FEDERAL REAL ESTATE POST-COVID–19 PART 1: A VIEW FROM THE PRIVATE SECTOR

(117–17)

REMOTE HEARING

BEFORE THE

SUBCOMMITTEE ON
ECONOMIC DEVELOPMENT, PUBLIC BUILDINGS, AND
EMERGENCY MANAGEMENT

OF THE

COMMITTEE ON
TRANSPORTATION AND
INFRASTRUCTURE
HOUSE OF REPRESENTATIVES

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FIRST SESSION

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MAY 10, 2021

SUMMARY OF SUBJECT MATTER

TO:	Members, Subcommittee on Economic Development, Public Buildings, and Emergency Management
FROM:	Staff, Subcommittee on Economic Development, Public Buildings, and Emergency Management
RE:	Subcommittee Hearing on "Federal Real Estate Post-COVID–19 Part One: A View from The Private Sector"

PURPOSE

The Subcommittee on Economic Development, Public Buildings, and Emergency Management will meet on Thursday, May 13, 2021, at 2:00 p.m. EDT in 2167 Rayburn House Office Building and virtually via Zoom to hold a hearing titled, "Federal Real Estate Post-COVID–19: Part One: A View from the Private Sector." At the hearing, Members will receive testimony from private sector real estate industry professionals.

BACKGROUND

The General Services Administration (GSA) provides workspace for 1.2 million federal employees across more than 50 federal agencies.[1] GSA's Public Building Service (PBS) owns over 1,500 federal buildings.[2] The average age of these buildings is nearly 47 years old.[3] Approximately 53 percent of PBS's portfolio is over 50 years old and 28 percent is over 75 years old.[4]

PBS leases approximately 8,100 office buildings, courthouses, land ports of entry, data processing centers, laboratories, and specialized space around the country for federal agencies.[5] During the period from FY 2019 through FY 2023, 60 percent of PBS leases will expire.[6] GSA's PBS portfolio is projected to include 183.4 million square feet of owned space and 183.5 million square feet of leased space in FY 2021.[7]

PBS and its activities are funded through GSA's Federal Buildings Fund (FBF).[8] GSA enters into occupancy agreements with its federal agency tenants and charges

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[1] https://crsreports.congress.gov/product/pdf/R/R46410.
[2] https://www.gsa.gov/cdnstatic/GSA%20FY%202021%20Congressional%20Justification.pdf
[3] https://www.gsa.gov/cdnstatic/GSA%20FY%202021%20Congressional%20Justification.pdf
[4] https://www.gsa.gov/cdnstatic/GSA%20FY%202021%20Congressional%20Justification.pdf
[5] https://www.gsa.gov/real-estate/gsa-properties
[6] https://www.gsa.gov/cdnstatic/GSA%20FY%202021%20Congressional%20Justification.pdf
[7] https://www.gsa.gov/cdnstatic/GSA%20FY%202021%20Congressional%20Justification.pdf
[8] 40 U.S.C. § 592

commercially equivalent rent.[9] Those rents fund the FBF.[10] In turn, the FBF funds the operations of PBS, new construction, repairs and alterations, and payments for commercial leases. The availability of funds in the FBF are subject to annual appropriations.[11] In FY21, the availability of funds in the Consolidated Appropriations Act, 2021 is $9.065 billion.[12] This amount includes:

- $5.752 billion for commercial lease payments
- $2.533 billion for building and PBS operations
- $576.6 million for Repairs and alterations
- $230 million for new construction and acquisition

GSA'S PROCESS

The Administrator of General Services is authorized by 40 U.S.C. § 585 to enter into lease agreements (of no more than 20 years) to secure space for federal agencies.[13] GSA also acquires space through new construction or purchase.[14]

GSA's leasing process begins with the development of space requirements. Typically, GSA begins reaching out to expiring lease tenants approximately 24 months in advance of the expiration to determine whether a continuing need exists, and to notify the agency of the need to provide GSA with a request for space and begin development of the program of requirements. After the space requirements are developed and GSA agrees with and finalizes the documentation for the lease, if the lease cost is below the "prospectus" threshold (currently at $3.095 million), GSA begins the process of lease acquisition.[15] If the lease costs is above the prospectus level, GSA develops a prospectus pursuant to 40 U.S.C. § 3307 that includes details on the purpose, need, size, scope of the leased space.[16] The prospectus is submitted to the House Committee on Transportation and Infrastructure and the Senate Committee on Environment and Public Works. Both Committees must approve via resolution each prospectus prior to GSA executing the lease.[17]

Similarly, for new construction, alteration or purchase projects, GSA works with its tenant agencies on a program of requirements and Committee action on a prospectus is required if the costs are above the prospectus threshold.

FEDERAL TELEWORK POLICIES AND COVID–19

The Telework Enhancement Act of 2010 directed the Office of Personnel Management (OPM) to provide an annual report to Congress addressing the telework programs of each Executive agency (5 U.S.C. § 6506).[18] The most recent report—the Fiscal Year 2019 Status of Telework in the Federal Government Report to Congress—documented the last Governmentwide telework data collection effort prior to the 2020 COVID–19 pandemic, and does not examine the increase in telework necessitated by the pandemic.[19]

OPM's 2020 Federal Employee Viewpoint Survey found that 59 percent of employees teleworked every workday during the peak of the pandemic compared to 3 percent who teleworked every workday before the pandemic.[20] The report opined that "changes in management practices and policies in responses to the pandemic have driven widespread speculation about how workplaces might look and function post-pandemic."[21]

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[9] 40 U.S.C. § 586

[10] 40 U.S.C. § 592

[11] 40 U.S.C. § 3307

[12] Consolidated Appropriations Act, 2021, Public Law No. 116–260

[13] https://www.gsa.gov/cdnstatic/LDG-CHAPTER__INTRODUCTION-FINAL__9-30-11final__508C.pdf

[14] 40 U.S.C. §§ 3304, 3305

[15] https://www.gsa.gov/real-estate/design-construction/gsa-annual-prospectus-thresholds. FY22 threshold will increase to $3.375 million, Letter dated January 4, 2021 from the General Services Administration to the Committee on Transportation and Infrastructure.

[16] 40 U.S.C. § 3307.

[17] Id.

[18] https://www.telework.gov/reports-studies/reports-to-congress/2020-report-to-congress.pdf

[19] https://www.telework.gov/reports-studies/reports-to-congress/2020-report-to-congress.pdf

[20] https://www.opm.gov/fevs/reports/governmentwide-reports/governmentwide-management-report/governmentwide-report/2020/2020-governmentwide-management-report.pdf

[21] https://www.opm.gov/fevs/reports/governmentwide-reports/governmentwide-management-report/governmentwide-report/2020/2020-governmentwide-management-report.pdf

EXECUTIVE ORDER ON PROTECTING THE FEDERAL WORKFORCE AND REQUIRING MASK WEARING

On January 20, 2021, President Biden issued an Executive Order (EO) titled Protecting the Federal Workforce and Requiring Mask-Wearing.[22] Accompanying the EO was workplace safety guidance for executive departments and agencies, including the following directives:[23]

- *Occupancy*: No federal workplace should operate above 25 percent of normal occupancy standards at any given time during periods of high community prevalence or transmission. The agency's COVID–19 Coordination Team should develop a staffing plan that outlines which employees will work on-site full-time, on-site occasionally, or fully remote.
- *Physical Distancing*: Individuals should maintain distance of at least six feet from others, consistent with CDC guidelines, in offices, conference rooms, and all other communal spaces. Occupational health professionals in each agency should assess elevators to determine safe occupancy. Individuals must wear masks in elevators and in elevator lobbies.
- *Environmental Cleaning*: Enhanced cleaning and physical barriers such as plexiglass shields may be provided.
- *Hygiene*: Hand sanitizer stations are to be available at the building entrance and throughout workspaces. Indoor ventilation will be optimized to increase the proportion of outdoor ventilation, improve filtration, and reduce or eliminate recirculation. Phones, computers, kitchen items, and other office equipment must be disinfected by users.
- *Visitors*: The number of visitors to the federal workplace should be minimized. Visitors should be screened. Visitors are required to wear masks in federal or federally leased facilities.
- *Staggered Work Times and Cohort-Based Scheduling*: Agencies should encourage staggered work times to reduce density, minimize traffic volume in elevators, and avoid crowds during commuting.

CENTERS FOR DISEASE CONTROL COVID–19 EMPLOYER INFORMATION FOR OFFICE BUILDINGS

Throughout the COVID–19 pandemic the Centers for Disease Control (CDC) has provided guidance to federal agencies and the public on COVID–19 preparedness and response. On April 7, 2021, the CDC updated its guidance on office buildings and recommended the following[24]:

- Seats and workstations should be adjusted to maintain social distancing of 6 feet between employees.
- Employees should be separated by physical barriers where social distancing is not an option.
- High-touch communal items should be replaced with pre-packaged, single-serving items.
- Staff should be encouraged to bring their own water to minimize use and touching of water fountains.
- No-touch water fountains should be installed.
- Building ventilation should be improved by increasing the percentage of outdoor air, opening windows, improving air filtration, using portable high-efficiency particulate air (HEPA) fan/filtration systems, and ensuring exhaust fans are functional.
- High-touch surfaces that are frequently touched by multiple people, such as door handles, desks, light switches, faucets, toilets, workstations, keyboards, telephones, handrails, printer/copiers, and drinking fountains should be cleaned daily.
- Instructions on hygiene and social distancing should be posted at building entrances.

GSA'S WORKPLACE 2030

Early in 2020, as a result of COVID–19, GSA began a process to consult with its key tenant agencies and the private sector to identify the impacts and trends on federal office space which GSA developed into its Workplace (WP) 2030 initiative.[25]

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[22] https://www.whitehouse.gov/wp-content/uploads/2021/01/M-21-15.pdf
[23] https://www.whitehouse.gov/wp-content/uploads/2021/01/M-21-15.pdf
[24] https://www.cdc.gov/coronavirus/2019-ncov/community/office-buildings.html
[25] Workplace 2030: Envisioning the Future of Federal Work, General Services Administration

The initiative examined the potential of increased teleworking beyond COVID, the opportunities it may present to improve efficiency and reduce space needs and costs, and the potential savings to the taxpayer.[26]

PROPOSED ALTERNATIVES TO ADDRESS FUNDING CHALLENGES

Since 2011, the amount of funds available in the FBF for new construction and repairs and alternations has decreased below receipts received by GSA from its tenant agencies.[27] In addition, reductions, consolidations, and reconfigurations of space to improve efficiency and decrease real estate costs often require capital upfront to execute such plans.[28] Accordingly, a number of solutions have been proposed for alternative ways of funding projects, including public-private partnerships (P3s), discounted purchase options, and the creation of a new fund outside of GSA's FBF. In addition, Congress provided pilot authority in the Federal Assets Sale and Transfer Act (FASTA) in 2016 to reform the disposal of unneeded assets.[29]

While GSA has the legal authorities to carry out public-private partnerships (P3s) and discounted purchase options, the Office of Management and Budget's (OMB) interpretation of budgetary scoring rules effectively prohibits GSA from using these alternatives.[30] Specifically, OMB's interpretation of the budgetary scoring rules effectively would require GSA to have the full amount of budgetary authority for a project upfront.[31]

OMB's solution has been proposed in both President Biden's American Jobs Plan[32] and President Trump's Fiscal Year 2021 budget submission to Congress which included the establishment of a new revolving fund—the Federal Capital Revolving Fund (FCRF)—to finance the construction of new federally owned non-defense buildings.[33]

This new fund would be in addition to GSA's FBF, and would finance federally owned non-defense buildings and classify funding for purchases/construction as mandatory. After an initial $10 billion mandatory appropriation to seed the fund, the FCRF would be allowed to transfer up to $2.5 billion annually to Chief Financial Officers Act agencies that wish to make capital acquisitions (construction, renovations, or purchases) and therefore keep those capital purchases from eating up the entirety of that year's fiscal year appropriation.[34] Appropriators would decide which projects could be funded, and agencies would pay back the fund in annual increments over 15 years through regular appropriations. While GSA would administer this fund, payback would go to the new fund and not to GSA's FBF. It is unclear how this new fund would impact the FBF.

CONCLUSION

As the COVID–19 pandemic enters its second year, federal agencies and the private sector are contemplating how, when, or if to bring employees back into office space. It would be beneficial for Members of Congress to get the private sector's perspective on post-COVID health and safety trends, capacity and space design challenges, new technologies, environmental and well-building goals, and opportunities for long-term cost savings.

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[26] Id.
[27] See appropriations acts beginning in FY2011
[28] See, for example, GSA's Consolidations Activities Program, Prospectus No. PCA–0001–MU21
[29] Public Law No. 114–287 as amended by Public Law No. 114–318
[30] OMB Circular A–11, Appendix B
[31] Id.
[32] https://www.whitehouse.gov/briefing-room/statements-releases/2021/03/31/fact-sheet-the-american-jobs-plan/
[33] https://www.gsa.gov/about-us/newsroom/news-releases/president-trumps-fiscal-year-2020-budget-proposes-focus-on-innovation-physical-infrastructure-and-efficient-and-effective-government
[34] https://www.govinfo.gov/content/pkg/STATUTE-104/pdf/STATUTE-104-Pg2838.pdf

WITNESS LIST

- Ms. Kay Sargent, Senior Principal, Director of WorkPlace, HOK
- Ms. Genevieve Hanson, Principal, Strategy & Transactions—Real Estate Planning, Execution & Operations, Ernst & Young, LLP
- Ms. Kelly Bacon, Principal, Global Practice Lead, Workplace Advisory Design and Consulting Services, AECOM
- Ms. Marcy Owens Test, Senior Vice President, CBRE Federal Lessor Advisory Group
- Mr. Norman Dong, Managing Director, FD Stonewater

FEDERAL REAL ESTATE POST-COVID–19 PART 1: A VIEW FROM THE PRIVATE SECTOR

THURSDAY, MAY 13, 2021

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

The subcommittee met, pursuant to call, at 2 p.m. in room 2167 Rayburn House Office Building and via Zoom, Hon. Dina Titus (Chair of the subcommittee) presiding.

Members present in person: Ms. Titus, Ms. Norton, and Mr. Guest.

Members present remotely: Ms. Davids, Mrs. Napolitano, Mr. Carter of Louisiana, and Miss González-Colón.

Ms. TITUS. The subcommittee will come to order.

I ask unanimous consent that the chair be authorized to declare a recess at any time during today's hearing.

Without objection, so ordered.

I ask unanimous consent that Members not on the subcommittee will be permitted to sit at today's subcommittee hearing and ask questions.

I know we have a guest, and I would like to extend a special welcome to him. He is the newest member of the Transportation and Infrastructure Committee, Congressman Troy Carter of Louisiana. So I look forward to working with him on the committee.

Without objection, so ordered.

As a reminder, please keep your microphone muted unless you are speaking. Should I hear any inadvertent background noise, I will request that the Member please mute their microphone. To insert a document into the record, please have your staff email it to DocumentsT&I@mail.house.gov.

I would like to welcome everyone to today's hearing and thank our witnesses for joining us to discuss the impact of the COVID–19 pandemic on the Federal real estate portfolio and where we go from here.

The past 14 months have really been overwhelming. Families across the country are struggling to make ends meet. Small businesses and schools have been forced to close their doors to curb the spread of the virus. The famed Las Vegas Strip, which I represent in the heart of my district, resembled a scene from an apocalyptic movie rather than a place that usually welcomes over 40 million visitors a year.

With businesses closed, schools moving to virtual classrooms, and our highways and airports nearly empty, unemployment reached levels not seen since the Great Depression.

Now, with the implementation of the American Rescue Plan, vaccination rates continue to rise, infections are dropping, and communities are starting to open back up, there is a light at the end of the tunnel.

Of course, Federal workers weren't spared the trauma of the past 14 months either. Even those who were fortunate enough to be able to work from home had to deal with the lack of childcare, the challenges of online schooling, and the health and well-being of their family members.

While working remotely wasn't ideal for all, and was, in fact, challenging for many, the experiment in widespread remote work is widely considered a success, and it is prompting workers and employers to reimagine how and where work gets done going forward.

These conversations are no longer theoretical. We are reopening. Hair salons, restaurants, and gyms are returning to full capacity, tickets for Broadway shows are going on sale, and the first major conventions and trade shows are returning to Las Vegas this summer.

Meanwhile, as State and local governments are also lifting restrictions and corporate America ponders calling employees back into offices, discussions about office space are speeding up.

How much office space will organizations need? Will workspaces need to be reconfigured? Will employees' start and end times need to be staggered? Will companies require employees to be vaccinated before they return to work in their spaces? And will workers be allowed more flexibility to continue to work remotely?

These are just some of the questions that are also relevant to this subcommittee because we authorize the acquisition of space for the General Services Administration, or GSA.

The GSA provides workspace for 1.2 million Federal employees in every State and Territory across more than 50 agencies at the Federal level. GSA's Public Buildings Service owns over 1,500 Federal buildings and leases approximately 8,100 office buildings, courthouses, land ports of entry, data processing centers, laboratories, and specialized space all across the country.

With 60 percent of Public Buildings Service leases expiring in the next few years and agencies contemplating new ways of working, the Government needs to rethink its real estate portfolio.

Currently, when agencies seek workspaces, GSA considers the amount of space needed, the type of space, the location, the neighborhood amenities, disaster risks such as seismic safety and fire protection, and, of course, the price.

As a result of the pandemic, GSA will have to also consider resilience, sanitation, airflow, spatial planning, and telework policies. The pivot will require GSA to consider how the built environment can help the Government provide better services, attract and retain employees, and protect our workers' health.

Today, we will host the first of two hearings exploring these questions. In a moment, we will hear from expert stakeholders from the private sector with experience in the management, design, and construction of Federal buildings and commercial spaces. In our second hearing, we will discuss these issues with the leadership of the GSA to understand their approaches to these questions.

In the coming weeks or so, I look forward to hearing from them about what changes in policies, authorities, and regulations Congress can and should enact to meet these challenges and promote healthy and safe work environments while also protecting the interest of taxpayers.

I want to once again thank our witnesses for being with us and for participating in today's discussion. We have heard a lot about your expertise, and we are grateful for your testimony. I want to apologize in advance, however. Votes have been called, and you may see some people moving in and out. That is certainly no reflection on our interest in what you have to say.

[Ms. Titus' prepared statement follows:]

Prepared Statement of Hon. Dina Titus, a Representative in Congress from the State of Nevada, and Chair, Subcommittee on Economic Development, Public Buildings, and Emergency Management

I'd like to welcome everyone to today's hearing and thank our witnesses for joining us to discuss the impacts of the COVID–19 pandemic on the federal real estate portfolio and where we go from here.

The past 14 months have been overwhelming. Families across this country are struggling to make ends meet. Small businesses and schools have been forced to close their doors to curb the spread of this deadly virus. The famed Las Vegas Strip, which is in the heart of my district, resembled a scene from an apocalyptic movie rather than a place that usually welcomes over 40 million visitors each year.

With businesses closed, schools moving to virtual classrooms, and our airports and highways nearly empty, unemployment reached levels not seen since the Great Depression.

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While working remotely was not ideal for all and was, in fact, challenging for many, the experiment in widespread remote work is widely considered a success, and is prompting workers and employers to reimagine how and where work gets done going forward.

Those conversations are no longer theoretical. We are reopening. Hair salons, restaurants, and gyms are returning to full capacity. Tickets for Broadway shows are going on sale. And the first major conventions and trade shows are returning to Las Vegas this summer.

As state and local governments are lifting restrictions and corporate America ponders calling employees back into offices, discussions about office space are speeding up. How much office space will organizations need? Will work spaces need to be reconfigured? Will employee start and end times need to be staggered? Will companies require employees to be vaccinated before they return to their workspaces? Will workers be allowed more flexibility to work remotely?

These are just some of the questions that are also relevant to this Subcommittee because we authorize the acquisition of space for the General Services Administration, also known as the GSA.

The GSA provides workspace for 1.2 million federal employees, in every state and territory, across more than 50 federal agencies. GSA's Public Building Service owns over 1,500 federal buildings and leases approximately 8,100 office buildings, courthouses, land ports of entry, data processing centers, laboratories, and specialized space around the country.

With sixty percent of Public Building Service leases expiring in the next few years and agencies contemplating new ways of working, the government needs to rethink its real estate portfolio.

Currently, when agencies seek work space, GSA considers the amount of space needed; the type of space; the location; the neighborhood amenities; disaster risks such as seismic safety and fire protection; and most of all, the price.

As a result of the pandemic, GSA will have to also reconsider resilience, sanitation, air flow, spatial planning, and telework policies. The pivot will require GSA to consider how the built environment can help the government provide better services, attract and retain employees, and protect workers' health.

Today we will host the first of two hearings exploring these questions.

In a moment, we will hear from expert stakeholders in the private sector with experience in the management, design, and construction of federal buildings and commercial spaces.

In our second hearing we will discuss these issues with the leadership of the General Services Administration and understand their approaches to these questions. In the coming weeks/months, I look forward to hearing from them about what changes in policies, authorities, and regulations Congress can or should enact to meet these challenges and promote healthy and safe work environments, while protecting the interest of taxpayers.

I once again thank our witnesses for being with us and for participating in today's discussion. I am grateful for your testimony.

Ms. TITUS. At this time, I would yield to the ranking—ranking—Mr. Guest—I am not sure what your title is now—for his opening statement.

Mr. GUEST. Thank you, Chair Titus.

And I also would like to thank our witnesses for joining us today.

Prior to COVID–19, Congress made significant progress focusing on right-sizing Federal office space. Through reductions and consolidations, we saved the American taxpayers over $4 billion. Through the bipartisan approach of focusing on freezing and then reducing Federal office space, we are still seeing the savings produced by those efforts today.

As we saw before the pandemic, office space design and uses were already changing—away from the need for individual offices toward more open floor plans and shared spaces.

These changes and the subsequent savings not only reduced costs for the taxpayers, but also freed up more resources for agencies to invest in their core mission.

As a result of COVID, teleworking has increased exponentially across Government. Early on, we didn't know how the impact was going to affect us and the results that it was going to have on the American work life. Would we need more overall office space for social distancing? Would this mean less open space and more individual offices? How would we change to accommodate in-person services?

If we look at the private sector, private-sector trends, we are going to see that we will continue to see higher levels of teleworking and a further reduced need for current office space.

What we have learned is we don't have to do things the same way we have always done them before. By leveraging technology and innovation and focusing on what is actually needed in the built environment, we can save money, increase efficiency, and ensure space better supports agency missions.

As we examine the future of Federal office space, it is important for us to consider private-sector trends. What are those trends that make sense in a Federal real estate context and what issues and questions should we be addressing or asking?

We also must examine how we can position GSA and other Federal agencies to manage their real estate portfolios accordingly and how those decisions best prepare them to execute their mission. In order to facilitate that, the right initiatives and tools need to be in the toolbox, and we must remove obstacles.

For example, GSA should not be forced, because of scoring rules interpretation, to choose either traditional Federal construction or operation leases. Public-private partnerships, discounted purchase options, and other flexible solutions must be on the table. Decisions need to be based on what makes sense for the agency mission and costs.

That is why I am pleased to be a sponsor and cosponsor of bills, along with subcommittee Ranking Member Webster and Representative Pence, that are designed to give the GSA more choices for P3s and to negotiate discounted purchase options that provide GSA with the needed flexibility to protect American tax dollars.

As we saw with the reduce the footprint initiative, right-sizing the portfolio for future savings, and upfront cost approach, we see that space needs to be reconfigured. Old space must be sold, and new, more efficient space needs to be acquired. Ensuring GSA has real choices is critical to finding significant savings in our real estate portfolio.

I look forward to hearing from our witnesses.

[Mr. Guest's prepared statement follows:]

Prepared Statement of Hon. Michael Guest, a Representative in Congress from the State of Mississippi, and Member, Subcommittee on Economic Development, Public Buildings, and Emergency Management

Thank you, Chair Titus. I want to thank our witnesses for joining us today.

Prior to COVID–19, we made significant progress focusing on right-sizing federal office space. Through reductions and consolidations in space approved by the Committee in GSA's prospectus process, we saved over $4 billion dollars. Through the bipartisan efforts of focusing on freezing and then reducing federal space, we are still seeing the savings produced by those efforts today.

As we saw before COVID, office space usage and design were already changing—away from the need for individualized offices towards more open floor plans and shared spaces. These savings not only reduced costs for the taxpayer, but also freed up more resources for agencies to invest in their core missions. Since COVID, teleworking increased exponentially across government. Early on, we didn't know how COVID would impact federal office space—would we need more space for social distancing? Less open space? More individual offices?

To the contrary, if private sector trends are any indication, we may expect higher levels of teleworking to continue and a further reduced need for space. What we have learned from the past year has caused many companies to more closely examine the money they are spending on physical space and making decisions on what space is actually needed to accomplish their work.

But, of course, as offices reopen, even the most robust teleworking environments would still require space for in-person collaboration and interactions. And, we know some agency missions may require very little teleworking. Ultimately, what we have learned is we don't have to do things the same ways we've always done them before. By leveraging technology and focusing on what is actually needed in the built environment, we can save money, increase efficiency, and ensure space better supports agency missions.

As we examine the future of federal office space, it is important for us to consider private sector trends; whether those trends make sense in the federal real estate context; and what issues and questions we should be addressing or asking. We also must examine how we position GSA and other federal agencies to manage their real estate portfolios accordingly. We can talk all we want about what the real estate portfolio should look like, how it should be designed, and how much space is actually needed. But, without the right incentives and tools in the toolbox, little will happen.

For example, GSA should not be forced, because of scoring rules interpretation, to choose either traditional federal construction or operating leases. Public-Private Partnerships, discounted purchase options, and other solutions must be on the table. Decisions need to be made based on what makes sense for the agency mission and costs. That is why I am pleased to be a sponsor and cosponsor of bills, along with Subcommittee Ranking Member Webster and Representative Pence, that are designed to help give GSA more choices for P3s and negotiating discounted purchase options.

As we saw with the reducing-the-footprint initiative, it sometimes costs money to downsize. Space needs to be reconfigured; old space must be sold; and new, more efficient space needs to be acquired. Ensuring GSA has real choices is critical to finding significant savings in our real estate portfolio. I look forward to hearing from our private sector witnesses today on these issues.

Mr. GUEST. And, Madam Chair, I yield back.

Ms. TITUS. Thank you, Mr. Guest.

I would now like to welcome the witnesses to the panel. We have Ms. Genevieve Hanson who is a principal at Ernst & Young; Ms. Kay Sargent, a senior principal at HOK; Ms. Marcy Owens Test, a senior vice president at CBRE Federal Lessor Advisory Group; Mr. Norman Dong, managing director at FD Stonewater; and Ms. Kelly Bacon, principal at AECOM.

We thank you all for being here today, and we look toward to your testimony.

Without objection, our witnesses' full statements will be included in the record.

Since your written statement has been made part of the record, the committee would require that you limit your oral testimony to 5 minutes.

So we will proceed with the testimony. And, Ms. Hanson, we would invite you to go first.

TESTIMONY OF GENEVIEVE HANSON, PRINCIPAL, STRATEGY AND TRANSACTIONS, REAL ESTATE PLANNING, EXECUTION, AND OPERATIONS, ERNST & YOUNG LLP; KAY SARGENT, ASID, IIDA, CID, LEED® AP, MCR/w, WELL AP, SENIOR PRINCIPAL, DIRECTOR OF WORKPLACE, HOK, ON BEHALF OF THE INTERNATIONAL FACILITY MANAGEMENT ASSOCIATION; MARCY OWENS TEST, SENIOR VICE PRESIDENT AND FEDERAL LESSOR ADVISORY GROUP MEMBER, CBRE, INC.; NORMAN DONG, MANAGING DIRECTOR, FD STONEWATER; AND KELLY BACON, PRINCIPAL, GLOBAL PRACTICE LEAD, WORKPLACE ADVISORY DESIGN AND CONSULTING SERVICES, AECOM

Ms. HANSON. Good afternoon, Chairwoman Titus, Ranking Member Guest, and subcommittee members. I would like to thank the subcommittee and its staff for the opportunity to speak to you today on this important topic.

I must say that, Chairwoman and Ranking Member Guest, you probably summed up my talking points, but I will continue.

My name is Genevieve Hanson. I am a principal with Ernst & Young in the Strategy and Transactions Real Estate practice. I have got over 25 years of experience in management consulting and real estate, both in public and private sectors. I had the pleasure of managing large-scale public-private partnerships at GSA, and I have also held the role of Chief Sustainability Officer at the Department of Health and Human Services while serving as an Associate Deputy Assistant Secretary for Real Estate and Supply Chain Operations.

The views that I express today in the written and oral testimony are my own and not necessarily those of Ernst & Young LLP, or other members of the global EY organization.

Over the past 20 years, there has been a slow evolution to now revolution in how real estate is managed, largely dependent on COVID–19. Meaning that work schedules, places of work, seat assignments, and the use of a range of spaces have been democratized. The focus of this testimony is primarily on the office environment.

Currently, we are experiencing a significant transformation, as you have noted, in where, when, and how millions of Americans work, principally in order to mitigate health and safety concerns while maintaining business operations and the like.

Today, the pandemic has only intensified the focus on healthy buildings and workplaces, namely, to support the physical, social, and psychological health and well-being of those that use the space.

These elements include air quality, energy efficiency, building materials, plantings, lighting, sanitized workspaces, wayfinding, accessibility, fitness, relaxation, and comfort.

Processes and technologies are being reengineered and innovated to enhance the employee experience. Notably, COVID–19 has been an accelerant in increasing the flexibility of work schedules and work locations.

As a result, organizations are reevaluating their real estate requirements, performance metrics, productivity, ability to work in the office and remotely, culture, and change management. Decisionmakers from all sectors are asking themselves the same question: How much should the current pandemic environment influence our short-term and long-term real estate decisions?

As you said, depending on its mission, goals, structure, and operations, an organization may need to expand, contract, or simply modernize their real estate portfolio.

It is important to note that millions of Americans never left their worksites because they provide products and services that are vital to our everyday lives.

I would like to highlight three areas within this rubric of healthy building and workforce well-being to consider: people, real estate, and technology.

The first key area is people. The pandemic has emphasized the need to keep people at the center of business decisions. Remote working or telework has transitioned from being a perk to being commonplace. Yet the need for in-person interactions remains strong in order to collaborate, to team, to mentor, and connect.

When considered thoughtfully, innovative workplaces and workplace flexibility can play a pivotal role in attracting and retaining talent as well as enhancing operational efficiencies.

The second area is real estate. The real estate and construction sector combined represents approximately one-sixth of our economy, and the Federal footprint comprises 1 billion square feet.

With more than 350,000 energy-utilizing buildings and 600,000 vehicles, the Federal Government is the Nation's largest energy consumer. Therefore, it matters how the public and private sector work in partnership to support the health, safety, and well-being of people in its facilities.

Prior to COVID, there had been a 20-year trend towards a more sustainable Federal footprint. As we emerge out of the pandemic, we will see an even greater focus on amenitizing sustainability through smart building design, high energy efficiency, HVAC systems, supplemental air purification systems, workplace sanitization, and improved water and waste management.

Deeper collaboration and solutioning between Federal Government and the private sector can speed up innovative sustainability.

The race to innovate leads into the third key area, which is technology. In recent years, real estate has evolved from systems that are singular, disconnected, and analog to a more multidimensional, connected, and digitally integrated network of smart building technologies.

As we move forward, connectivity among the workforce and data will become key tenets for continuity of operations, collaboration, and decisionmaking.

The pandemic has increased the need to consider and scale workplace technologies to advance sufficient real property management, such as the Internet of Things, robotic process automation, chat box, artificial intelligence, and virtual collaborative tools.

In closing, several force multipliers can further shift this evolution of enhanced real estate management to a revolution. This includes deep collaboration with the private sector, prioritizing initiatives, reengineering processes, developing durable policies, and enhancing governance.

Thank you for the opportunity to appear before the subcommittee, and I look forward to any questions.

[Ms. Hanson's prepared statement follows:]

Prepared Statement of Genevieve Hanson, Principal, Strategy and Transactions, Real Estate Planning, Execution, and Operations, Ernst & Young LLP

Good afternoon, Chairwoman Titus, Ranking Member Webster and subcommittee members. I'd like to thank the subcommittee and its staff for this opportunity to speak with you today on this important topic. My name is Genevieve Hanson, and I am a principal with Ernst & Young LLP, in the Strategy and Transactions Real Estate practice. I have over 25 years of consulting and real estate experience, both in the public and private sectors. I have managed large-scale public-private partnerships as a special advisor at the US General Services Administration (GSA). I also held the role of Chief Sustainability Officer at the US Department of Health and Human Services, while serving as the Associate Deputy Assistant Secretary for Real Estate and Supply Chain Operations. The views I express in my written and oral testimony are my own and are not necessarily those of Ernst & Young LLP (EY) or other members of the global EY organization.

Over the past 20 years, there has been a slow evolution in how real estate is managed and how space is democratized, where employees utilize an increased range of space types and work in open workspaces. The focus of my testimony is primarily on the office environment, in which we're now experiencing a significant transformation, largely attributed to the COVID–19 pandemic. Recognizing that millions of Americans work in a wide range of workplaces and many are not able to work remotely, I am limiting my testimony to the office environment. There is a desire today for what I consider "healthy buildings" to support the physical, social and psychological health and well-being of those using these spaces. We are also seeing the process and technology that support these users being re-engineered and innovated. The COVID–19 pandemic has been an accelerant in increasing the flexibility of work schedules and work locations, resulting in the need for organizations to assess their real estate requirements, performance metrics, productivity, the balance between working in the office and remote work, and related change management strategies. Decision-makers across all sectors are asking themselves the same question: How much should the current pandemic environment influence our short- and long-term real estate decisions? Depending on its mission, goals and structure, an organization may need to expand, contract or modernize its real estate portfolio.

I'd like to highlight three key areas within the rubric of "healthy buildings" and workforce well-being for both government and private sector to consider: people, real estate and technology.

People: The COVID–19 pandemic has emphasized the need to keep people at the center of business decisions. Remote working, or telework, has transitioned from being a perk to being commonplace at present. In many cases, organizations have relied on technology to maintain their employees' productivity and connectivity; yet the need for in-person interactions remains strong—to collaborate, team and connect. It has become a widely accepted view that workplace flexibility is a way to tap into new sources of talent, and when considered thoughtfully, innovative workspaces can play a vital role in attracting and retaining talent.

Real estate: The real estate and construction sectors combined represent approximately one-sixth of our economy, and the federal government's real estate portfolio comprises over 1 billion square feet, according to GSA. With more than 350,000 energy-utilizing buildings and 600,000 vehicles, the federal government is the nation's largest energy consumer, based on Department of Energy analysis. Therefore, it matters how the public and private sector collaborate to support the physical, social and psychological health and well-being of people in buildings. Prior to COVID–19, there had been an over 20-year trend toward more sustainable federal real estate. From the US Office of Management and Budget's sustainability plans and scorecards to the US Department of Energy's "savings performance contracts," from aspiring to achieve green and healthy building certifications to encouraging "green" leases, the federal government and its private sector stakeholders continue to significantly influence sustainable, environmentally-friendly practices.

In my view, as we emerge from the pandemic, we will see an even greater focus on smart building design, energy efficiency and sustainability. Many view these elements as critical workplace amenities that better promote healthy buildings and workforce well-being; additionally, workers increasingly expect inviting places to relax, interact and collaborate. I believe there are numerous opportunities for the public and private sector to increase collaboration on innovations, including in the areas of addressing GSA Green Proving Grounds and incorporating more sustainability principles in procurement, products, supply chain, energy-efficient elevators, roofs, electric charging stations, high-efficiency HVAC systems, supplemental air purification units, workspace sanitization standards, and healthy water and waste management.

Technology: In recent years, real estate has evolved from systems and operations that are singular, disconnected and analog to a more multidimensional, connected and digitally integrated network of smart building technologies. As we move forward, connectivity among the workforce and data management are becoming key tenets of the continuity of operations, collaboration and decision-making. The pandemic has increased the need to consider or scale workplace technologies, such as the Internet of Things, robotic process automation, artificial intelligence and virtual collaborative tools to better promote efficient real property inventory management.

In closing, I will add that several force multipliers can further shift this evolution of enhanced real estate management to a revolution, including prioritized initiatives, re-engineered processes, durable policies, and revised governance.

Thank you for the opportunity to appear before the subcommittee, and I look forward to answering your questions.

Ms. TITUS. Thank you, Ms. Hanson.

Ms. Sargent.

Ms. SARGENT. Chairwoman Titus, Ranking Member Guest, and members of the committee, first, on behalf of the International Facility Management Association—IFMA—and our 20,000 members who run commercial buildings internationally in over 100 chapters, including strong chapters in Oregon and Nevada, thank you for the opportunity to testify today.

IFMA is the largest professional association for facility managers, and our members run billions of square feet of commercial space.

As the leader of the global WorkPlace practice at HOK, one of the largest architectural firms in the world, I can tell you that at no time has the essential role of the facility manager been clearer than over the last year. FMs in the private and public sector have met the challenge of the pandemic, and now they have the critical role in safely reopening and maintaining America's building infrastructure.

This is a historic time. In my 37-year career as a workplace strategist and designer, this is the first real opportunity we have had to rethink how and where we work.

Before the pandemic, the rise of coworking was already disrupting the commercial real estate market and changing our perspectives on the workplace. This has been reflected in congressional establishment of the Public Buildings Reform and Savings Board and the investment in FMs through the Federal Buildings Personnel Training Act.

Then COVID hit, bringing our industry to a crossroads.

The average building stands for over 70 years. Interior spaces are typically only renovated once a decade, if even that. In other countries, spaces are flipped more frequently, thus they can evolve and react to things in a more timely manner.

Your decisions will determine the fate of the Federal work environment for the next generation of Americans.

The pandemic sent us all home, but the last year has taken a heavy toll on our citizens' physical and mental health, with a disproportionate impact on women, and racial and ethnic minorities.

Now, thankfully, we can start to think about returning to the office. But as we do, the whole entire world is asking a really simple question: What is the future of work?

Even before COVID, our offices weren't working. Many offices didn't support the collective ways that we work, the technology we rely on, our flatter organizational structures, or the need to focus on operations and maintenance, not just on design and construction.

One thing we know for sure: The office of yesterday is not the answer.

Companies now are in a fierce war for talent and a race to innovate. To attract the best and to give them what they need to succeed, we need to rethink their space.

Designing spaces around the world has given us insights into how aggressive other countries are in innovating to create smart cities and state-of-the-art environments.

We need to transform the office from a place that people have to go to an ecosystem of spaces where people want to be. We need to break down the silos and offer options and choices that are flexible and resilient to business changes.

There are three main components to the next generation of this ecosystem that supports hybrid work: the Hub, which is the reimagined office or the primary place where people come together; the Home, where you might be doing that solo remote work; and the Spoke, which is a plug-and-play space outside of the Hub that might offer more amenities than the home, like a coworking space or a satellite office.

In this new ecosystem, overall office space per agency can be reduced while providing more enticing environments that better meet the needs and give greater experiences to the workforce.

We need to continue to invest in people that are running our buildings. New requirements for building performance require additional investment in facility managers. Smarter buildings require smarter people.

I am also honored to serve as an adviser to GSA's Workplace 2030 task force looking at these issues. This group knows what needs to be done, but they need a bigger platform and a mandate to do it.

The main takeaway that I want to leave you here with today is that we must create Government workplaces that empower American ingenuity and keep us competitive in global markets.

We have a unique opportunity now to create Government workplace ecosystems where the most exceptional people want to be, but we must take steps today to do so.

If we do, we can help our public-sector buildings improve environmental and human sustainability and well-being, we can address safety and productivity, and preserve their asset value and performance.

Thank you again for inviting me to be here on behalf of IFMA. We stand ready to help, and I look forward to your questions.

[Ms. Sargent's prepared statement follows:]

Prepared Statement of Kay Sargent, ASID, IIDA, CID, LEED® AP, MCR/w, WELL AP, Senior Principal, Director of WorkPlace, HOK, on behalf of the International Facility Management Association

"As lead of the global WorkPlace practice at HOK, one of the world's largest architectural firms, I can tell you that at no time has the essential role of the facility manager been clearer than over the past year. FMs in the public and private sector have met the challenges of the pandemic."

WELCOME:

Chairman DeFazio, Committee Chairwoman Titus, Ranking Member Webster and Members of the Committee:

First, on behalf of the International Facility Management Association—IFMA—and our 20,000 members who run commercial buildings all over the world in over 100 chapters, including strong chapters in Oregon, Nevada and Florida, thank you for the opportunity to testify today. IFMA is the largest professional association for facility managers and our members run billions of square feet of commercial space.

As lead of the global WorkPlace practice at HOK, one of the world's largest architectural firms, I can tell you that at no time has the essential role of the facility manager been clearer than over the past year. FMs in the public and private sector have met the challenges of the pandemic. They now will have critical roles in safely reopening and maintaining America's building infrastructure.

This is an historic time. In my 37-year career as a workplace strategist and designer, this is the first real opportunity we've had to rethink how and where we work.

Before the pandemic, the rise of coworking space was already disrupting the commercial real estate market and changing our perspectives on workplace. This has been reflected in recent Congressional activity including establishment of the Public Buildings Reform and Savings Board and a continuing investment in FMs through the Federal Buildings Personnel Training Act. Then COVID hit, bringing the industry to a crossroads [1].

KEY ROLE OF CHANGING WORKPLACES:

The average buildings stand for 70 years. Interior spaces are typically renovated once a decade. In other countries spaces are flipped more frequently, and thus can evolve and react to changes in a more timely manner. Your decisions will determine the fate of federal work environments for the next generation of Americans.

This terrible pandemic sent us all home to work. But the past year has taken a heavy toll on our citizens' physical and mental health—with a disproportionate impact on women and racial and ethnic minorities.

Now, thankfully, we can think about returning to the office. As we do, the whole world is asking one question: What's the future of work?

Even before COVID, our offices weren't working. Many offices didn't support the collaborative ways we work. The technologies we rely on. Our flatter organizational structures. Or our need to focus on operations and maintenance—not just design and construction. One thing we know is that returning to the office of yesterday is not the answer.

Companies know they are in a fierce war for talent and a race to innovate. To attract the best people and give them what they need to succeed, they are rethinking their space. Designing space around the world has given us insight into how aggressively other countries are innovating to also create smart cities and state-of-the-art environments.[2]

We need to transform the office from a place where people *have* to be to an ecosystem of spaces where people *want* to be. Spaces that break down silos and offer choices about how to work. That are flexible and resilient to business changes.

There are three components to this next-generation ecosystem that will support hybrid work:

1. The Hub is the reimagined office—the primary physical place where the organization's people come together.
2. The Home where we can do individual work remotely.
3. The Spoke is a plug-and-play place outside the main hub but with more amenities than we have at home: be it a coworking center or a satellite office.

In this new work ecosystem, overall office space per agency could be reduced while providing more enticing environments and better experiences for their people.

It would help us address environmental and human sustainability and well-being, which will improve productivity.

We need to leverage technology and continue to invest in the people running our buildings. New requirements for building performance coupled with new expectations in the post-pandemic era require additional investments in facility managers. Smart buildings require smart people. Industry research has shown a 15:1 return on investment for building personnel. This connection between training and performance cannot be overstated.[3]

I'm honored to be serving on the GSA's "Workplace 2030" taskforce looking at these issues. This group knows what needs to be done, but they need a bigger platform and mandate to do it.

KEY RECOMMENDATIONS:

Disposition of Excess Federal Property:

IFMA has long supported the realignment of Federal Real Estate Portfolio to reduce waste, increase productivity and ensure that federal buildings are assets, not liabilities in an organization's strategic purpose. In the 114th Congress a Bi-Partisan group of law makers supported the establishment of a Public Buildings Reform and Savings Board to evaluate the civilian real estate portfolio, identify opportunities for efficiency and dispose of excess property. With that board now established and operating and as Congress works with the Administration to identify excess property it is critical that operational costs and effective facility management continue to be considered when assessing property value and use. Design and construction costs of a facility are a small fraction of the overall expense of a building over

[1] HOK, Workplace Beyond 2021; Designing Spaces that Bring Us Back to a New Degree of Normalcy, January 2021.

[2] Space Planning Benchmark Report, Special Appendix COVID 19 Impact on Facility Management, July 2020.

[3] Nicholas A. Rocha, "Evaluating the Value, International Facility Management Association", April 2017

its useful life. As most federal facilities are designed to last 50 years or more, the sale of these facilities would yield proceeds from the value of the property, but more importantly result in significant savings from avoided operational costs and other factors associated with building operations. As Congress looks to update the federal real estate portfolio IFMA recommends broad-based consideration of related factors including:

- Retention of savings realized through sale by agencies to address deferred maintenance costs and compliance with the Federal Buildings Personnel Training Act of 2010
- Continued Updates to the Federal Real Property Profile to Include information facility condition, energy performance, FBPTA compliance, space utilization rates and workforce productivity metrics
- Utilization of Public Private Partnerships to help reduce Operations and Maintenance backlogs

Leverage Existing Properties To Create an Ecosystem of Work Environments:

We need to embrace the opportunity to address the disruption being brought forth and proactively rethink how we can best serve the workforce, and agencies alike. We need to innovate and evolve. We need to transform the office from a place where people have to be to an ecosystem of spaces where people want to be. Spaces that break down silos and offer choices about how to work. That are flexible and resilient to business changes.

Value of Education and Training for Facility Managers:

In creating and maintaining high-performance buildings capable of significantly reducing energy and water use while promoting worker health and safety, a well-trained facility management staff is an essential element. Hiring and training professional facility managers ensures a working knowledge of industry trends, best practices and that building systems continue to perform as intended. In the 2010 Congress enacted Federal Buildings Personnel Training Act. Signed into law by President Obama in December 2010 the bill's premise was simple: if buildings are maintained properly by trained and certified facility managers, they will perform better at lower cost, and ultimately be worth more at their time of disposition, thereby providing a return on investment to the American taxpayer. At a time when taxpayers continue to make significant investments in federal property, and as the General Services Administration and Congress look to realign the federal building portfolio and dispose of excess property, having qualified facility managers execute these tasks is critical. Many agencies have made significant progress in implementing the law and are great examples of best practices, yet others continue to wait on the sidelines hoping Congress will not hold them accountable for compliance. Moreover, the current shift in the federal real estate portfolio from government owned buildings to leased space means an increasing number of federal tenants will not be protected by FBPTA requirements. In order to best address these realities, Congress must consider:

- Expanding FBPTA Requirements to cover leased space and not just government owned property as is currently required.

Clarify the intent of the FBPTA to focus on utilization of existing industry education programs ensure compliance

Long-Term Facility Planning:

Effective long-term facility planning requires regular funding and commitment. Congress now has the opportunity to commit not only to enhanced remote work programs and flexibility, but also to building, operating and maintaining workplaces of the future which can continue to be a shining example of American ingenuity and leadership. Even before the pandemic there was a significant effort underway in Congress to better understand the costs of changes in telework policy. These ongoing considerations must continue to be part of the conversation around COVID 19 response in federal buildings.

CONCLUSION

The main takeaway I want to leave you with is that we must create government workplaces that empower American ingenuity and keep us competitive in global markets. And we have a unique opportunity to create government workplace ecosystems where the most exceptional people want to be. But we must take the steps to do so now. If we do this, we will help our public sector buildings improve occupant health, safety and productivity while preserving their asset value and performance.

Thank you again for inviting me to be here on behalf of IFMA. We stand ready to help. I look forward to your questions.

[Editor's note: Three supplements to Ms. Kay Sargent's prepared statement are available online at the House of Representatives Document Repository; see the "support documents" listed under her name at https://docs.house.gov/Committee/Calendar/ByEvent.aspx?EventID=112606.]

Ms. TITUS. Thank you, Ms. Sargent. Your background indicates that is an environment where we would all like to be. It is lovely. Thank you.

Ms. SARGENT. I would be happy to design a space for you.

Ms. TITUS. Ms. Owens Test.

Ms. OWENS TEST. Thank you so much for inviting me to share my expertise in the Federal real estate space.

Because I have worked in the field of Federal Government real estate for 32 years, I have a broad perspective and would like to share some insights into the Federal leasing arena and express the importance that leasing has in the overall real estate strategy.

In a phrase, I am here to champion leasing and speak on behalf of the landlord community.

The Federal Government, including such agencies as the U.S. Postal Service, Department of Agriculture, Department of Commerce, Department of Veterans Affairs, and the U.S. General Services Administration, use leasing to fulfill tens of thousands of real estate requirements across the country.

Specifically, the General Services Administration inventory includes 7,859 leases as of April of 2021. And although this number reflects a 15-percent reduction over the last 10 years from the peak due to space consolidations and relocations to federally owned space, the overall leasing square footage remains close to 50 percent of the total GSA inventory.

Leasing allows the tenant to address changing space requirements over time, enables the use of efficiently operated high-quality space, and provides access to private-sector capital when needed to respond to changing missions—all this and the ability to terminate its obligation when the space no longer fits the tenant's needs. Leasing provides flexibility.

The Government uses leasing to lead the commercial real estate market by establishing requirements and reinforcing code compliance for security, handicap accessibility, sustainability, and now COVID. The Government has used leasing to implement other priorities through its standard lease contract terms.

Leases are executed with a wide array of real estate owners, from sole proprietorships to single purpose entities owned in complex corporate structures. Federal Government leasing impacts a large portion of the commercial real estate market and has a wide influence.

Government requirements can take years to plan, approve, and budget. And even though we are working through the pandemic, the Government should continue its business of leasing activity in both smaller and prospectus-level leases because flexibility is built into the Government lease. If Government space requirements change over time, GSA has rights in the lease to negotiate changes.

Once a requirement is released to the commercial market, the Government has likely been planning that requirement for 2 to 3 years and large prospectus projects could take many more.

Procurement and delivery of a leased space may take another 2 to 4 years. For this, leasing plans are made for long-term use, meaning 10 to 20 years, and sometimes 30-year periods.

Also, Federal agencies have a wide array of missions and use real estate many ways. There isn't a one-size-fits-all type space. Therefore, the Government's implementation of real estate strategies takes a long time.

For large leases, prospectuses authorize the ceiling of square footage and dollars, and the approval process can continue while specific yield terms are negotiated.

Collaboration is where the best of the Federal Government landlord community can find successful outcomes. Planning and budgeting are important for landlords too. It can take years for landlords to plan, design, permit, finance, construct, and occupy new buildings.

Landlords' planning and collaboration with their teams results in the best built environment at the most effective cost. Neither the Government nor the landlord community want to overpay or be inefficient with their real estate usage.

Whether it is while creating new sustainability goals for the Government's leased inventory and executing them in existing leases, or compromising on space utilization, the private sector can bring implementation strategies to Federal leases that provide the best overall cost solutions for Federal tenants.

Ultimately, the Government receives the best pricing from the private sector because the Government provides confidence and certainty in meeting its obligations, payment of rents, and likelihood of renewal. And the financial markets respond well to income streams they can count on.

The Government uses leasing as a strategy to get the best space for their real estate needs at the best available pricing from the commercial real estate community by providing consistent collaboration even when changing priorities are implemented.

Thank you for the opportunity to share my thoughts, and I look forward to your questions.

[Ms. Owens Test's prepared statement follows:]

Prepared Statement of Marcy Owens Test, Senior Vice President and Federal Lessor Advisory Group Member, CBRE, Inc.

Thank you for inviting me to share the knowledge and experiences of the commercial real estate industry. I submit this testimony as an individual and not on behalf of any group or organization. The opinions expressed are my own and not necessarily those of my employer, or any other group, organization and/or governmental entity or agency I reference.

Background and Experience

I have worked in the industry for 32 years and am currently a professional at CBRE, Inc., the world's largest commercial real estate services provider. Within CBRE I am a member of the Federal Lessor Advisory Group (or "FLAG"), a team of professionals that specialize in representing private sector owners, investors and developers on real estate transactions where the federal government seeks to lease office, warehouse, laboratory, or other spaces using the government's procurement methodologies. The FLAG team specializes in understanding the federal government's real estate needs and translating those needs into a private sector context to help our clients to provide the Government with the highest quality technical and financial solutions to meet their real estate space needs. Different groups within CBRE also represent the federal government in many capacities working with numerous large and small federal agencies over the years, branches of government, and independent agencies providing brokerage services (lease/lessor/purchase/sale), property management, construction management, valuation services, and many other service offerings. CBRE has a deep and thorough understanding of the public sector proudly representing the government and private sector clients in the federal real estate space.

In addition, I serve as a member of the Board of the National Federal Development Association ("NFDA"). NFDA is a national association of private property owners and service providers who lease space and provide commercial real estate services to federal government tenants. NFDA is a clearinghouse of knowledge, innovations and information developed by experts for experts in the government leasing space.

Purpose of this Testimony

With that background, I am here to share insights I have learned from the private sector's experiences with COVID–19 and return to the office; some history on the reducing federal real estate footprint; concerns that federal real estate Landlords are expressing; and, how planning and collaboration between the Government and the private sector can bring cost effective outcomes to both parties.

Private Sector Experiences with COVID–19 and Returning to the Office

The private sector real estate community has been struggling with the considerable uncertainty caused by the pandemic, but we are beginning to see private sector tenants declaring dates for returning to the office. The commercial real estate industry is populated largely by optimistic people—people who see future opportunity to improve the built environment and the impact a great built environment can have on people's productivity and work outcomes. The future brings possibility and promise for ways to make a difference in the lives of people using real estate to meet their goals and missions. This last year has challenged even the most optimistic of us as the industry has been forced to take a completely new perspective on how work is performed and the value of the built environment to bring people together.

Today, private sector companies are beginning to bring people back into the office over the next few months, after working remotely for the last 15 months. One measure, according to the Kastle Systems Back to Work Barometer [1], from data collected from security card swipes from their partners, as of the week of May 10, 2021, a 10-city average occupancy is up to 27.1%. Full return-to-the-office plans seem to be impacted by where the parent company is headquartered, as geographic differences seem to influence the need for a collective environment and as well as company culture. There is survey data and anecdotal evidence that remote work strategies will be in place for the foreseeable future with many private sector tenants waiting until employees return to the office to best assess workplace strategies that may have more of a long-term impact on the use of real estate. There are many examples of downsizing and restructuring of leases with heavy emphasis on short-term lease renewals to give private sector companies time to evaluate the way employees are working and what kind of office space will best support productive employees in the post COVID environment. Examples also exist of government contractors closing offices and consolidating their employees to locations where secure work is required to be completed within a secure office environment. Likely many government contractors will continue to be working from home for the foreseeable future unless government contracts require some minimum amount of work from the contractor's office, which is a consideration as attention is focused on heightened cyber security.

Federal Real Estate Inventory Reduction

Prior to 2011, the Federal Government had typically focused on delivery of the tenant agency mission and real estate was a means to that end. Cost and quantity of real estate was not a significant focus for measurement. However, following Executive Order 13576 in 2011 which was issued to focus attention on "improving the management of Federal real estate," OMB issued guidance in 2013 to direct federal

[1] Reference https://www.kastle.com/safety-wellness/getting-america-back-to-work/

agencies to implement a "Freeze the Footprint" policy[2] for Federal Real Estate and then again in 2015 to direct federal agencies to implement the "Reduce the Footprint" policy[3]. With leadership from this House Committee, the Executive Branch began its detailed attention on measuring performance for efficiency improvements with utilization rates, or how much square footage per person is leased by the Government. The General Services Administration's ("GSA") lease inventory[4] peaked in September 2013 at more than 198.2 million square feet, and the federal government began focusing on improving utilization in federally owned real estate and reducing its leased inventory. As of GSA's April 2021 inventory, the GSA lease portfolio has been reduced by more than 15 million square feet which equates to a reduction of just under 8% since September 2013. 69% of this reduction has been realized in the National Capital Region. Appreciating that the National Capital Region was 29% of the total GSA inventory, it is now 25.7% of the total inventory. And there are many projects planned for large consolidations and relocations into federally owned assets like the Department of Homeland Security into the St. Elizabeth's campus. The "Reduce the Footprint" policy has changed the federal real estate inventory quite substantially.

Raising Concerns of Federal Real Estate Landlords

All of these events impact the Landlords of federal real estate by undermining confidence in the renewal assumptions of government leases, which are a critical component of the underwriting and financing of commercial real estate. Confidence of tenants' renewal probability is a cornerstone of what drives the best financing and values of federally leased assets. The Government gets good quality space to meet its requirements at the best rates because financial markets value a government lease. The predictability of government occupancy is an important component of the cost of financing and value of federally leased assets and thereby the aggressive rents the private sector is able to offer potential Government tenants.

With some already questioning the value of a lease with the Federal Government due to the pre-pandemic push to downsize the Federal footprint, the next question is how will the effects of COVID–19 on the built environment further impact the federal footprint. Following the last many years of Government space reduction many Landlords in the federal real estate space question what the next 3 to 5 years hold for the federal real estate footprint and if the policies that have helped the Government negotiate many tenant favorable leases will continue.

The commercial real estate market over these last few years has favored the tenant versus the Landlord in most of the country. The Government tenant has been, and will continue to be, in a position of strength at the negotiation table, and their policies to take advantage of the market have been well executed. In particular, the policy to pursue longer lease terms (longer number of years of firm term) with limited soft term, being the portion of a lease term that can be cancelled, has been very successful. For years, the private sector has explained that the Government could negotiate better lease rental rates with longer lease terms and the Government has had good results from utilizing a policy of pursuing longer lease terms when it makes sense to do so.

Through the last year, GSA has been very active in the market. As an agency with legacy remote work strategies, GSA employees transitioned to the mandatory remote work directive very effectively and the private sector saw an increase in the number of lease requirements advertised year-over-year 2019 to 2020. In other words, 2020 was a very productive year for GSA real estate activity. This was a very beneficial year for the Government to negotiate aggressive rental rates and the commercial real estate market has been interested in pursuing government requirements while many private sector tenants negotiated short term renewals or decided to wait until employees return to the office to make long term real estate decisions. This tenant-favorable market is likely to continue in many markets across the country and the Government should be able to take advantage of that with longer term lease requests to the market.

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[2] White House briefing dated March 14, 2013 by Danny Werfel, Controller of the Office of Management and Budget

[3] White House briefing dated March 25, 2015 by David Mader, Controller of the Office of Management and Budget

[4] Statistics referenced are based on the GSA leased inventory database. Recognizing that this only addresses a small portion of the Government's leased portfolio, it is the inventory that is readily available, updated monthly, and is most compatible to investor-grade real estate in private industry. That is not to say that the US Postal Service, Department of Veteran's Affairs, Department of Agriculture or Department of Commerce, for example, do not have investor-grade real estate, but their inventories are not transparent and as available as GSA's inventory.

With all of this, many industry folks are feeling concerned and hesitant about how federal real estate will be impacted now that so many employees have been working remotely. There is a good deal of trepidation that the Government will cut office space without thoroughly reviewing the needs of the mission and the employees for the long term. This growing sentiment is not great for either the industry or the Government because the Government benefits from the confidence it has previously provided the private sector landlord community. If it wants to maintain its favorable negotiating position, the Government will need to continue to reinforce the confidence it provides to private sector landlords by continuing to actively pursue new long-term leases. However, there are already examples of leases expected to expire with no renewal plans, albeit smaller offices in urban centers where employees can be consolidated in other locations, and this continues to concern the federal real estate Landlord community.

Future workplace determination for the Government is a complex issue. It takes time to evaluate federal real estate requirements and budget for the costs associated with changes in space requirements. It will take time and investment in the physical environment and technology infrastructure, just like the private sector is experiencing now. Like the private sector tenant community is learning, understanding occupancy levels as employees return to the office will be part of the information gathering effort. There is no one-size-fits-all solution and federal agencies continue to demonstrate that they have different cultures and different needs for remote work versus fixed attendance. GSA and federal agencies will need to move slowly as they start to understand future work requirements. There are examples of that kind of study and analysis across the federal real estate industry and the Landlord community is looking to be engaged in collaborative and creative solutions with federal agencies just like the private sector is experiencing. Quick action based on limited information may ultimately do more harm than good with inefficient spending and lack of planning.

Just like when the “Freeze the Footprint” policy was issued, federal agencies learned that changes to federal real estate requirements cost money upfront—with the hope that the upfront investment will result in long-term real estate reduction and future annual cost savings. However, without careful planning, the result may be just the opposite, increased costs now and increased costs later. Any changes to workplace strategies and real estate requirements will cost money, some of which comes from the Landlord and some comes from the tenant. This is one area that requires planning for the Landlord as well as the Government and the Government should consider more flexibility with amortization of additional costs into the lease. Currently, one area of the leasing process that requires improvement is the space design and alteration process where the Government expects the Landlord to front load large sums of money without planning or payment. This has been a significant problem for even the most financially stable landlords and will only get worse if GSA expects Landlords to bear all of the cost for the transition to a post COVID environment, especially if that transition is not well thought through and undermines confidence in the Government as a long term tenant.

Planning and Collaboration Provide the Best Results

We often get asked to look into our crystal balls to predict future real estate needs. Where will the Government be in 5 or 10 years with respect a particular asset or portfolio? Some have suggested that draconian cuts in the leased federal real estate are coming. However, we have been working in the federal real estate space for a very long time and understand a few key attributes worth pointing out:

- Federal agencies are all different, have many different real estate requirements and will continue to have different requirements after returning to the office.
- It takes a long time to implement any real estate strategy. The reason we are 10 years into the cycle of space reduction is that leases take time to expire and strategies take time to implement. We have at least another 5 to 7 years for the “Reduce the Footprint” policy to be implemented through the full portfolio.
- Much can be learned through collaboration with the private sector which has the resources, expertise and financing available to help the Government execute real estate plans.
- Leasing is a critical component of the Government’s federal real estate strategy. Leasing provides the Government access to flexible, high quality real estate in locations of its choice.
- The Government understands that the leasing effort is a two-way street and that there are ways the Government can help the private sector while the private sector responds to the Government’s specific and unique needs.

- The private sector can pivot faster and address critical directives by the federal government such as addressing sustainability and COVID safety and cleanliness requirements.

Just like with security requirements implementation after the Alfred P. Murrah Federal Building bombing occurred in Oklahoma City and the handicapped accessibility requirements before that, the private sector Landlord community has access to resources, expertise, and capital to implement new government requirements. The private sector Landlord community will continue to partner with the federal government to provide the best commercial real estate solutions to meet the government's requirements and we hope that the Government adopt policies that will look to solve complex problems with even more of the private sector's involvement.

Thank you for this opportunity.

Ms. TITUS. Thank you very much.

Mr. Dong.

Mr. DONG. Madam Chair, Ranking Member Guest, and members of the committee and the subcommittee, my name is Norman Dong, managing director with FD Stonewater.

Our firm is a brokerage, development, and investment firm with extensive experience in Federal real estate, and I appreciate the opportunity to be with you today.

Over the past decade, I have had the opportunity to engage in Federal real estate from several vantage points. From the tenant agency perspective when I was at FEMA as the CFO. When I was at OMB as the Deputy Controller, I saw the Federal policy perspective. And when I was at GSA, we managed thousands of projects across the owned and leased portfolio each year to meet the needs of our Federal tenants.

While I learned a lot about Federal real estate during my time in Government, I have learned even more since I left GSA. And there are some important lessons from the private sector that can be brought to bear on the challenges we face.

Today, many agencies face significant uncertainty about their real estate needs in the aftermath of the pandemic. Does the recent increase in telework reflect a temporary measure to get through the current public health crisis, or is it a more permanent way of doing business?

And as the Government considers its future space needs, it is important to understand what we have experienced as well as what we have learned over the past 15 months.

Without doubt, the remote work proof of concept we have seen over the past year will have lasting implications. Many employees have lived both the benefits and the shortcomings of remote work, and few may be willing to give up the increased flexibility and reduced commute time we have grown accustomed to during the pandemic.

It seems clear that we will never revert back to the workplace-centric model we once knew, nor will we maintain the scale of remote work we saw during the height of the pandemic.

According to one recent workplace survey, at least 80 percent of employees want to return to the office at least 1 day a week.

Some agency missions, such as law enforcement, lab research, national security, and public-facing functions, they cannot be performed effectively through telework. And for many people, myself included, working from home will never provide the type of workplace setting that fosters the type of communication, collaboration, and innovation to advance the agency mission.

COVID compels us to rethink conventional wisdom in managing the Federal real estate portfolio. Take, for example, large-scale Federal construction projects, like DHS at St. Elizabeths.

After a year where much of the workforce has worked remotely, is the original value proposition of co-locating thousands of employees still valid?

Or does it make sense to follow a different approach, one that reflects what we have learned over the past year, where many employees have been able to work productively without being tethered to a single physical location?

In many ways, COVID has been an accelerant that compelled the Federal Government to confront management challenges that predate the pandemic.

This includes improving agency space utilization across the owned and leased portfolio, disposing of underutilized properties and identifying a more productive use for these assets, and addressing the significant backlog of maintenance, repair, and renewal needs across an aging Federal portfolio.

As a former agency CFO, I often view these real estate challenges through a budgetary lens. For example, this year, GSA only received 39 percent of its total capital budget request. And over the past decade, its list of capital project needs has far exceeded the availability of capital funds.

So as the Government evaluates its future space needs, the time has come for GSA to consider the right mix of owned, leased, and flexible office space to address agency space requirements while recognizing the current fiscal reality.

We should take a minute to recognize the progress that has been made in managing the Federal real estate portfolio over the past decade.

Since 2012, GSA has reduced its leased inventory by more than 15 million square feet, and it has saved billions of dollars in leasing costs.

In 2016, the Volpe exchange reflected how GSA can leverage its existing authority to harness the development potential of an underutilized asset and realized more than $750 million in value for the Federal Government.

And GSA continues to lead the way in sustainability and environmental stewardship. Since 2010, GSA's energy and water consumption have decreased by 24 and 36 percent, respectively, and almost one-quarter of GSA's federally owned portfolio is LEED certified.

These and other examples demonstrate both the progress and the potential to manage the Federal real estate portfolio more effectively, and they demonstrate how sometimes the right answer is not about the need for more money or additional authorities, but a more deliberate focus on execution, impact, and results.

Members of the subcommittee, I very much appreciate the opportunity to be with you this afternoon, and I look forward to your questions.

[Mr. Dong's prepared statement follows:]

Prepared Statement of Norman Dong, Managing Director, FD Stonewater

Madam Chairwoman, Mister Ranking Member, and members of the Subcommittee:

My name is Norman Dong, Managing Director with FD Stonewater. Our firm is a brokerage, development, and investment firm with extensive experience in Federal real estate. Our team has managed more than 45 million square feet of lease transactions and completed over 4,000 leases on behalf of our clients. Having delivered over 25 Federal build-to-suit projects, we are a leader in developing, financing, owning, and operating facilities leased to government tenants across the country. I appreciate the opportunity to be here with you today.

Over the past decade, I have had the opportunity to engage in Federal real estate from several vantage points:

- As the CFO at FEMA, I saw the challenges and the opportunities in real estate through the eyes of a Federal tenant agency.
- During my time at OMB, we recognized the importance of government-wide policy to control Federal real estate spending, launching the Federal Freeze the Footprint policy in 2012, followed by the Reduce the Footprint policy in 2015.
- While I was at GSA, our focus was on translating policy into execution—managing thousands of Federally owned and leased projects to meet the space and facilities needs of our Federal tenants each year.

Today, I continue to engage in Federal real estate from the private sector. While I learned a lot about Federal real estate during my time in government, I have learned even more since I left GSA. And there are some important lessons from the private sector that can be brought to bear on the challenges we face in Federal real estate.

Federal agencies face significant uncertainty about their space and facilities needs in the aftermath of the pandemic. Does the recent increase in telework reflect a temporary accommodation to get through the current public health crisis, or a more permanent way of doing business? As the government considers the longer-term impact of the pandemic, it is important to understand how workplace needs will change given what we have experienced, and what we have learned, over the past 15 months. And the time has come to re-consider some of the conventional thinking about how best to support the space and facilities needs of Federal agencies.

Without doubt, the remote work "proof of concept" that we have experienced over the past year will have lasting implications. Many Federal employees have lived the benefits (and shortcomings) of remote work, and few may be willing to walk away from the increased flexibility and reduced commute time they have grown accustomed to during the pandemic. As a result, Federal agencies must be willing to accommodate some increased level of remote work to remain competitive in the labor market.

Although we will likely never fully revert to the workplace centric model we once knew, neither will we adhere to the scale of remote work experienced during the height of the pandemic. According to a Gensler workplace survey conducted last year, at least 80 percent of employees want to return to the office at least one day a week. Some agency missions, including law enforcement, lab research, national security functions, and public facing functions, cannot be performed effectively through long-term telework. For many people, working from home will never provide the workplace setting that fosters the type of communication, collaboration, and innovation to advance agency missions.

The pandemic compels us to rethink conventional wisdom in managing the Federal real estate portfolio. Take, for example, large scale Federal construction projects, like the Department of Homeland Security at St. Elizabeths or other large agency consolidations. After a year where most of the workforce has worked remotely, is the original value proposition of co-locating thousands of employees across multiple bureaus and divisions still valid? Or does it make sense to pursue an alternative approach—one that reflects what we have learned over the past year, where many employees have been able to work productively without being tethered to a single location?

In many ways, COVID–19 has been an accelerant and is now forcing the Federal government to confront real estate management challenges that pre-date the pandemic. For more than a decade, the conversation has focused on some key challenges:

- Improving agency space utilization across the Federally owned and leased portfolio to reduce overall spending in Federal real estate,

- Disposing of underutilized Federal properties to eliminate the costs of operating and maintaining these buildings and to identify more productive use for these assets, and
- Addressing the significant backlog of the maintenance, repair, and renewal needs across an aging portfolio of Federally-owned buildings.

As a former agency CFO, I often view Federal real estate challenges through a budgetary lens, and agencies must make the best use of their limited resources. In FY2021, for example, GSA only received 39 percent of its total capital budget request. And over the past decade, its list of capital project needs has far exceeded the availability of capital funds. As we grapple with the question of how much space the Federal government ultimately will need in the aftermath of the pandemic, the time has come for GSA to consider the right mix of owned, leased and flexible office space that meets future agency space requirements while recognizing the current fiscal reality.

Over the past decade, the Federal government has made real progress in managing the Federal real estate portfolio more effectively.

- Since 2012, GSA has reduced its leased inventory by more than 15 million square feet and has saved billions of dollars in lease costs through its Lease Cost Avoidance Program.
- In 2016, the exchange of the Volpe Campus demonstrated how GSA could leverage its existing exchange authority to harness the development potential of an underutilized asset and realize more than $750 million in benefit for the Federal government.
- And GSA has been a leader in sustainability and environmental stewardship. GSA's energy and water consumption have decreased by 24% and 36%, respectively, since FY2010, and almost a quarter of GSA's Federally owned portfolio is LEED certified, by square footage.

These examples demonstrate both the progress the Federal government has made in recent years and the potential to address future challenges in managing the Federal portfolio. And in my opinion, these examples demonstrate how sometimes the right answer is not about a need for more money or additional authorities, but instead creating a more deliberate focus on execution, impact, and results.

Members of the Subcommittee, I very much appreciate the opportunity to appear before this afternoon. And I would be pleased to answer any questions you may have.

Ms. TITUS. Thank you very much.

Ms. Bacon.

Ms. BACON. Thank you so much.

Good afternoon, Chair Titus, Ranking Member Guest, and distinguished members of the subcommittee.

My name is Kelly Bacon, and I am the global lead for AECOM's Workplace Advisory practice, a design and consulting studio that delivers strategic workplace planning and interior design services to public and private organizations worldwide.

Our practice works with a diversity of organizations across the globe. Some of the U.S. Government entities include GSA, DoD, Department of Homeland Security, Department of State, and NASA, to name a few.

We have also worked extensively in the private sector with a number of Fortune 500 organizations, including Estée Lauder Companies, Pfizer, and Marsh McLennan.

We are a diverse mix of individuals in architecture interiors, urban planning, and organizational psychology. My personal background is in sociology and predictive analytics. So my approach to this topic is that of a societal context with which our offices operate and the responsibility they play to the workforce as a whole.

I am honored to be here today to share my perspective as I truly believe our society is experiencing a once-in-a-generation opportunity to rethink our relationship to work and workplaces. As has already been said by every member who has spoken here today, the pandemic has been a great accelerator for remote working and hybrid work arrangements.

I will say, long before COVID–19, our team has been advising organizations to embrace telework as part of a holistic real estate and workplace strategy. Doing so can and has resulted in significant spatial savings through a combination of space sharing, remote working, and technological investments enabling internal and external mobility.

Historically, we have seen two primary obstacles to alternative workplace strategies, and those are both cultural and technological.

The technological, of course, has to do with investment, cybersecurity, and commercial adoption curves, which is something that the Federal Government has struggled with compared to the private sector.

This past year, we have seen the stigma of remote working has been lifted. Organizations of all scale, all sizes, and all locations have realized its efficacy.

We have also seen significant technological investments have been made out of absolute necessity and mission resiliency in order to maintain and to continue operating.

We have also seen new behaviors have been developed, and we need to maximize and leverage these new behaviors.

We have heard extensive reports from our clients of individual and organizational productivity, and every member who has spoken so far has already testified as such.

However, there is a downside to the all-or-nothing conditions we are working in—the reports of isolation, the loss of culture and camaraderie. And in some cases, we realize not everyone has the appropriate conditions in their home to work remote. We cannot—as we consider a hybrid future—cannot leave those folks behind.

I want to be clear. As much as I advocate for teleworking, humans are a social species. We thrive through connectivity and collaboration. So place matters. And offices play a critical role in our society both for the individual, the organization, and, of course, to stimulate the communities with which they reside.

So I shared extensive research and anecdotal evidence in my written testimony, and here I offer three statistics to support my oral statement.

We have done extensive research in partnership with Mercer, who is a Fortune 500 human resources consulting firm, and 82 percent of CHROs say their organization is planning to adopt a flex arrangement. The combination is the spoke to the institution and the mission requirements, but it is the path forward that we are seeing in the private sector.

Seventy-one percent of the workforce say they prefer to be in the office 2 to 3 days a week and work remote the rest, which, again, is consistent with what I have heard from my colleagues here.

One thing I do also want to offer, 56 percent of employees say that they would consider finding another employer if some level of flexibility weren't made available to them in the future. And let me clarify, we are talking about administrative and office workers, not the specialty labs and retail and other workforces that we just discussed. This is a critical statistic to keep in mind as we think about what the hybrid future is.

In short, as others have said, the purpose of our offices are now being redefined. They will serve as a place to enable collaboration and culture, and the interactions in the office will be more purposeful.

In my written testimony, I provide details of examples of what needs to happen for this to occur. In the interest of expediency, having been the last witness, I will offer three primary steps needed to realize these benefits.

We need to fully embrace the idea of activity-based planning, which is to create the spaces which support specific activities, not simply assigning space based on head count, title, and hierarchy.

We need to invest in change management, the development of new behavioral protocols and standard operating procedures, leveraging the learnings of this past year, leverage the management style enhancements of this past year focusing on results, not managing by presenteeism.

Now, while most agree with this conceptually, we find that as folks are considering the future, the resistance to these concepts is still palpable. So it is critical that we educate the Federal workforce and the leadership on the benefits of activity-based planning and remote working in order to strike the right balance.

And then, finally, we also need to work with the Federal Government and the GSA to identify pilot locations to test these new concepts in a controlled way before applying them across the broader portfolio.

So I also believe we are at a turning point. As we emerge from the pandemic, we are seeing organizations and agencies make decisions. After deferring for the past year, it is critical we not default to old behaviors and approaches simply because they are familiar. We have a unique opportunity in front of us.

Thank you for your time, and I look forward to your questions.

[Ms. Bacon's prepared statement follows:]

Prepared Statement of Kelly Bacon, Principal, Global Practice Lead, Workplace Advisory Design and Consulting Services, AECOM

Good afternoon Chair Titus, Ranking Member Webster, and distinguished Members of the Subcommittee.

My name is Kelly Bacon. I am the Global Practice Lead for AECOM's Workplace Advisory practice, a design and consulting studio that delivers strategic workplace planning and interior design services to public and private organizations worldwide. Our practice works with numerous Fortune 500 companies and U.S. government entities—including GSA, Department of Defense, Department of Homeland Security, Department of State, and NASA—to redesign and reorient their workplace portfolios to best accomplish their missions. Our team consists of experts in interior design, architecture, urban planning, organizational strategy, behavioral psychology, and design thinking. We share a common passion for creating workplaces that boost performance and enable a thriving workforce.

I would like to thank the Subcommittee for the opportunity to testify on the evolution of workplaces in a post-COVID–19 context and offer a private sector perspective on the trends and opportunities available to federal real estate.

ABOUT AECOM

AECOM's 47,000 professionals—including 19,000 US-based employees—are engineers, architects, scientists, software programmers, urban and transportation planners, program and construction managers, and economists who plan, design and deliver infrastructure. Globally, we are consistently ranked No. 1 in transportation engineering and design. We are also the No. 1 provider of environmental services and ranked No. 3 in Interior Design Giants. AECOM has earned a reputation as an industry leader through the critical and essential support we provide our clients, as well as the work and infrastructure solutions we deliver uplift communities, advance economic growth and improve health, safety and overall quality of life.

FOCUS OF TESTIMONY

Our society is experiencing a once-in-a-generation opportunity to rethink our relationship to work and reinvest in our workplaces. The COVID–19 pandemic imposed tragic consequences across our society—a reality of which we cannot lose sight. At the same time, the pandemic has been the great accelerator for remote and hybrid work arrangements, creating long-lasting effects on how we work, live, and play. Many of these changes are here to say, and the organizations who invest in this future will reap returns in higher performance, workforce engagement, and spatial optimization—all while reducing long term operational expenditures.

As the Committee weighs the best approaches to optimize the federal real estate portfolio, I offer that the following outcomes should be targeted:

- Developing high-performing workplaces and real estate portfolios that achieve mission intent, enhance employee wellbeing, and are flexible to changing organizational and societal contexts
- Unlocking capital, revenue, and innovative space uses through strategic portfolio reductions and investments in hybrid work capabilities

In my testimony today, I will discuss how the COVID–19 pandemic and converging trends have changed our relationship to work and what that means for the future of federal real estate. I will also focus on three areas where government leadership can achieve the outcomes above:

- Focus on activities and mission when creating hybrid work environments and prioritizing spaces. This is a concept called "Activity Based Planning."
- Champion office/portfolio updates and cultural shifts that put performance ahead of hierarchy, outdated workplace values, and one desk per person approaches.
- Adhere to an expanded definition of performance and return on investment (ROI) that goes beyond typical real estate metrics such as cost per square foot and/or square foot per person.

THE GREAT ACCELERATOR OR: HOW THE COVID–19 PANDEMIC CHANGED THE WAY WE WORK

BLUF: The COVID–19 pandemic was a tipping point for the widespread adoption of remote work. Hybrid work models will become the norm in office-oriented industries due to the following drivers:

- The stigma of remote work has been lifted and popular opinion has shifted favorably
- Many agencies, organizations, and institutions have already realized the efficiency and effectiveness of remote work on multiple fronts
- Organizations have already made major investments in their remote and hybrid work capabilities, laying the groundwork for a hybrid future
- Changes in human behavior, travel demand, and settlement patterns are reinforcing trends in remote work

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For office-oriented industries, COVID–19 has been the great accelerator, advancing even the most rigid, in-person office cultures toward virtual and hybrid work models. While trends in technology and industrial development have been driving us toward more agile workplaces for decades now, the COVID–19 pandemic forced a change and lifted the stigma of remote work seemingly overnight. Cultural resistance to virtual interaction evaporated out of necessity, with remote work, remote medicine, and remote education (to name a few) experiencing exponential adoption [1].

The success of remote work models has been a major contributor to the newfound cultural embrace. Leaders and employees in office-based industries have consistently seen remote work be as efficient, if not more so, than in-office attendance. Ad-

[1] Prior to the pandemic, only six (6) percent of employed Americans worked primarily from home; by May 2020, this percentage was greater than one-third. See American Community Survey and Bureau of Labor Statistics data in Coate, P. (2021). Remote work before, during, and after the pandemic. Quarterly Economics Briefing—Q4 2020. *National Council on Compensation Insurance*. Retrieved from: https://www.ncci.com/SecureDocuments/QEB/QEB__Q4__2020__RemoteWork.html

ditionally, productivity has generally remained stable and even ticked upward for many activities. However, given that humans are a social species, full-time remote working has some negative side effects including isolation and/or challenges with the human side of work. Solving for this combination of factors has led our industry to refer to the post-COVID future as "hybrid"—a mix of remote and in-person working.

Having experienced both the benefits and drawbacks of remote work, CEOs and administrators across both private and public sectors—some of whom were outright hostile to the idea of remote work before the pandemic—are now championing the idea of a hybrid future. While the ideal amount of days in the office is still very much up for debate and generally dependent on an organization's specific goals and mission, leaders across industries are steering their organizations toward a combination of remote and in-person work [2].

Throughout the pandemic, organizations have made major investments in technology and work processes to better support their mobile workforces. Across organizations, common technological upgrades have included digital communication platforms, video conferencing capabilities, mobile devices, virtual machines, cloud-based software, document digitization, and cybersecurity. As one example, our team worked with a Fortune 500 financial services firm to enable its traders to work remotely. Despite financial trading traditionally being an office-bound activity, this company invested in the technology and cybersecurity necessary to facilitate trading from its employees' homes. It plans to maintain its hybrid work model going forward.

Organizations of all scale and across industry sectors are now rethinking and redesigning their offices to accommodate the activities most suitable for in-person work. In our interviews with leaders and employees, we have frequently heard that spaces for collaboration, ideation, and socialization are more valued than areas for quiet and concentration, as heads-down work is often better done from home. Also, office infrastructure such as printers and shared equipment and specialized spaces such as labs and test facilities remain important components of the hybrid office. The most forward-thinking organizations are updating their highest performing in-person spaces with new technology, equipment, and furniture, while consolidating, repurposing, or eliminating the remaining spaces.

In tandem with these physical improvements, organizations have also invested in new workflows and developed protocols, behavioral etiquettes, and cultures around remote work. While the "hard" expenditures in technology and office design are the most visible, these "soft" adaptations may be even more persistent.

Outside the four walls of the office, societal adaptations will prove equally persistent. Changing migration patterns within and between regions has altered the geography of work and life.

AECOM has been examining trends in economic development and travel demand during the past year and found commuting patterns have changed substantially. Among office workers, travel on commuter routes has dropped precipitously. These effects are especially pronounced during peak periods and on public transportation. Conversely, shorter, local trips have seen greater resurgence, suggesting remote workers are increasingly mobile within their community but remain less mobile between their homes and workplaces.

As we get closer to the "post-pandemic future" many organizations are embracing flexibility—this flexibility will manifest in alternate workdays already mentioned, but also in a shifting of the "traditional" working hours. Given the acceptance of remote work, we will likely see agencies and organizations allowing staff to work from home half the day, while coming in solely to collaborate. While the shift from fully remote to partially remote will lead to a rebound in longer home-work trips, this "new geography" will only reinforce the staying power of hybrid models going forward.

WHY INVEST NOW?

Just as with private companies, the federal government has a choice to make: Invest in hybrid work environments or default to old behaviors and miss the window to capitalize on the opportunities that new models bring.

While it is too early to know the full benefits, organizations that are embracing hybrid work models are already seeing positive returns. Across our government clients, we are seeing just as much success transitioning to remote work as in the pri-

[2] PwC US Remote Work Survey (2021). It's time to reimagine where and how work will get done. *PwC*. Retrieved from https://www.pwc.com/us/en/library/covid-19/us-remote-work-survey.html

vate sector. One government agency we are working with in a major U.S. city will be able to consolidate two office locations into one and comfortably remain in its current footprint for the next decade, freeing up funding to reallocate to its mission and community.

In contrast, retreating to old models will leave organizations with bloated, outmoded real estate portfolios that cost too much and undermine their ability to attract top talent. As culture, industry, and the infrastructure that supports them converge around hybridity, those organizations deferring investment may find their competitors and markets have left them trailing.

Fortunately, a little investment goes a long way. Shifting to a hybrid work model is not a zero-sum trade-off. Instead, dollars spent on workplace mobility and flexibility are being recouped and multiplied through strategic space reductions and higher performance.

The recommendations that follow are clear steps government leaders can take to capitalize on this once-in-a-generation opportunity for all Americans.

Activity- and Mission-Based Planning

Remote and hybrid work models are most effective when they are built around work activities instead of a one-size-fits-all solution. We have all experienced the horror of a poorly designed open office concept—no privacy, monotonous layouts, and constant distractions. Rarely do these concepts account for differing types of workers and the varied demands their work activities imply for space. Often, these have been a result of attempting to apply an "activity-based planning" model, while still adhering to the now antiquated model of assigning and allocating space based on hierarchy. These approaches resulted in a compromise from day one.

The best designed workplaces shape and customize space to best support the spectrum of work each organization performs, as well as the profile and preferences of their workforce, and invest in the technology needed to enable what we call "internal and external mobility". This axiom holds true for hybrid work as well.

Our team has worked with global pharmaceutical firms, advertising agencies, financial firms, as well as a global luxury consumer goods brand as they have navigated these changes. In each case, we begin by surveying employee sentiment, then hosting workshops to "redefine the purpose of the office" to understand the activities and work that will be done in the office versus remotely.

Many activities lend themselves well to remote work, such as repetitive computer-based processes and highly concentrative tasks like reviewing legal documents. Often, employees who perform these tasks work just as productively (frequently more so) from home and prefer flexibility over an assigned office seat. As a result, these tasks have been the best candidates for space reduction. We have worked with numerous organizations to consolidate their concentrative spaces, designing smaller, drop-in quiet zones in their stead and supporting employee mobility with updates to technology and work processes.

Other activities are suitable for both remote and in-person interaction, such as team meetings and collaboration. We have all learned to convene virtually throughout the pandemic with little disruption to organizational effectiveness. Even team ideation has been possible remotely, with digital whiteboards and shared documents proving remarkably successful. But there is still a place for the in-person meeting and no digital solution has quite yet replaced a team sharing ideas in front of a whiteboard. Spaces that support these tasks are best suited to redesign and reoutfitting to better accommodate both in-person and remote employees. Additionally, it's critical we realize that not everyone has the best conditions to work fully remote. While we suggest that the purpose of the office should be redefined, we also recommend that well-provisioned space be allocated for focused, quiet work and with the needs of all employees in mind. This will help provide flexibility, access, and choice to employees at all levels and help promote equitable conditions for the entire workforce.

Some activities simply will not lend themselves to remote work and require a consistent, well-outfitted physical presence. For this reason, non-office-based industries have seen far less adoption of remote work. Examples include laboratories, equipment storage rooms, highly secure work areas, and ranges. While these spaces may not be ideal candidates for portfolio reduction, they should be evaluated for consolidation and considered for hybrid-oriented upgrades. Across large real estate portfolios, we often see redundancies in these spaces, presenting opportunities for shared use. Also, our team has worked with clients to better outfit these spaces with mobile technology, enabling employees to more seamlessly and securely transition between these spaces, the office, and their homes.

The following tactics will help the federal government rebalance its real estate portfolio around its activities and missions:

- Better understand user needs and the spectrum of work. Commission studies to determine which activities are best and least suited to hybrid work and integrate these findings into portfolio optimization plans.
- Embed remote work-enabling technology and processes into fixed, in-person spaces to bridge the physical-digital divide.
- Identify and consolidate redundancies in fixed, in-person spaces.
- Develop protocols and standard operating procedures (SOPs) for how teams and individuals will interact both physically and digitally in order to realize spatial savings

Cultural Shift

The cultural and behavioral shifts needed to achieve portfolio-wide efficiencies while providing high-performing spaces are not insignificant. Doing so requires that space sharing be accepted at the most senior levels of an agency or organization. Despite the proven positive results of remote work, organizations are still often resistant to the idea of shifting away from traditional "space assignments." However, adhering to the model of one desk per person will only inhibit these organizations from capturing workplace efficiencies and limit their flexibility and resilience to future changes. Instead, now is the time to reshape our cultural orientations toward offices, prioritizing how they enable our people and our missions over whether there is a desk for every person or an office for every leader.

In tandem with this top-down shift, organizations need to help employees understand and embrace new work models from the bottom up. This takes thoughtful and consistent change management. Employees cannot just be brought along for the ride. Rather, the most successful office redesigns—those that lead to efficient and high-performing spaces—are those that consult their workforce throughout the change and give them the information and tools they need to take full advantage of their updated work environments.

The federal government can advance these cultural and behavioral shifts through the following actions:

- Promote and enculturate new work models among senior administrators and workforce leaders, including addressing contradictory values around hierarchy, in-person accountability, and space per person.
- Adopt robust change management approaches that not only prepare employees for change, but also make them champions and power users of improved spaces.

Performance and ROI, Expanded

Organizations frequently mistake workplace performance with productivity. Similarly, ROI is often pegged to utilization or square feet per person. However, leaders in both the public and private sector are moving away from these simplistic definitions and for good reason: they fail to capture how workplaces best support their users and, in turn, enable their mission. Research shows that 80 percent of organizational costs are for their people, while real estate expenditures tend to range from 8–12 percent and technology 8–12 percent. When we view the workplace as a space to support our people, we shift our mindset to being mission enablers—not just space providers—and open up opportunities to look past one desk per person.

Workplace performance is a function of numerous variables, ranging from employee wellbeing to facility adaptability, sustainability, and resilience. Wellbeing itself is a multi-faceted concept, but its importance cannot be overlooked. As testament, entire certification programs such as WELL and Fitwel have been developed to help facility owners operationalize wellness.

Workplaces that support wellbeing help their employees flourish across six dimensions: physiological, social, material, spiritual, mental/emotional, and intellectual (as defined by the World Health Organization). And the effects on mission and financial returns are significant. For example, cognitive performance is 61 percent higher for workers in offices with improved indoor air quality, leading to more creative and prolific output. Good workplace design that integrates across these dimensions can boost employee retention 47 percent, preserving institutional knowledge and reducing attrition costs [3].

Performance is also related to facilities' and real estate portfolios' adaptability to changing contexts. Few anticipated that a global pandemic would affect our workplaces so significantly, but some organizations were more prepared to embrace the

[3] GSA. Workplace Matters: Return on Investment. *GSA Public Buildings Service*.

changes than others. These organizations had previously invested in technology, facility designs, and real estate strategies that allowed their workplaces to flex to the new circumstances. For instance, employees in smart offices with mobile technology and shared desks seamlessly transitioned to home; and forward-thinking facility managers who had established more liquid real estate portfolios were able to easily repurpose or shed excess space. We rarely know what the next shock will be—a cut in funding, a sudden growth spurt, another global disruption—but the highest performing workplaces have designed their spaces accordingly.

The payback on performance is not always as clear as short-term net present value or internal rate of return. But it yields far more than blunt reductions in footprint through more enriched employees, sustainable buildings, and resilient portfolios, all of which optimize returns over time. Importantly, these returns are not only financial in nature, but also social and environmental, creating triple-bottom line benefits for organizations and their communities.

As organizations shift to hybrid work models, performance should be an important part of the conversation that guides their actions. Sometimes hybridity and performance will align well, as when the flexibility to work from home leads to more resilient and balanced employees. Other times, they will conflict, such as when the push to reduce footprint and over-densify leads to suboptimal outcomes in noise, air quality, and growth elasticity. Savvy portfolio managers are finding ways to balance these drivers, but always prioritizing broader performance over myopic ROI.

The federal government can expand performance across its real estate portfolio through the following actions:

- Develop multi-faceted workplace performance evaluation programs
- Integrate performance into portfolio optimization plans
- Evaluate workplace investments through more than a financial lens and integrate other non-financial goals (e.g., sustainability, equity, resilience)
- Develop new operational and behavioral protocols around office use, redefining the purpose of the office

SUMMARY

The time to reevaluate and redefine the purpose of our offices is now. The past year has unequivocally proven that the majority of administrative and/or knowledge work can be done “anywhere.” We no longer can or should expect that the work activities one performs throughout the day will happen in a single location, such as an office or a workstation. Instead, we need to enable and empower workers the autonomy and flexibility to choose.

Organizations, agencies, and institutions all over the globe are currently reassessing their needs for space. The most successful are championing activity-based planning and expanded definitions of performance and ROI to drive their workplaces into the future. Just as with these private companies, the public sector stands to gain considerably from these shifts through greater fiscal stewardship and better achievement of their missions. Thoughtful user research and active employee engagement will help federal decision-makers best tailor workplaces to meet the evolving needs of their workforce and allocate space across their portfolios. With careful upfront investment in high-quality space, SOPs around how best to use spaces, and broader cultural acceptance of hybrid work models, the federal building portfolio can realize significant long-term savings for Americans and foster a higher performing public workforce.

Ms. TITUS. Thank you, Ms. Bacon.

We will now have to take just a brief recess to run and vote, and then we will reconvene just as quickly as possible.

Thank you for your patience. We will be right back.

[Recess.]

Ms. TITUS. The subcommittee will come back to order. Thank you for waiting for us. Mr. Guest and I are back. Ms. Norton kind of held down the fort for us.

We will now move on to the Member questions. Each Member will be recognized for 5 minutes. And I will start by recognizing myself.

Ms. Sargent, maybe we could begin with you.

You mentioned in your testimony that you are on the GSA’s Workplace 2030 task force.

Could you elaborate a little on that, what you all are doing, if there is an emphasis on reducing office density, some of the recommendations that you see coming out of that task force?

Ms. SARGENT. Yes, ma'am. Happy to.

I only serve as an adviser, so I get to see what they are doing on occasion. But the last report that we had that we all looked at, they really are looking at a variety of things. They are looking at infrastructure, they are looking at technology, they are looking at security, they are looking at the overall portfolio and the footprint and new ways [inaudible].

Some of that entails breaking down silos and enabling remote work, and that could be through training, it could be through new tech tools, new apps, things like that, and really looking at how do they empower people to be able to have the greatest flexibility that then enables the Government to have the greatest flexibility as far as how they address the portfolio.

Ms. TITUS. Great. Well, we are going to be hearing from them in the next round. And so we want to ask them about that and get some more details of what they are concluding.

Ms. Hanson, I would like to ask you about some of the things you referred to. There is that section of the regulations that nobody knows about except you experts, and it is kind of a Holy Grail to you, in the "GSA Leasing Desk Guide" that talks about sustainability and environmental considerations.

I have noticed that that section hasn't been updated since 2012, and so much has changed since then and again changed because of the virus.

What signal does this send to the commercial world that we are so far behind? And how do you suggest we revise that or encourage GSA or mandate GSA to bring those up to date?

Ms. HANSON. Madam Chairwoman, that is a great question. And that guide is one of our corporate bibles.

I am not in a position to recommend what GSA does or doesn't do, but I can say that the desk guide allows for supplemental documents and supplemental data as well as negotiations.

The desk guide does focus on sustainable requirements in designing construction of either new or replaced facilities. But it also refers to OSHA standards and a net zero energy strategy.

The good news is that much of the private sector has been working with GSA on the different initiatives. A lot of the goals are focused on 2030. You have got American Institute of Architects that has a 2030 goal. You have got Living Building, 2030 Challenge, as well as ASHRAE, Architecture and Engineering Vision 2030.

Thank you.

Ms. TITUS. Great. Well, it seems to me that that needs to be brought up to date from 2012, looking more at sustainability, green buildings, things that save energy and also are more healthy. Doing well by doing good, it seems to me, if we could update that.

I would then ask Mr. Dong. We have talked a lot about the telework policies. Given your experiences both in Government and in the private sector and your understanding of how Federal decisionmaking works, would you advise each agency to have its own policy, or do you think that we should look at some overall policy that can be a guide and set a single standard?

Mr. DONG. I think it is important to address this issue at an agency level, and I will tell you why.

But let me step back and just say that the remote work proof of concept that we have seen over the past year is going to have lasting implications. And during the pandemic, there was this "aha" moment where we discovered how large numbers of employees can work productively without being tethered to a single location. And that can have a tremendous impact on an agency's ability to recruit and retain talent across the country.

That having been said, we cannot lose sight of agency mission and function. And we must recognize that some specialized functions, national security or laboratory research, for example, don't really lend themselves to telework that well.

And it is not just about the overall agency mission or function, but it is also about actual job requirements of specific positions. Some jobs may require a physical presence in the office, and others may not.

So, ultimately, I do believe that this is going to be an agency-by-agency decision where each agency sets remote work policy in a way that most effectively supports its mission.

Ms. TITUS. Thank you.

Ms. Owens Test, we heard from you and from a number of people that these leases with the GSA don't happen overnight. They take 2, 3, 5 years sometimes.

Could you talk about some of the leases that are in process now that were not originally formulated to meet the challenges of COVID, and things that are a problem now weren't a consideration 2 or 3 years ago? How do we change authorities to make those accommodations?

Ms. OWENS TEST. Well, I appreciate the question. It is a tough one for sure to answer because of the diversity within the Federal Government workforce and the different agencies' needs, missions, and the type of workspace that they need.

For the most part, leases are flexible enough to accommodate changes in the agencies' requirements. And what we need to start with is, are the agencies building their requirements and changing their requirements that can be articulated to landlords in existing leases?

We are only beginning now to see in the market examples where leases are ending, where tenants are going to be consolidating into other spaces, where there [inaudible] to be plans yet for the new workspace.

So we are looking forward to how the new workspace will be articulated in the upcoming round of requirements. But it is going to take time for agencies to develop those space requirements and understand what the needs of the tenants are, largely being for tenants to actually and employees to actually return to their office and then see how they are impacting the spaces that they are utilizing.

So we will need to see them come back to the office, we think, before real fulsome requirements can be developed.

Ms. TITUS. OK. Thank you.

Now I recognize Mr. Guest.

Mr. GUEST. Thank you, Madam Chairman.

Ms. Sargent, I want to take a moment and talk briefly about public-private partnerships. This is something that I have a great interest in. I have cosponsored legislation along with Representative from Indiana Greg Pence to direct GSA to conduct a pilot program using the public-private partnership.

And you addressed that in some of your written testimony. You say, “As Congress looks to update the Federal real estate portfolio IFMA recommends broad-based consideration of related factors including . . .” and you list several. The last one that you list there is the utilization of public-private partnerships to help reduce operations and maintenance backlogs.

And I just wanted to see if you could take a few moments and expand on how the use of the public-private partnership could help reduce those operations and maintenance backlogs.

Ms. SARGENT. Absolutely. Happy to do that. And I am going to actually have a few other of the panelists maybe tag in on this one too.

So there is a long history in the private sector of trying to create smarter ways of doing business and creating these partnerships so that the burden is really spread across.

And I think one of the things that we can start looking at is how do we ensure bringing the best of what the Federal Government does and the private sector does together to be able to not only go after some of these opportunities but how we run them and manage them and oversee them so we are bringing the best of both.

So it is really about leveraging the expertise that each brings, opportunity, and the power of the Government, and maybe the initiation or the resiliency of the private sector really all coming together to do that.

And whether it is the way that we partner in funding some of these operations and/or manage them afterwards, I think there are lots of different opportunities for us to explore there.

Mr. GUEST. And if any of the other witnesses, would love to hear your opinion on that, if anyone has any followup to Ms. Sargent.

[Pause.]

All right. If not, then, Ms. Sargent, while I have got you, I will stick with you for just a minute. I want to kind of continue to talk a little bit about what is going on in the private sector.

We know that the Federal Government is often competing with other employers, many in the private sector, for the best and the brightest talent. And you talk about that also in your written statement where you say, “Companies know that they are in a fierce war for talent and a race to innovate. To attract the best people and give them what they need to succeed, they are rethinking their space.”

You go on to say, “We need to transform the office from a place where people *have* to be to an ecosystem of spaces where people *want* to be. Spaces that break down silos and offer choices about how to work.”

And I was wondering if you could expand on that and speak on what we are seeing as far as in the private sector, the trends that we are seeing, and then how we can implement that into our Federal model.

Ms. SARGENT. Yeah. I think it really lies—it really goes back to that whole ecosystem.

So during this entire pandemic we have repeatedly heard about productivity. Studies for the last 20 years have shown that people that work remotely tend to work longer hours than their office-bound cohorts. Typically, they just roll that commute time into it.

But I think we are overly focusing on the word "productivity." And just because I empty my in-box faster than the next person doesn't mean I have really produced anything.

And what is keeping CEOs up at night before COVID was not necessarily could they produce a widget fast enough, it was, can we innovate fast enough, even stay relevant? Are we doing the right things?

And often productivity can happen when people are remote. But when you really want to innovate, that comes from synergy and building that social capital. And social capital is eroding during this time. And so understanding that different things happen in different places is important.

So having the ecosystem 2 or 3 days a week when I am doing my head-down concentrative work, that might happen at home. But when I need to connect with my colleagues and innovate and flesh out ideas and banter things back and forth, having a place that we can physically do that, we can build social capital, is absolutely essential. And that is what is disrupting every industry right now. And so needing both of those is really important.

And nobody is talking about what is happening with innovative activities during this time. It is all just about productivity. And I think in the beginning people were very productive because, quite frankly, people were afraid for their jobs. So they were working long, hard hours. But that is taking a toll on individuals.

So we need to create that balance where we can have focused work and those opportunities for people to come together, build that social capital, innovate, so that we can even stay relevant.

Mr. GUEST. Thank you.

Madam Chairman, I yield back.

Ms. TITUS. Thank you.

I now recognize Ms. Norton.

Ms. NORTON. Thank you, Madam Chair.

This is an important hearing for the Government, of course. But it is also important for my district because so much of the office space is in the Nation's Capital, and, therefore, brings Federal workers to the Nation's Capital and has an effect on the DC economy. But that is not what my question is about.

I want to go first to Ms. Sargent, Ms. Kay Sargent, about smart buildings and what that really means in this transition. I am interested in employees, and I am interested in jobs.

How would this impact the number and quality of jobs? And would it change the number of people who are employed in that particular sector?

Ms. SARGENT. So what we want is for people that are working to spend their time doing things that are more advantageous; to make better use.

Eighty percent of an organization's money goes towards their people cost. If we do anything in the portfolio to squeeze the real estate and/or have it be ineffective, we could actually cost the Government more money than we save it if we make environments where people aren't thriving.

So we have to think about the most valuable asset is the people and how do we make them as productive as possible.

And I want you to think about this right now. I can start my car without even leaving my house. And by the time I can warm it up and when I get there, the car knows that it is me because I have a fob in my pocket, it automatically turns on, everything in the car is automatically adjusted to my preset preferences—the radio, the temperature, the seat, et cetera.

Most of us in our workplaces are still crawling around under our desk trying to find an outlet. We are so far behind in leveraging the technology that already exists to create better experiences.

Ms. NORTON. So do you think this will have an effect on the number of employees in every particular sector?

Ms. SARGENT. I think it will have an effect on the productivity that each employee can do. The number of employees, that is debatable.

What you get out of those employees would absolutely be better because they are not spending time doing things that are ridiculous. They are getting to their job, they are more satisfied, and you can compete with the best and the brightest so you have the best and the brightest in the Government.

Ms. NORTON. Well, that is an important clarification.

Ms. Hanson, and perhaps also Ms. Owens Test, in the era of climate change, I have questions for each of you.

If the Federal Government were to shift and require green leases and healthy building certifications, how would the private sector adapt to accommodate to that demand?

That is for you, Ms. Hanson—and I note that you have worked for the DC government—and Ms. Owens Test.

Ms. HANSON. Great. Thank you, Congresswoman. And good to see you again. We worked together on St. Elizabeths when I was with the DC government. But your question is a great one.

The private sector is already making a lot of advancements in the area of green leases and sustainability. Really it has been part of a collaboration on the Federal Government space requirement side.

But there have been tremendous advancements on greenhouse gas reductions, in particular carbon emissions, smart metering, sensors on chairs, desks, and offices, touchless features, sensor-based lighting as well, biodiversity focus, renewables, as well as stormwater management.

So the private sector is certainly framing the conversation and leading the charge in this area and will continue and invites really the Federal Government to work with them as they advance in more technological areas.

Ms. NORTON. Ms. Owens Test, do you have any comments on that question about green leases and healthy building certifications?

Ms. OWENS TEST. GSA really was out in front of the market on this issue when it came to surface around 2000, when GSA really modified its lease requirements to incorporate many of the sustainability features that we see today that are now being incorporated into the private sector, building codes, et cetera.

And so GSA really supports local codes. The District is a leader in this as well. And GSA has the ability to incorporate the green lease modifications that they need into the leases through their requirements for performance.

We think that it would be good to have continued coordination with the private sector on what are the features that can be incorporated in the short term versus the long term as we look to more and more innovation within this part of the industry.

Ms. NORTON. Thank you.

And I yield, Madam Chair.

Ms. TITUS. Thank you.

Mr. Guest, is Mr. Gimenez available to ask a question right now? Well, if he is, we will come back to him.

Is Mr. Carter with us, or is he still voting?

Mr. Carter?

Well, if we gets back, we will come back to him.

It is interesting, you mentioned how much the private sector is already doing for green building. Certainly we see that in Las Vegas. At one time we had 10 major buildings, the hotels and casinos, that met the LEED gold standard.

So I know there is an incentive for the private sector to build to those new standards. So requiring that for leases with the GSA doesn't seem like it would be that difficult. And I agree with Ms. Norton that is something we ought to look at.

Should we do another round of questions, Mr. Guest, Ms. Norton, while we wait and see if they show up?

Thank you.

I would ask Mr. Dong, because the amount of funds that are available in the Federal Buildings Fund for new construction and repairs and alterations has decreased below the amount of receipts that have been received by the GSA from its tenants, several solutions have been proposed for alternative ways of funding projects.

We have already heard some discussion about public-private partnerships. There are also discounted purchase options and the new Federal Capital Revolving Fund concept, which would finance the construction of new federally owned nondefense buildings.

GSA has the legal authority to carry out those PPPs, P3s, I guess, and discounted purchase options. But the Office of Management and Budget's interpretation of budgetary scoring rules require GSA to have the full amount of budgetary authority for a project upfront, and that is often difficult to achieve.

Mr. Dong, would you talk about how OMB's forceful application of scoring rules impacts GSA's construction projects and if the Federal Capital Revolving Fund concept could enable agencies to finance those nondefense buildings without eating up all of their annual appropriations?

Mr. DONG. Sure. Let me start with some perspective on scoring and then we will move to the Federal Capital Revolving Fund.

First, on scoring, the headline for me is that Federal scoring rules don't work very well. They hamstring the ability of the Federal Government to address the needs of an aging portfolio. And they don't really provide the type of fiscal discipline they were intended to achieve.

OMB Circular A–11 makes a distinction between operating leases and capital leases based on a number of factors, including overall lease terms, the length of the—the value of the lease payments, and whether there is a bargain purchase option included in the mix.

What we have seen, though, is that current scoring rules effectively limit GSA terms to about 15 to 20 years. However, there are many examples of Federal tenancies that extend 30 to 40 years in the same location.

So, as a result, GSA is resorting to a workaround through multiple short-term, higher cost lease transactions that technically scores operating leases to allow for more favorable budgetary treatment.

However, because the Government is unable to commit to longer firm terms for leasing, the Government ends up paying higher rates as landlords incur more expensive financing costs.

The problem with scoring rules is that they are conflating the concepts of funding and financing. They are two separate issues.

For me, it is a lot like buying a house. Could you buy your house—or in this case, rent your house—if you had to pay for the entire cost of your occupancy, which could run 20 to 30 years, in 1 year? The answer is most of us could not.

So I think the time has come for us to step back, evaluate how well Federal scoring rules are working. And perhaps we should take a cue from the private sector or from State and local governments which have discovered and have embraced far more current ways of funding and financing these projects.

So let me just skip back to the Federal Capital Revolving Fund, which you mentioned. To me, that is a step in the right direction because it reflects a far more rational process for budgeting for large-scale capital projects.

If you look at the current Federal budgeting process, it is a bit myopic, because the budget for agencies is set 1 year at a time. And it is difficult to budget for large-scale capital projects when the entire cost of the project has to be covered in a single year.

And when that one project can run several hundreds of millions of dollars or several billions of dollars, that one project can crowd out a huge portion of an agency's annual budget.

In contrast, if you look at the State and local capital budgeting system, it is different. They have got a capital budgeting process that allows for the cost of these large-scale projects to be spread across multiple years.

So when you look at the Federal Capital Revolving Fund and what is being proposed there, it is embracing some of the key concepts of capital budgeting. It provides a $10 billion upfront appropriation on the mandatory side of the budget and it allows agencies to tap into the fund to cover the cost of large projects without having to absorb the entire cost in a single budget year. And then agencies end up paying back the fund in annual increments over 15 years through regular discretionary appropriations.

So for me, the way I see it, it is a more rational way of budgeting for these projects because it allows agencies to spread the cost over multiple years instead of having to absorb the entire cost in year one.

Ms. TITUS. Thank you. Thank you very much.

Mr. GUEST. Thank you, Madam Chairman.

Ms. Bacon, I agree with your assessment here where you say in your written statement that the COVID–19 pandemic has caused "widespread adoption of remote work." You go on to say "hybrid work models will become the norm in office-oriented industries . . . ."

But I think we would all agree that there are some functions, that there are some activities that do require a physical presence in office buildings to get accomplished.

And so my question is, would you take a minute and kind of talk about how do we evaluate those activities, those functions that require physical presence versus those that we can now do remotely?

And I think you gave me an example in your testimony about a financial trading company that thought it was required to have all the work done within the office, but now they are planning to return back using a hybrid model.

So can you kind of talk about those things which we would use to evaluate what can be done remotely, what can be done by hybrid model, and then those things which require individuals to actually physically be present in an office or workplace?

Ms. BACON. Thank you. That is a wonderful question and a complex one at that.

There are a number of different ways that an organization, agency, needs to approach that very thing. There is job design. There is organizational design.And then there is also evaluating mission, goals, objectives, and behaviors.

Long before COVID–19, we evaluated and looked at the variety of work modes, whether you are doing deep production, whether it is analyses, writing, graphic design, or in some cases trading, which is an individualized activity versus collaborating.

And there are various components to collaborating. There is the ideating that Ms. Sargent shared earlier, that co-creation, where people are in a room together, whether it is for a few hours or a few days, in the tech sector creating content together.

But then there is also another element of collaboration which is doing quite well in the current context, is sequential collaboration, which is very similar to how we are all convening now, where project teams all have their individual tasks and they need to come together to coordinate and assign sequential tasks to break apart and do individualized work.

So to get to your question about how, there are a number of things that could or should be done. Of course we have historically relied on survey data, individuals surveying an employee population as well as leadership and management to understand the percentage of time that is spent in these varied work modes.

But technology, as technology continues to mature, technology and data have also enabled us to better understand communication and collaboration patterns. So, for example, we have been able to discern through social network mapping the frequency of communication across various departments.

So the how is somewhat bespoke to the organization, but the overall recommendation would be sentiment surveys, again opinion, but also augmented with better understanding, breaking down specific tasks, and specifically within those tasks identifying the individuals or the groups that need to participate in those tasks.

And that is the critical component both for smaller groups, project teams, but also departmentwide adjacencies and/or collocation strategy, in terms of the groups that work together most frequently and then those that may be able to segment that interaction in a few days a week.

Or in some cases we are also looking at organizations that are making recommendations around they are going to be in the office 1 week a month and the rest of their activities can happen remotely.

Mr. GUEST. Thank you so much.

My last question, Ms. Hanson, I want to ask you as it relates to as we move into a post-COVID environment, particularly cleaning and sanitation. That will continue to be a very important component as we are returning people back to the workforce, whether that is back into the offices entirely or through some sort of hybrid model.

I know that even when we were at maximum telework, GSA spent approximately $50 million in activities related to COVID cleaning during the pandemic.

You talk a little bit in your testimony that that are systems and technologies that can be used that would improve and reduce the cost of sanitation and cleaning. You talk a little bit high-efficiency HVAC systems, supplemental air purification units, workforce sanitation standards.

Could you just very briefly talk about what it is going to look like as people begin to come back into an office type of environment, the importance of the cleaning and sanitation, and some of the tools that are available now that we can use and we can rely on?

Ms. HANSON. Yes. Thank you, Congressperson.

It is going to look different. And it is really going to depend on the organization, their mission, their function, their workforce capacity, who they interact with internally and externally.

But what I can say is that there is a lot of technology out there already in use and just speeding up its adoption rate.

You have mentioned some of the technologies already. A few others are self-certification, whether it is via app or online. Mobile air purifiers. We also are looking at robotics and concierge-type services.

A lot of this has to do with artificial intelligence and modeling the behavior of people so that there can be preparedness in the tools that they use once they enter the office. The integrated workplace management system, which has replaced the CAFM system of the day, is looking more at how systems are run in a building, how space is managed, and even room reservations, and also providing for more rapid service requests to be made.

Another aspect of technology that is important is the idea of high-performance computing. This is a trending concept that aggregates computing power, because today, compared to even 10 years ago, we have got thousands more pieces of data that need to be processed and thousands more users of this data. So that is one of the ways that you can generate quite a bit of time savings.

And the last that I will say, data management is key here. When we talk about technology and talk about the ways that it can enhance not only our environment but how we do our work, it has got to be integrated, it has got to be interoperable. The data has to be cleansed in order to provide accuracy for decisionmaking; as well, it has got to be accessible.

Thank you.

Mr. GUEST. Thank you, Madam Chairman. I yield back.

Ms. TITUS. Thank you.

Ms. Norton.

Ms. NORTON. Thank you, Madam Chair.

Again, this hearing is particularly important not only to the Government, but to my own district where so many of these office spaces are located.

Ms. Owens Test, I noted that you mentioned in your testimony that if the Government wanted to maintain its favorable negotiating position, it has always been able to negotiate because of who it is, and its size, and the amount of space it has, both here and around the country.

You say it will need to continue to reinforce confidence it provides to private-sector landlords by continuing to actively pursue new long-term leases.

But let me ask you, when there are more vacancies in the commercial real estate market, how can the Federal Government lose its favorable negotiating position? Perhaps that puts us in a more favorable negotiating position.

Ms. OWENS TEST. You point to something that is very important, and that is that we are currently in a very tenant-favorable market. And while the Government takes advantage of the tenant favorableness, if you will, of the market, the long-term nature of the leases are one of the features that they then attract better pricing.

So what we are advocating for is that the Government use the tools that are in their tool belts while they have the upper hand of it being a tenant market to capture the best deals possible for the Government.

Long-term leases, and many people will talk about that, long-term leases have been a great success. As GSA has pursued long-term leasing, it has been a great [inaudible] to capture good pricing within the Federal real estate market.

The private sector gets the best financing, the Government then in turn gets the best rental rates, and all of these—whether it is a new lease at an existing location or a new lease in the marketplace, the private sector is able to respond the best because the Government is giving that commitment for long term. And the financial markets appreciate that "long termness" of their leases.

Ms. NORTON. So you are saying pursue as many long-term leases now while the getting is good. Is that it?

Ms. OWENS TEST. Absolutely. You are absolutely right.

Ms. NORTON. OK.

Let me go to Ms. Bacon now, because I am very interested in the workforce. As I listened to the testimony, we are likely to see great change.

And I was interested, Ms. Bacon, in how important, or at least you spoke about the importance of consulting employees and workers when making decisions how to allocate office space in the future. Now, I am thinking about employees who are likely to see considerable change.

So both within the Federal workplace and more generally, Ms. Bacon, can you expand on the importance and what we can get out of listening to and incorporating the worker perspective when designing these spaces and policies? I am trying to think of a future now in light of the changes we are seeing.

Ms. BACON. Thank you. I think that is a very important question. I appreciate that you asked it.

The engagement process of a new workplace is really critical. I think someone already mentioned that 80 percent of an organization or agency's cost is on its people. And yet oftentimes because of the nature of the upfront capital spend required to design or build out an office, the financial pressures are to require to spend as little as possible, and that is just the nature of the cost structure.

So in order to engage a workforce, I do think it is critical because you are able to, again, understand what it is they do, understand the percentage of time they spend in various work modes, understand what is or isn't working in terms of the physical space, but also understand the opportunities for continued remote working, especially right now, in terms of as we look at the hybrid future and acknowledging that, as we have said, there are productivity gains to be had.

I would like to shift that word less about productivity, because it is subjective to the organization and the individual, but performance is less subjective. Individual performance is critical.

And so, understanding how well an individual feels they are performing at home, what they need to perform in the office, is really important.

And, again, going back to the need to not leave anyone behind as organizations are looking. And we are hearing some pretty aggressive spatial reduction targets from various agencies, 20 percent, 30 percent, in some cases 50 percent, which we haven't yet validated if that is plausible or healthy for the organization, but we are assessing it.

But we need to understand what people's conditions are at home. Do they have enough space to work remote? Do they have the tools they need to work remote?

Some of the potential space savings that can be had from reducing a portfolio probably needs to be reallocated into the home office equipment and environments and the individual and the technology. But we don't know that without serving and understanding the workforce.

And I talk about surveys. That is one step and it is an obvious one, pulse surveys, sentiment surveys, et cetera. But it is also important to get those findings and then do focus groups and workshops and really talk to employees to dig deeper as to what the statistical outcomes are.

And also as you are embracing and creating a new program, both standard operating procedures, behavioral protocols, a new approach to space, what we are suggesting here in a hybrid future is, with the office becoming more purposeful, we are talking about a reallocation of space to spaces that support this varied collaboration, varied ideation, varied activities.

And it is important that we understand what those activities are lest an organization allocate spaces to activities that can be done at home and/or are not the coveted use of space.

So I think it is a critical thing that every agency and every organization should be doing.

Ms. NORTON. Thank you, Madam Chair. I yield back. My time has passed.

Ms. TITUS. Thank you very much.

I think we have lost our other Members, so we will close the hearing.

But I want to thank our witnesses. You have given us just excellent information that we can take to our next hearing and present to GSA and get their perspective on it.

A couple of things that we haven't discussed that we may reach out to you for more information on is location. That is always a consideration. And it certainly impacts, say, mass transit. And if people aren't going to work, what are the traffic patterns going to be? Where do you locate buildings? I think that is all part of the consideration too now in post-COVID.

And we have talked about spacing, but not other health requirements, whether it is vaccinations, or a mask, or whatever it might be.

But we have certainly started the conversation, and we heard that y'all would be excellent witnesses and certainly that turned out to be true.

I will now ask unanimous consent that the record of today's hearing remain open until such time as our witnesses have provided answers to any questions that may be submitted in writing in the wake of the hearing.

I also ask unanimous consent that the record remain open for 15 days for any additional comments and information that will be submitted by the Members to be included in the record.

Without objection, so ordered.

The subcommittee now stands adjourned.

[Whereupon, at 3:57 p.m., the subcommittee was adjourned.]

Submissions for the Record

Prepared Statement of Hon. Peter A. DeFazio, a Representative in Congress from the State of Oregon, and Chair, Committee on Transportation and Infrastructure

Thank you, Chair Titus, and thank you to our witnesses for agreeing to participate in this hearing.

The losses we have incurred over the past 14 months are extraordinarily painful. Lost loved ones, lost academic years, lost jobs, lost homes, lost businesses, lost wages, lost health, lost celebrations.

But the pivot to working from home—largely considered a success—may profoundly alter the work-life dynamic in favor of American workers.

Employees may expect more control over where they work and when. They might want to be able to open windows in their offices. They may demand information about building health and cleaning protocols. They may refuse to share bathrooms with entire floors of coworkers. They may want to increase their own space and avoid cramped meeting spaces. And they might want to change how they commute and how often they go into their offices.

As states and cities announce reopening plans, federal agencies and the General Services Administration should be reassessing their real estate portfolios and asking the following questions:

- Should per person utilization rates shrink or expand?
- Do agencies have more space than they need?
- How should space be reconfigured to protect human health?
- Do we have the right balance of owned and leased properties?
- Are we maximizing each owned and leased property?
- Are we efficiently disposing of the properties we don't use and are not maintaining?
- Are we using the latest codes and technologies to reduce energy and water consumption and protect human health?
- Does GSA have the flexibility to maximize private sector assistance, expertise, and funding?
- How does repeated underfunding of GSA's Repairs and Alterations program work against our climate and resilience goals?

The Recovery Act of 2009 provided GSA with $5.5 billion to convert federal buildings into high-performance green buildings, and renovate and construct federal buildings, federal courthouses, and GSA-owned Land Ports of Entry.

President Biden's American Jobs Plan includes $18 billion for the modernization of VA hospitals and clinics, and $10 billion for "the modernization, sustainability, and resilience of federal buildings, including through a bipartisan Federal Capital Revolving Fund (FCRF) to support investment in a major purchase, construction or renovation of Federal facilities."

While Congress develops President Biden's American Jobs Plan proposal and potentially provides new funding for GSA's Public Buildings Service, we must ensure that any spending reflects our post-COVID–19 priorities of protecting human health and the environment.

I appreciate the participation of our witnesses today. Your experience in public and private sector leasing and construction, interior design, workforce development, building health and safety, federal scoring rules, and real estate financing, will help this Subcommittee develop the policies needed to turn GSA's leased and owned real estate portfolios into high-performing assets that facilitate worker productivity and agency performance, while protecting the health of workers and our environment.

I look forward to your testimony. Thank you.

Prepared Statement of Hon. Sam Graves, a Representative in Congress from the State of Missouri, and Ranking Member, Committee on Transportation and Infrastructure

Thank you, Chair Titus, and thank you to our witnesses for being here today.

This Subcommittee has a long, bipartisan history of taking a leading role in reforming federal real estate.

From pressing agencies to reduce their space footprint, to changing how we dispose of unneeded real estate, we have saved the taxpayer billions of dollars.

Now we are faced with a potential opportunity to realize more savings.

Understanding what office space and federal needs look like post-COVID is critical for us to ensure decisions are being made that reflect what makes the most sense, particularly from the standpoint of the taxpayer and agency mission.

I look forward to hearing from our private sector witnesses today on their perspectives.

Thank you, Chair Titus. I yield back.

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