of them are—we're probably not far off from current industry benchmarks, but the industry is moving. A lot of progressive firms are moving to a point where they can get a lot more people into a lot less space, because they just recognize that people can work from anywhere.

So, I think you will see, over the next year or two, strenuous efforts on our part to increase the space utilization. And that, in itself—the reason I'm saying that is that that in itself may mean that what we regard as a fully utilized occupied building today may not be—that may not be the same standard we apply to it years from now.

Mr. DENHAM. On top of the 1,500 properties that are directly under your purview, how many leases go through GSA?

Mr. PECK. We have about 8,100 leases, and——

Mr. DENHAM. So——

Mr. PECK. Around the country.

Mr. DENHAM. So does GSA oversee all leases under the Federal Government?

Mr. PECK. No, sir.

Mr. DENHAM. What——

Mr. PECK. We are—when you look at the—if you look at the data, I believe we are the government's largest leasing agency in the United States. But other agencies have their own leasing authority. The Army Corps of Engineers does some leasing on behalf of the military. And some other agencies also have their own authority. So we're not the only ones. But we are the—at least the largest lessee in the Federal Government.

Mr. DENHAM. So what type of oversight is there over the independent agencies?

Mr. PECK. The independent agencies are—and what I'm describing there are agencies that have their own legislative authority. We sometimes delegate authority to a government agency to do leasing that would otherwise be done by GSA. And in that case it's our responsibility to make sure that they follow—that they're following the government's procurement rules.

If an agency has their own independent legislative authority, they are responsible themselves for following the Federal acquisition regulation and all the other things that you have to do to do a lease.

Mr. DENHAM. SEC is independent?

Mr. PECK. They have their own legislated leasing authority.

Mr. DENHAM. So should those leases not go through you?

Mr. PECK. I would say, given the recent experience of the SEC, I would say we would have done a better job than they did. By which I mean, just to be fair, when agencies come to us with space requirements, we have ways, including checking back with the Office of Management and Budget—where they say that they need space to expand their activities, we check to make sure that the activities are actually budgeted for expansion. That's a crucial step.

Mr. DENHAM. I would agree that is a crucial step.

At this time I would like to yield five minutes to Ms. Norton, as well as an opening statement, if you would like.

Ms. NORTON. Well, I thank you very much, Mr. Chairman. And first, I offer my apologies. There was a mark-up involving a bill directly affecting the District of Columbia. It has just ended, and I could not leave. I always know that if I leave when a District of Columbia matter is up, the Congress could sell the District. So I stay on duty.

I did want to—however, I am not going to read my opening statement, but I am going to summarize what was—what is in my opening statement.

And I want to say to you, Mr. Peck, that you will note that the chairman has proceeded, although we have not yet received all the prospectuses for the 2012 program, and I endorse the chairman's resolve. If your prospectuses aren't up here, too bad. Because what he is trying to do—and I'm going to say we should have done a better job with this—is to make sure that the authorizers indeed have acted before the appropriators do. So, I fully endorse the chairman proceeding with the 2011 and 2012 budgets.

I do want to note that your submission involving $1.7 billion capital program, while it's modest in keeping with the President's intention to submit only what he regards as necessary, that it does represent a 16,000 private-sector construction and related jobs. Particularly in the absence of any jobs legislation from the present majority, we should welcome this small infrastructure contribution at a time when jobs are—when unemployment is still so high, and the Congress is doing absolutely nothing to respond to that.

I note that H.R. 1 would totally eliminate the 2011 capital program. And I want to just say for the record what that will do. That would bring to a standstill, stop in its tracks, priority construction projects of the United States, including the consolidation of the 22 agencies of the Department of Homeland Security. This, of course, is the highest priority secured facilities program in the budget.

Moreover, GSA has said to us in prior hearings that delaying the DHS headquarters and other construction related to the Department of Homeland Security would cause GSA to extend leases for short terms, which is, of course, the most costly way to lease for the Federal Government. In other words, we are adding to the costs of the Department of Homeland Security.

If we proceeded, however, and this project is on time, what happens when the project is done is $180 million annually then goes to the Federal building fund. The Federal building fund is much depleted now, so that there is every reason that this project, which was a priority of the last administration and remains a priority of this administration, will not be stopped in its tracks, but proceed apace.

If you can imagine what—the cost of stopping a project that is going full guns, you will have an understanding of why it would be counterproductive for us to wipe out the 2011 capital program. And I don't believe that the Senate or—and certainly that the President will allow that to happen. There is lots of negotiations that's going to have to go on before we get even close to an agreement on 2011, much less 2012.

The collocation of a number of agencies on the DHS campus also avoids leasing in the highest commercial cost leasing area in the United States. So there are multiple reasons to not be penny wise and pound foolish.

I want to say how much I appreciate the President's work—his proposal to create a BRAC-type commission for Federal real estate. He is way out in front of the Congress in this regard. But there is great concern in this subcommittee and committee, and in a number of other committees, about surplus property that the Federal Government has not been able, until now, to dispose of. So his idea, it seems to me, is one that should be embraced by us all.

And finally, I want to say to Mr. Peck, the delineated area and procurements remains a concern for the subcommittee. We are— the lease—I'm sorry, what is the lease? Parklawn lease continues to be troubling. We expect procurements to be done by the book, carrying out congressional resolutions.

Mr. Chairman, again you have my apologies. I am pleased that you proceeded. This is an important hearing, and you are right to go now, early, before the appropriators get down to work on this mission. I thank you very much, Mr. Chairman.

Mr. DENHAM. Thank you very much. At this time do you have questions for Mr. Peck?

Ms. NORTON. I would ask only about the status of the Parklawn delineated area issue, which has caused GSA so much heartache.

Mr. PECK. Thank you, Ms. Norton. That would be a good characterization of the lease for HHS, which is currently at Parklawn. Could I just say I share your concern about the way delineated areas are drawn?

And I think, in part, because of the concerns that this subcommittee has brought to us, we are taking a look at it, particularly in the national capital region, to make sure that we draw delineated areas that maximize competition to get the agencies' functions done, and then, when we actually carry out our lease solicitations—which is what these are mostly about—that we follow the delineated areas.

As you know, we have scrupulous layers of—we have multiple layers——

Ms. NORTON. That procurement has been going on for three years.

Mr. PECK. Yes, ma'am.

Ms. NORTON. And you know what the issue is, Mr. Peck. The issue is the Agency deciding where it wants to go, rather than GSA deciding what's the best deal for the taxpayers. Why is it going on for three years, and when is it going to be settled?

Mr. PECK. Correct. I can't account for all of the three years, I have only been here for a year-and-a-half. An announcement on that lease is imminent, is all I can tell you. I can't say more, because it's—we're in the—we're in that period called procurement sensitivity. But the announcement will come very, very soon.

Ms. NORTON. Mr. Peck, here is a sensitive procurement issue for this committee. On February 9th—perhaps you remember that, it was when you were tortured, along with the entire subcommittee, at a hearing in the Old Post Office Annex. And you are aware that I would have done that a little differently. I would have had you there, and we would have been here, because we have been doing the right thing all along. So I don't know why we had to be subjected to that.

But under torture, you said—you committed to either have the RFP out on the street for the Old Post Office, or provide an explanation of why it is not out. So this is your chance. Or you may want to go back to the Old Post Office Annex.

Mr. PECK. I will provide a written explanation this afternoon. But——

Ms. NORTON. No, no. You can give an oral explanation right now.

Mr. PECK. OK. Of course. But I believe I owe the committee a— if you like, I will do a written response.

Ms. Norton, I am just going to say this. I suspect you're—frustrated would be probably an understatement—about the Old Post

Office RFP. And that would accurately describe the way I feel, as well. I did not have an RFP on the street today. I am——

Ms. NORTON. And what's the explanation for that, Mr. Peck?

Mr. PECK. You know, the explanation is, despite many meetings with the people in the government who have to review this, including my own personal participation in it, we have not been given a go-ahead to put the RFP on the street.

Ms. NORTON. You mean OMB is in this again? We have got—wait a minute. This RFP was very different from any other RFP since I've been on this committee, because it was mandated by a statute.

Mr. PECK. Correct.

Ms. NORTON. Now, the last I read, OMB cannot override a statutory mandate of the United States Congress.

Mr. PECK. A point which we have made several times, I can assure you.

Ms. NORTON. So—no, I want to know why it is at OMB at all. This is not a matter——

Mr. PECK. Ms.——

Ms. NORTON. This is—Congress said, "You will, in fact, gain revenue for the taxpayers, as you did with the tariff building, if this building is remodeled." And because OMB got in the way then, the Congress said, "We know what to do. We will pass a statute that instructs the administration what it is to do."

So, the OMB excuse has run out, because it is overwhelmed now by a statutory mandate. And we need to know from you what OMB's issue is with the Old Post Office RFP.

Mr. PECK. As near as—I can give you two general concerns. One is the details of the RFP itself, and the various provisions in it, which I think at this point we have fully discussed, and I believe we are over. As you know, I have drafted these kinds of things in my private sector as well as public sector lives, and I can assure you that we have drafted a request for proposals that is tight, protects the government interests, and I believe gives private sector interests a full opportunity to show what they could do with the building.

The second concern has been a concern about the cost benefit of maintaining the building as federally occupied space, and putting it out on the market. And——

Ms. NORTON. No, no. That can't——

Mr. PECK. And I can tell you that—I have a hunch you're going to say what we have been saying, which is that the legislation fully anticipates that that analysis will be submitted to the Congress, along with a negotiated lease from a private sector interest. That is what the legislation says.

So, that analysis, in my opinion——

Ms. NORTON. You know that there is abundant room to put that two cents' worth of agencies in many places, and that was the excuse before.

Mr. PECK. Well——

Ms. NORTON. Look, this building is losing the Federal Government $6 million annually. And you are telling us OMB is the problem? $6 million each year we lose because of what you have to put into the building, just to keep it going.

Mr. PECK. But what I'm suggest is that I think the legislation was responsible, as it should have been, and said, "We will take a look at what the cost and benefits are when we have a private sector offerer who says, 'Here is how much money I will pay you for letting us use the building,' versus what it costs us to have—to continue Federal occupancy in the building." And that is an analysis which we have done in the past, we will do again when we get an offer.

I am well aware of the opportunity to move the agencies in the building someplace else. We have talked to the agencies about that. And I am just telling you I am frustrated, I am working as diligently as I know how to get this RFP out.

Ms. NORTON. I think you should say to OMB that the committee expects the RFP on the street within 2 weeks, 14 days from today.

Mr. PECK. We will be happy to carry that message back.

Mr. DENHAM. Thank you, Ms. Norton. The chair yields five minutes to Ms. Edwards.

Ms. EDWARDS. Thank you, Mr. Chairman. And also thank you to the ranking member. I think every day on this subcommittee we recognize that the ranking member probably, you know, is forgotten more than many of us will know in our service on this committee.

Mr. Peck, I know that you will be heartbroken to know that I was almost delayed in another hearing. But I am glad to make it here.

I want to ask you first, to follow up on the Parklawn situation—and I know that we're in that critical area where you really can't talk about things, but I guess I want to hear from you that you have some assurances that the processes in which you have engaged, and particularly of late with respect to that lease, will not result in litigation that will extend this process even further than it has gone on already.

Mr. PECK. I—the assurance I can give you is that this thing has been vetted every which way until Monday inside the GSA in an attempt to make sure that we are abiding by what we said to the real estate and official and private—for that matter, the whole public—in this region about how we were going to make the selection on this procurement.

I can't give you an assurance that someone won't litigate. Unfortunately, my experience in this is that on very large lease acquisitions like this one, there is almost always someone who is willing to take exception to what happened, if only because they are disappointed and think they may be able to change the decision.

Ms. EDWARDS. Well, thank you very much.

Mr. PECK. But I hope that doesn't happen.

Ms. EDWARDS. I mean people—I understand, you know, obviously, you know, many of the participants, or some of them, somebody is going to be disappointed because they're not going to get the procurement. I think I just worry that this particular procurement has been so fraught with problems that it may result in a deep perception that there is a great unfairness, and that that unfairness has to be litigated. And I fear that we are going to sit here a year from now discussing the same thing. But I am going to go on.

I want to ask you about an area that has been of great concern to me in my time on this committee, and it has to do with the lease rate disparities from Maryland to Northern Virginia to the District of Columbia, when it comes to leasing. I think many of us who live and work here think of this as a region, and we don't understand why these disparities exist that seem to favor one jurisdiction over another jurisdiction that has actually, I think, resulted, and in my view, as a lay person, a lot of, you know, concern about fairness of process when it comes to those sort of—the higher quality leases.

So, I wonder if you can explain for the record what the reason is for the rent disparity. And then I would like you to go down several jurisdictions. Is there a rental rate disparity in Denver or New York City or Philadelphia or St. Louis or Los Angeles or San Diego or San Francisco or even Baltimore, in my own state, that is like the disparity that exists here in this region?

Mr. PECK. There are not. We do not pre-set what we call program rates for any of those other metropolitan areas.

Ms. EDWARDS. Only for this metropolitan area. And do you have any idea, historically or otherwise, what the reason is for that disparity?

Mr. PECK. I have—I don't know why the program rates were set in the first place. I have been—I don't know for sure. I have been told that there was—obviously, in this area the Federal Government is a large lessee. And I believe there was—may have been a sense at some point that the Federal Government, by setting rates which were presumably market rates in advance, or perhaps just below-market rates in advance, we could save taxpayer dollars by announcing to the real estate community that this is as high as we are prepared to go on rent, and no higher.

Ms. EDWARDS. Well, I don't really get that, when there is a disparity in the region, when you set the high mark. But there is a disparity from Maryland to Virginia to the District of Columbia. It would seem to me that, especially for people who believe in the value of the marketplace, that, indeed, you have actually scripted and constrained the marketplace, in terms of competition. And I am concerned about that.

I—you know, I know I'm just, you know, your average consumer. And so I live in Prince George's County, but sometimes I shop in Montgomery County. And other times I drive over to get a book in Northern Virginia. And I know my car doesn't make a distinction about where it is in the metropolitan area. And so I don't understand why GSA does. And if you can't explain why it does, and you can't find anything in your history that explains why it does, then we need to get rid of the disparity, don't you think?

Mr. PECK. Let me make one point to clarify. But, in general, I think there are—one, I have to say you're no longer a lay person; I think you know as much about the real estate market as anyone, given what you've learned—the way you've delved into this.

There are clearly different rental rates in different parts of the metropolitan area. In fact, I mean, one of the ironies of the program rates is one could argue there should be 50 program rates, because there are probably that many real estate sub-markets. Not every place in Washington is at $49, which is our program rate. There are different parts of town, different parts of Prince George's, that have different rates. Closer to a Metro station will probably pay—you will pay a higher rate than you will someplace else. So, that reflects the market.

However, you accurately describe what are concerns about setting these rates in advance, which is that you can constrain competition. I believe in some cases one can make the argument that, while the intention was to keep us from paying a higher rate, in some cases, the fact that we advertise in advance what we're prepared to pay, in some cases may even raise the rates. And then there are instances in which, as you and I have discussed, if we actually have to go out, and someone has to construct a new building to meet our requirements, there are times, such as now, in which the program rate may not give a landlord enough rent to be able to finance new construction.

And so, there are a lot of problems with this. We are taking a look at—and I am hoping we can have some success in—reforming this, so it either better does—so that it better reflects what a good market-based real estate strategy would do.

Ms. EDWARDS. Well, the people of Prince George's and Montgomery County want to know, "When is it our turn?" And so, I know you have been looking at this for some time. These are questions that we have raised, and I have raised, the ranking member has raised repeatedly. And I think it's time to stop looking and to clear it up. If it doesn't exist for New York City, it doesn't exist for Los Angeles or Denver or St. Louis, then it shouldn't exist for the Washington Metropolitan Region.

Thank you very much, and I yield, Mr. Chairman.

Mr. DENHAM. Thank you, Ms. Edwards. Just a couple of follow-up questions.

I certainly want the information about the DoT. That is something that came as a surprise to this committee. I certainly want to know whether we're using transportation funds, highway trust funds for buildings, instead of roads.

As well, it came to our attention last night, when we got the prospectus, there is new leases in there. Could you explain and justify the lease request for DHS?

Mr. PECK. Can I take a moment here?

Mr. DENHAM. Sure.

Mr. PECK. Is that a new lease request that we had not—you weren't aware of before? Do you know where that—what location?

Mr. DENHAM. We stayed up all night going through it. Arizona, New York, and Texas in the new leases.

Mr. PECK. Well, new to me, too. So I will—I understand it's part of an ICE collocation initiative, but I will have to provide you information for the record.

Mr. DENHAM. Thank you. And, as well, we have had several discussions now—in greater detail today—on GSA's jurisdiction, the 1,500 properties that you oversee out of the 1.2 million. As we are going through not only leases, which you have a greater percentage of, but also building investments, it seems like there is more that you don't know than what you know and control, which obviously provides some issues with this committee, as we are not only trying to provide valuable oversight in all of our procurement, but more importantly, in a time of crisis, we want to work to get rid of those surplus properties.

If we are only looking at the 1,500, obviously, that is a very limited window. I understand the President's BRAC proposal will be coming out soon. As you know, we have also prepared our own BRAC bill. We look forward to working with you on both. But the concern that I have is that we don't have the oversight over all properties currently today, which leaves a huge area for mistake.

Mr. PECK. Well, Mr. Chairman, we look forward to working with you on the legislation, too. And the intent of the legislation is to make—is to have jurisdiction over all of the properties in the United States for the purpose of making sure that they are still needed, and—or are available for excessing or surplusing out of the inventory.

Mr. DENHAM. And it was at one time GSA's authority over all properties, wasn't it?

Mr. PECK. Well, we still—I want to be clear. We still are the government's disposal agent. And so we do have something of a fishing license to go to other agencies and ask if their space is excess.

With the President's memorandum last summer—and I think it would be only strengthened by legislation—we could go with a little bit more of a—a couple more arrows in our quiver, to make sure that we actually get good results.

Mr. DENHAM. Thank you.

Mr. PECK. Probably not fair to say. I shouldn't——

Mr. DENHAM. Well, we are committed to working with you on this, as well as the administration, on their proposal. I will be providing you the legislation that I did on the state level. Our BRAC commission never moved forward in California, but we did consolidate all of our buyer power under GSA, which gave us a tremendous amount of oversight. There were a lot of departments that came kicking and screaming, and still would love to get out from under GSA, but it creates greater accountability, from everything from our vehicles, which we found thousands that were off the books, as well as properties.

So that would be the same type of system. I would like to see either under a BRAC commission or separate from, but one way or another, we have got to get some greater accountability over what we own, what it's worth, the justification when we purchase a new property, and I think, most importantly, understanding the utilization rate, how many people are in each people, and can we do a better job.

There are some—we understand there are some properties that are historic properties. The GSA building we may never get to a—it's one of those properties that has huge corridors and high ceilings, and you may never get to a current utilization rate. But we ought to have some type of formula for understanding that. And we look forward to moving forward with you on that.

And before I close, I just want to reiterate. Over a month ago we did discuss a number of different issues which we still don't have clarified today. One of those, the project that Ms. Norton was just talking about, the Old Post Office, the RFP for that. We had expected to have that done by today. As well, a list of properties losing money on an annual basis in the national capital region. We did get your list of properties, but in that only had operating costs and not revenues.

So, we would either like you to—have you present us a list of losing properties with an analysis behind those, or, at a minimum provide this committee with the revenue numbers so that we can figure it out ourselves.

And then, finally, something that we talked about a great deal today, which you and I have both talked about in the past, is streamlining the process. We want to see a list of recommendations that, you know—obviously, we will work with our staff on recommendations on streamlining the process.

And again, I would let you know that we do not plan on approving any leases. That will be the next thing that we are going to be working on. But we want to have this information first.

Mr. PECK. Thank you, sir. We will get it to you.

Mr. DENHAM. Thank you. Well, in conclusion, I would just like to thank you for your testimony today. Especially after yesterday's meetings, you know, I think that we are going to have a greater communication and openness. I am hopeful that all of the other departments that we have been having challenges with will not only work with you, but work with this committee, as well. We need some fast answers.

I know the Administration is looking for that, as well. We want to work together and make sure that those answers are available for the public at large.

And with that, if there are no further questions, I would ask unanimous consent that the record of today's hearing remain open until such time as our witness has provided answers to any questions that may be submitted to them in writing, and unanimous consent that, during such time as the record remains open, additional comments offered by individuals or groups may be included in the record of today's hearing.

[No response.]

Mr. DENHAM. Without objection, so ordered. I would like to thank our witness again for testimony today. And if no other Members have anything to add, this subcommittee stands adjourned.

[Whereupon, at 11:52 a.m., the subcommittee was adjourned.]

Eleanor Holmes Norton

STATEMENT OF
THE HONORABLE ELEANOR HOLMES NORTON
RANKING MEMBER, SUBCOMMITTEE ON ECONOMIC DEVELOPMENT, PUBLIC BUILDINGS AND EMERGENCY MANAGEMENT
HOUSE TRANSPORTATION AND INFRASTRUCTURE COMMITTEE

Cutting Spending and Consolidating Federal Office Space: GSA's Capital Investment and Leasing Program

FY 2011 and FY 2012 Capital Investment and Leasing Program (CILP)

March 10, 2011

Welcome to today's hearing to examine the General Services Administration's (GSA) Capital Investment and Leasing Program fiscal years 2011 and 2012 prospectus requests. We will consider both the leases from the GSA fiscal year 2011 capital program that were submitted late last year and the entire GSA fiscal year 2012 program, as well as the administration's efforts to dispose of excess federal property. Although the subcommittee has not yet received the prospectuses for the fiscal year 2012 program, it is important to conduct oversight of this program in order to act as authorizers in advance of appropriations for fiscal year 2012. I strongly support the chair in his efforts to push GSA to provide information to the subcommittee in a timely fashion and to have our resolutions completed before the appropriations bills are done.

GSA's Capital Investment and Leasing Program enables it to manage the general purpose real estate needs of the federal government, and the program provides an important opportunity to support the ongoing recovery of the American economy. According to GSA, the fiscal year 2011 $1.7 billion capital program request for construction, repair and alteration projects represents as many as 16,000 private-sector construction and related jobs. Particularly in the absence of any jobs legislation, such as a robust effort to rebuild the nation's decrepit infrastructure, this year's GSA request is especially welcome. Yet recently, this account was cut to zero in the House-passed full-year continuing resolution, H.R. 1. The total elimination of the fiscal year 2011 capital program budget would bring to a standstill priority construction projects that are underway throughout the United States, including the U.S. Customs and Border Protection stations at two Land Ports of Entry in Calexico, CA and Calais, ME, and the Food and Drug Administration building in White Oak, MD. Decimation of the fiscal year 2011 capital budget would also delay the federal government's number one high-security construction priority, the consolidation of the 22 agencies of the Department of Homeland Security (DHS), now spread in costly leased space throughout the Washington region. In addition, if these cuts become law, GSA also would have to halt multiple repair and alteration projects, including the renovation of the Major General Emmett J. Bean Federal Building in Indianapolis, IN, which supports the Department of Defense's Base Realignment and Closure (BRAC) process, and the Daniel Patrick Moynihan U.S. Courthouse in New York, NY.

These cuts would be counterproductive and undermine the government's goal to house federal agencies in federally owned space, delaying savings to the taxpayers from removing agencies from leased space. In previous hearings, GSA has indicated that delaying DHS headquarters construction would force GSA to extend leases for short terms, which are the most costly to the government. Another particularly large waste of taxpayer dollars would occur because rents collected from federal tenants occupying space leased from private owners are paid to the lessor, not to the badly depleted Federal Buildings Fund. In contrast, rapid completion of the DHS headquarters increases GSA's capitalized assets, enabling GSA to consolidate DHS from dozens of leased locations into a federally owned facility. The Federal Buildings Fund, not a private lessor, would get the rent revenue of $180 million annually if DHS headquarters construction is completed on time. These dollars, in turn, would be reinvested back into the Federal Buildings Fund, providing a handsome return to taxpayers from the revolving loan fund used to maintain the valuable federal inventory.

The fiscal year 2012 $1.6 billion capital program request is evidence that GSA requires significant resources to maintain its inventory of owned properties and to increase the number of federal employees in federally owned space, providing significant savings to taxpayers. The largest project in the fiscal year 2012 program is the continued construction of the DHS headquarters. The co-location of DHS agencies on a federally owned campus creates great value for the taxpayer by avoiding some of the highest commercial leasing costs in the country. The fiscal year 2012 program also includes projects across the nation, including the construction of Land Ports of Entry in North Dakota, New Mexico and Texas and major repair work on a federal building in Hawaii.

Both the fiscal year 2011 and fiscal year 2012 submissions show that GSA is trying to address serious bipartisan concerns the subcommittee has raised about the lack of owned space, recognizing the need to maintain and use its own valuable inventory. Yet the government is certainly not in a position to build or purchase much in the way of new space. Therefore, the subcommittee must be vigilant in ensuring that GSA gets the best possible deal for the federal government when identifying lease space for federal agencies. An important way to accomplish this task is to require appropriately delineated areas in procurements by running procurements by the book, thereby carrying out congressional intent as expressed in our resolutions. The subcommittee and the taxpayers still are not yet convinced that GSA is standing firm against agencies that try to steer their locations to high-cost areas, often preferred by the agencies, at great waste to taxpayers. GSA will not be able to hold down lease costs unless its competitions for space reflect the delineated areas approved by the subcommittee.

The President's recent proposal to create a BRAC-like commission for federal real estate has my strong support. The administration has been out front on an issue of considerable concern to the Congress. It is time for GSA, as the central space management agency of the government, to be a true agent of the administration by stepping up to a strong leadership role in an area requiring great expertise. There is undoubtedly the unrealized potential for real savings in realigning the real estate priorities and holdings of the federal government. The President's goal of reducing the government's real estate footprint and we remain very interested in hearing from GSA on how its annual Capital Investment and Leasing Program lines up with the administration's proposal.

Finally, the subcommittee has long had concern about perhaps the most conspicuous undervalued asset in the federal inventory, the historic Old Post Office Building, which is the antithesis of excess property. By now, this property should have earned the government millions of dollars. If there were any doubt about the level of the subcommittee's concern about the Old Post Office, it surely ended when the subcommittee, exactly one month ago, in the dead of winter, chose to dramatize the point of this wasted asset by submitting itself to a hearing in the frigid, abandoned Old Post Office annex rather than, as I would have preferred, telecasting that hearing with Commissioner Peck, the responsible federal official, testifying from there while the subcommittee, which has been doing the right thing for years, listened in our appropriately heated hearing room. The hearing tortured Commissioner Peck into committing to have a request for proposals out on the street within 30 days of the hearing, or to have a written explanation for why it had not gone out. As the hearing last month revealed, the subcommittee expects commitments to be honored, and we look forward to an update today.

I look forward to hearing from our witnesses, and I welcome them to our hearing.

STATEMENT OF

ROBERT A. PECK
COMMISSIONER

PUBLIC BUILDINGS SERVICE
U.S. GENERAL SERVICES ADMINISTRATION

BEFORE THE
SUBCOMMITTEE ON ECONOMIC DEVELOPMENT, PUBLIC BUILDINGS, AND EMERGENCY MANAGEMENT

COMMITTEE ON
TRANSPORTATION AND INFRASTRUCTURE

U.S. HOUSE OF REPRESENTATIVES

"CUTTING SPENDING AND CONSOLIDATING FEDERAL OFFICE SPACE: GSA'S CAPITAL INVESTMENT AND LEASING PROGRAM"

March 10, 2011

Good morning Chairman Denham, Ranking Member Norton, and Members of the Subcommittee. My name is Robert A. Peck and I am the Commissioner of the U. S. General Services Administration's (GSA) Public Buildings Service (PBS). I am accompanied by David Foley, our Deputy Commissioner. Thank you for inviting us here today to discuss the critical investments GSA is making in our nation's infrastructure through our FY2012 capital investments.

As the Government's real property expert, PBS develops asset strategies to effectively manage our owned and leased building portfolio. PBS utilizes a sophisticated portfolio analysis, considering a variety of critical elements including tenant requirements, energy efficiency, and building infrastructure needs.

PBS selects new construction, renovation, and leasing projects that help Federal agencies fulfill their missions and maximize taxpayer value by effectively utilizing federal space. The projects selected for PBS's FY2012 program foster economic development, build upon the recovery of the construction industry, increase asset utilization, and pursue innovative new technologies that will reduce energy usage and create jobs.

The FY2012 request assumes full funding of the FY2011 President's Budget for GSA's construction and major repair and alteration program. Since we have not yet received funding for our FY2011 capital program, GSA may need to later reconsider our FY2012 request in light of what is appropriated in 2011. If any revisions are necessary, we will notify the committee accordingly. We want to thank this subcommittee and the full Committee for authorizing in a timely manner last year the FY 2011 capital program prospectuses that we submitted.

PBS continues to demonstrate strong operational performance, surpassing many private sector benchmarks. We aggressively pursue dispositions of unneeded Federal real estate and work with Federal agencies to better utilize space and get the greatest return to taxpayers. As of the first quarter of fiscal year 2011, 82.6 percent of our government-owned assets are achieving a positive cash flow and our vacancy rate was 2.9 percent, well below the private sector vacancy rate of 16.7 percent. PBS is also driving change in the sustainability of real property by becoming a green proving ground for new and innovative technologies. These efforts, in addition to our existing programs around environmental efficiency in building operations, enable PBS to reduce the Federal government's carbon footprint and optimize energy savings.

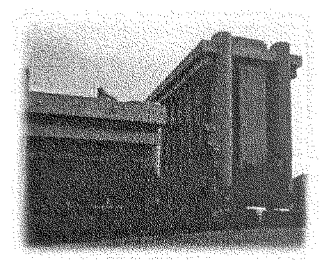
Prioritizing Projects for the PBS FY2012 Program -

The projects in our FY 2012 capital program are critical investment needs for the country and our tenant agencies. GSA utilizes a detailed asset analysis strategy to drive investment decisions. This plan prioritizes known critical tenant agency requirements and building infrastructure needs based on the following criteria:

- Mission urgency;
- Physical condition of the asset;
- High-performance features, concentrating on energy conservation and renewable energy generation;
- Project timing and execution;
- Improving asset utilization and making better use of our existing inventory;
- Return on investment;
- Avoiding lease costs; and
- Historic significance.

These practices and policies, developed through many years of experience, ensure that GSA strategically invests limited resources in projects that maximize taxpayer value. The projects in our FY2012 program support PBS' portfolio objectives of maintaining well functioning buildings and safeguarding the health and life-safety of their occupants.

Many of these projects have been funded partly through previous budget requests. The projects include critical developments like the Department of Homeland Security (DHS) Headquarters Campus at St. Elizabeths in Washington, D.C. and the modernization of Prince J. Kuhio Kalanianaole Federal Building in Honolulu, HI.



Prince J. Kuhio Kalanianaole Federal Building, Honolulu, HI

As mentioned before, FY2012 funding proposals for some of our projects, as in the case of St. Elizabeths, are contingent upon appropriated funding for FY2011. Therefore, the project scope and schedules proposed in FY2012 could change, depending on the amount of FY2011 appropriations. The proposed cuts in H.R. 1 to the Federal Buildings Fund in the year-long continuing resolution for FY2011 would significantly inhibit PBS's operations and ability to meet our tenant agencies' needs.

Through our FY2012 program, PBS is continuing to push forward with high-priority initiatives to improve space utilization in our existing inventory and aggressively move vacant and underutilized assets out of our inventory. To do this, we are leveraging our partnerships with other Federal agencies to strategically plan portfolio-wide strategies and importing space utilization strategies from the private sector and from GSA's own demonstration projects over the past ten years.

PBS is investing in our nation's economic recovery, while further innovating to meet our environmental and sustainability responsibilities. These investments stimulate job growth, increase space utilization, enhance asset condition, reduce energy consumption, improve the environmental performance of our inventory, reduce our repair and alterations needs, and increase the value of our assets. Of the $5.5 billion in American Recovery and Reinvestment Act funds allocated to GSA, approximately $4.5 billion will go toward upgrading and making more efficient the existing federal building inventory.

We successfully met our benchmarks for obligating the more than $5 billion we had committed to awarding by September 30, 2010. And we are on target on actual construction progress on hundreds of projects. GSA's obligations via contract awards to private design and construction firms have put more than 10,000 American workers to work.

REPAIRS AND ALTERATIONS

GSA is the steward of over 1,500 government-owned buildings, which have a replacement value of $45 billion. PBS is requesting a Repairs and Alterations program of $869 million to enable GSA to maintain and improve these properties so they continue to meet the mission needs of our tenant agencies. Each of these projects has a long-term federal need and is capable of becoming economically self-sufficient, i.e., the rent we collect on the asset exceeds our costs in operating and maintaining it.

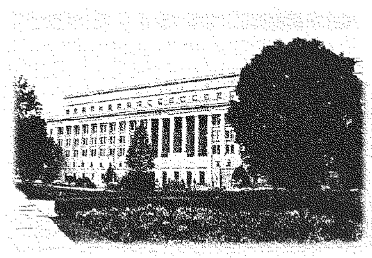
The highlights of GSA's FY 2012 Repairs and Alterations Program include:

- $402 million for Basic Repairs and Alterations;
- $395 million for Full Scope and Major Repairs and Alterations;
- $15 million for the Fire Prevention Program;
- $40 million for Energy and Water Retrofit and Conservation Measures; and
- $7 million for Wellness and Fitness Program.

This program includes the following proposed major building modernizations:

- $50 million for the last phase of the Interior Building in Washington, DC;
- $55 million for the last phase of the Harry S. Truman Building in Washington, DC;
- $199 million for the last phase of the Prince J. Kuhio Kalanianaole Federal Building and US Courthouse in Honolulu, HI;
- $50 million for the Philip Burton FBI Consolidation in San Francisco, CA; and
- $24 million for the Prevedel Federal Building in Overland, MO.

All of these investments are critical, including the Basic Repairs and Alterations program, which ensures the operational continuity of our inventory. The majority of the funding is focused on aggressively optimizing federal space and decreasing vacant space. The remaining funds enable us to respond expeditiously to repair and alteration needs and ensure our assets remain operable and functioning efficiently.


Department of Interior, Washington, DC

Sustainability Measures

These investments are also critical to achieving legislative sustainability mandates. Funding for the Energy and Water Retrofit and Conservation Measures program is a modest but crucial part of our Repairs and Alterations request and a key element for our inventory to meet the requirements of EISA.

The FY2012 capital program includes funding to improve PBS's buildings with additional greening technologies and repairs and alterations to increase energy and water savings. With GSA's Green Proving Ground program, we hope to utilize FY2012 funding and outreach to the private industry for innovative building technologies and solutions to further reduce our energy and water usage.

Utilization of Owned Facilities

PBS is committed to maximizing the utilization of our existing inventory and avoiding costly build to suit lease construction projects. We intend to invest in the Phillip Burton Federal Building in San Francisco to consolidate the FBI in an owned building, avoiding the need for a lease project. This proposal is similar to the McNamara project from the FY2011 program that is still pending funding, which is also an investment in our existing inventory and which, if funded, will allow us to avoid a costly lease solution.


Prevedel Federal Building, Overland, MO

The Prevedel Federal Building in Overland, MO presents another opportunity to renovate a facility for further government use. The U.S. Army Personnel Center and U.S. Armed Forces Recruiting are departing due to BRAC, which would have led to the disposal of the building. The renovation will allow us to backfill with the Veterans Benefits Administration, maintaining a high-performing asset in GSA's inventory, avoiding the need for acquisition of additional leased space. Also of note, we identified unneeded parcels at the campus and are able to move forward their disposal, significantly reducing the vacancy rate for the facility.

As you know, in his FY2012 budget proposal, the President announced an effort to accelerate the disposal and consolidation of the Federal Government's properties. The Administration is proposing a civilian property realignment initiative that will be led by a board composed of respected figures from the private and public sectors. This initiative will enable us to move currently excess and surplus properties out of the inventory of the major Federal landholding agencies, including GSA, and thus realize a financial return, the improvement of the government's sustainability, and the benefit of no longer having to keep the properties up. The effort will also help to implement large-scale consolidations across common assets and among agencies.

Moreover, as we work with Federal agencies to embrace the new "mobile workplace" and new workplace technologies and office strategies, we will reduce the amount of space they need to carry out their missions. This initiative will free up other Federal space that we will be able to move out of the Federal inventory.

NEW CONSTRUCTION

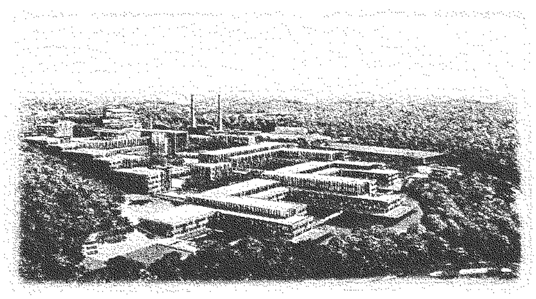
PBS is requesting a Construction and Acquisition of Facilities Program of $840 million. Our request includes funding for site acquisition, design, infrastructure, construction, and the management and inspection costs of nine federal facilities. PBS traditionally pursues a construction and ownership solution for special purpose and unique facilities that are not readily available in the real estate market.

PBS' FY 2012 New Construction Program is focused on urgent customer priorities, particularly those investments that will improve security and foster economic development at our border crossings. This program includes:

- $217 million for St. Elizabeths DHS Consolidation, West Campus Infrastructure, East Campus Road Development and Highway Interchange in Washington, DC;
- $146 million for the FBI Consolidation in San Juan, PR;
- $9 million for the Denver Federal Center remediation;
- $97 million for the FBI Central Records Center in Frederick County, VA;
- $60 million for the Land Port of Entry (LPOE) in Columbus, NM;
- $174 million for the LPOE in Alexandria Bay, NY;
- $75 million for the LPOE in Laredo, TX;
- $36 million for the LPOE in Dunseith, ND; and
- $26 million for the LPOE at Gateway in Brownsville, TX.

These funding priorities reflect urgent and indefinite customer needs, and investments that will ensure a long-term payback for the taxpayer.

For example, the DHS headquarters consolidation on the St Elizabeths Campus is necessary to facilitate communication, coordination and cooperation across DHS and optimize operational efficiency. GSA proposes to continue the ongoing activities of the DHS consolidation efforts on the St. Elizabeths Campus which include infrastructure and repair investments in order to meet the needs of the current and future facility.



This project is a prime example of GSA's asset management strategy. Consolidating the operations of DHS will save hundreds of millions of dollars for taxpayers, moving DHS offices from more than 40 locations throughout the D.C. area to one centralized campus.

The Administration has prioritized investment in our Nation's border crossings this fiscal year. In addition to the $371 million in LPOE funding in GSA's FY2012 request, the Department of Transportation has requested $2.2 billion in investment in their surface transportation funding which, if funded, will be transferred to GSA for the design and construction of a number of critical facilities at the nation's borders. On an average day, in FY2010, nearly 287,000 vehicles, over 111,000 pedestrians, and more than 27,000 trucks pass through the Nation's border crossings. These investments prioritize the largest border crossings that support high-volume transportation and trade.

LEASING PROGRAM

To meet the space requirements of our clients, GSA has entered into more than 9,285 private sector leases in 8,094 locations nationwide. At 191 million rentable square feet, leased space comprises more than half of our total portfolio square footage. The vacant space within our leased inventory has been 1.5 percent or below for the last five years, well below the national industry average of 16.7 percent. We strive to keep leasing costs at or below market levels and have developed comprehensive strategies to do so, including the standard use of industry benchmarks and market surveys to comparison shop for the best value for our customers. PBS is seeking authorization for the balance of our FY2011 programs, and intends to submit prospectus-level leases for the FY2012 program this summer.

CONCLUSION

PBS continues to work with our tenant agencies to help them shape their requirements to meet their mission needs, while improving operational efficiencies and space utilization to minimize costs for the American taxpayer. We also work with our stakeholders to capitalize the requirements of our aging inventory and the growing and increasingly specialized needs of our tenants. Finally, PBS strives to reduce our asset liabilities by concentrating reinvestment in core assets and disposing of unneeded assets.

Chairman Denham, Ranking Member Norton, this concludes my prepared statement. I will be pleased to answer any questions that you or any other Members of the Subcommittee may have about our proposed fiscal year 2012 capital investments, or any other aspects of the Public Buildings Service.