

Madame Chair, Ranking Member Graves, Members of this Subcommittee, my name is David Winstead. I am Commissioner of the Public Buildings Service of the U.S. General Services Administration (GSA). It is an honor for me to be here today to discuss with you the local economic benefits that will be generated by our development of a new headquarters for the U.S. Department of Homeland Security (DHS) at St. Elizabeths' West Campus.

In my testimony today, I would like to address several issues: the project itself, GSA's success in encouraging the economic development of under-served neighborhoods in Washington, DC, the economic impact that federal spending has on this region's economy, and my personal involvement in, and commitment to, making this project a success.

First, the project itself—GSA is now preparing a master plan for the development of a headquarters facility for DHS at St. Elizabeths West Campus. Creating such a headquarters helps the continued consolidation of this large and diverse agency into a single cohesive Cabinet department. Right now, DHS is scattered across the DC metro area in more than 70 buildings, occupying almost 7 million square feet of space to house 23,000 employees. This geographical and organizational dispersion hinders the consolidation of 22 separate agencies into a unified, effective organization with a “common culture.”

Further, DHS' mission is to protect the safety and security of the American people. DHS is proposing to locate up to 14,000 of its employees at St. Elizabeths, bringing together those components of the department that must be assembled to respond quickly in a national emergency. It is also important to note that the campus is less than two miles from our Nation's Capitol.

At 176 acres, the St. Elizabeths West Campus is large enough to accommodate DHS's needs, and to provide a 100 foot security setback for the entire campus; a very difficult requirement to fulfill for an agency of this size in an urban setting. Consolidation of the agency components on Government-owned land will also offer a substantial savings to the American people over the alternative of consolidating in leased space and replacing currently leased space with more leased space. The estimated present value savings, over a 30-year period, of locating in Government-owned space versus leased is more than \$743 million. Finally, St. Elizabeths is a National Historic Landmark, and development of DHS headquarters here offers a unique opportunity to restore many of the historic features of the campus that have badly deteriorated over time. So, making this project a success is important for our Nation, as well as for our National Capital Region.

In my testimony today, I want to focus on the economic benefits it will have for our region, for the District of Columbia, and for the Ward 8 neighborhood.

Across the Nation, through our Good Neighbor Program, GSA seeks to conduct its real estate activities and meet client agency needs in ways that support the communities in which our workplaces are located. We pursue community partnerships, are open to public input, select locations and utilize designs that enhance community goals and priorities, and support community development. From a policy standpoint, GSA is guided by Executive Orders that direct us to use space in urban areas to strengthen the Nation's cities and to give serious consideration to improving social, economic, environmental and cultural conditions in the communities where our workplaces are located.

In the Washington Metropolitan Area, GSA manages 95 million square feet of space, of which 53 million square feet is leased. Every year, about 10% of these leases expire, so we are in the market, each and every year, for about 5 million square feet of space. To put it another way, we occupy about 20% of the privately owned office space in the region.

The District of Columbia has projected that its core downtown will soon be fully built out, and continued growth and prosperity will require an expansion of the downtown area. GSA has been particularly active in working with the District government to find opportunities to build or lease space in under-served neighborhoods that the District is seeking to redevelop. Towards this end, GSA just recently finished developing two major new projects.

In the North of Massachusetts Avenue (NOMA) neighborhood, we just opened the new headquarters for the Bureau of Alcohol, Tobacco, Firearms & Explosives located on a site we purchased from the District. This project includes 8,000 square feet of retail space, both to serve ATF employees, and residents and workers in a neighborhood that needs such amenities to continue to grow. It also includes a new Metro station, financed by the District, the Federal government, and the neighborhood itself. This project is already encouraging further development of the neighborhood, and we are working closely with you, Madame Chair, to encourage federal agencies to consider locating there.

In the near Southeast area of Washington DC, we are well on our way toward redeveloping Southeast Federal Center, again greatly assisted by the legislation you introduced and this Subcommittee passed, and by the District government. We have already opened a new headquarters for the Department of Transportation, and recently Forest City Washington broke ground to begin development of The Yards, a mixed-use project with 1.8 million square feet of office space, 2800 dwelling units, 400,000 square feet of retail space, and a 5-acre waterfront park. Infrastructure for The Yards will be financed by the District.

And now GSA is poised to spur new development in Ward 8.

But the economic benefits conveyed by the Federal government on this urban area of the District go far beyond direct federal employment. Economist Stephen Fuller of George Mason University did a study several years ago for the National Capital Planning Commission on the impact of federal procurement on the regional economy. The findings of this study are startling.

Federal procurement spending is growing at a very rapid rate, increasing in the DC Metro area alone from \$12.5 billion in 1990 to \$28.4 billion in 2000. The study found that more procurement dollars are spent here each year than in any single state in the entire nation, including California, New York, Illinois, and Florida. And, it calculates that this generates 21% of our metro area's regional domestic product. Using year 2000 Census data, the study estimates that procurement spending is responsible for supporting nearly 164,000 jobs in the District of Columbia alone.

In a sense, it is not surprising that more dollars are spent in this region than anywhere else, given that all major federal departments are headquartered here. But my point is that federal agencies tend to rely on contractors located nearby, so locating DHS in Ward 8 will offer significant opportunities for businesses located there to benefit from DHS procurement activities.

In 2004, GSA joined with the National Trust for Historic Preservation to study the impact of federal employment in the downtown areas of several American cities, including Baltimore. It found that federal workers spend an average of \$5,000 each year in the area where they work. Visitors to federal facilities spend an additional \$19 per visit. In Baltimore, these spending patterns generate \$50 million per year in the local economy.

Let me give you an example of the potential impact a new federal office location can have, right here in Washington. In 1995, the Base Realignment and Closure process determined that a large Navy component, NAVSEA, should move from Crystal City to the Navy Yard. This doubled the workforce at the Navy Yard from 5,500 to 11,000 people.

NAVSEA requires its contractors be within close proximity to their contracting officers. The move to the Navy Yard is generating demand for more than 1 million square feet of office space along the M Street, South East corridor for defense contractors that do business with NAVSEA.

But there is an important point to keep in mind when considering these potential economic benefits for the development of St. Elizabeths West Campus. For firms doing business with DHS to want to locate nearby, and for the DHS workers on the campus to want to shop nearby, further development needs to occur in the immediate neighborhood. Additional demand for retail space and shops may be generated as existing residents of the area have opportunities for employment on the campus, and DHS employees choose to relocate to some of the new housing

developments now under way in Ward 8, further increasing the buying power and property values of the neighborhood.

Whether and how soon such development occurs is in the purview of the District of Columbia Government. GSA is already working with the District so that the redevelopment of West Campus will assist in the redevelopment of East Campus, a site right across the street that could accommodate such development. East Campus is under DC's control and has been proposed for various mixed uses. DC has zoning authority to encourage office and retail development.

Again, harking back to the example of the benefits conveyed by expansion of the Navy Yard, the DC Government played a major role in redeveloping 8th Street SE, in the Barracks Row area. They did this in an effort to try to capture the potential retail and restaurant sales that doubling the workforce at the Navy Yard could generate. New street furniture, street lights, paving, and landscaping have transformed the public right of way. At the same time, the merchants and property owners got together, aided by a grant from the National Trust for Historic Preservation, to renovate the buildings and restore them to their historic appearance.

The results are magnificent. Eighth Street is now thriving, attracting both employees from nearby offices and local residents. It is a stunning success.

Before I close, I would like to comment briefly on my personal commitment to making this project a success.

As you know, Madame Chair, in mid-2006, I joined you, along with other officials from GSA, to participate in a Town Hall meeting in Ward 8. This is but one example of the many meetings GSA has held in the Anacostia and Congress Heights neighborhoods, which our project executive, Dawud Abdur-Rahman, will describe in further detail.

Recently, I had the opportunity to meet Dr. Charlene Drew Jarvis, president of Southeastern University. We agreed to further discussions about coordinating their degree programs with job opportunities at St. Elizabeths West Campus. I am being briefed regularly on progress in our master planning, participating in periodic meetings with our project team and with DHS officials, and appearing at hearings such as this.

My message is simple—GSA is committed to making this project a success, for DHS, for the American people, and for the citizens of Washington, DC.

Thank you and I look forward to answering any questions the Subcommittee may have.