



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

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April 8, 2011

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BRIEFING MEMORANDUM

TO: Members of the Subcommittee on Economic Development, Public Buildings, and Emergency Management
FROM: Subcommittee on Economic Development, Public Buildings, and Emergency Management Staff
SUBJECT: Oversight Hearing on "Richard H. Poff Federal Building Renovation: Is it Costing the Taxpayer Too Much?"

PURPOSE

The Subcommittee on Economic Development, Public Buildings and Emergency Management will meet on Thursday, April 14, 2011, at 10:00 a.m., in 2167 Rayburn House Office Building to receive testimony from Congressman Bob Goodlatte, the General Services Administration (GSA) and the GSA Inspector General. The hearing will focus on the renovation and modernization of the Richard H. Poff Federal Building, located in Roanoke, Virginia.

BACKGROUND

General Services Administration

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

however, is just one of nine¹ federal agencies that, in total, own or manage 93% of federal real property.

Recovery Act

Last Congress, the American Recovery and Reinvestment Act (ARRA) was enacted into law. Included in ARRA was \$5.5 billion for the Federal Buildings Fund (FBF) of the General Services Administration.² ARRA designated \$4.5 billion of those funds for converting GSA buildings into High Performance Green Buildings, as defined by the Energy Independence and Security Act (EISA) of 2007. GSA has submitted a Spend Plan to the Committee along with periodic updates to that Plan, the most recent submitted in December 2010. The GSA Spend Plan details the projects funded through the ARRA and their costs. GSA has obligated all but \$295 million of its ARRA funding.

Richard H. Poff Federal Building

The Richard H. Poff Federal Building (“Poff Federal Building”) is included in GSA’s Spend Plan as an ARRA project. The building is located in Roanoke, Virginia and was constructed in 1975. It has approximately 316,000 gross square feet of space and is occupied by the Department of Veterans Affairs (VA) (49%), the U.S. courts and U.S. Marshals (36%), and other agencies (15%). According to GSA, the purpose of the project is to update building systems as well as improve its energy efficiency by incorporating “greening” elements.

More specifically, the project includes replacement of the window curtain wall; installation of a HVAC system; renovations of bathrooms; upgrades to the lighting fixtures; and the installation of a new green roof with a solar system (photovoltaics).

The total cost of the project as listed in the GSA Spend Plan is \$51 million. GSA estimates the total construction costs to be \$43.9 million, design costs \$4 million, and management and inspection services \$3 million. However, there is expected to be an additional \$10 to \$15 million in costs associated with moving and temporary swing space for the building tenants.

Inspector General Report

On November 17, 2010, a Recovery Act report on the Poff Federal Building was issued by the GSA Inspector General (IG).³ The IG found that in awarding the contract to renovate the Poff Federal Building, GSA failed to get an independent government estimate for the construction as required by section 36.203 of the Federal Acquisition

¹ The other major land-holding departments and agencies include the Department of Defense, Veterans Affairs, Department of Energy, Department of Homeland Security, Department of the Interior, Department of State, National Aeronautics and Space Administration, and the U.S. Postal Service.

² GSA received additional funding in ARRA for land ports of entry and is assisting other agencies, such as the Social Security Administration, in the construction of facilities funded through ARRA.

³ Recovery Act Report, Audit Number A090172/P/R11003, November 17, 2010.

Regulation (FAR). In addition, the IG concluded that although a competitive process was used, by including the Guaranteed Maximum Price in the Request for Proposals, the pricing for the construction services was not based on competition and, therefore, was a violation of the Competition in Contracting Act (CICA).

The IG recommended that:

- (1) GSA not exercise additional options on the Poff Federal Building contract unless they are in compliance with CICA. The IG noted that the Poff project has options for security improvements at \$7.6 million and building code and life safety improvements at \$4.6 million.
- (2) The IG further recommended that GSA establish management controls to ensure Construction Manager as Contractor (CMc) contracts, as used for the Poff building, meet competition requirements.

In response to the IG report, GSA indicated that, should additional work be required under the options, GSA would take action to award that work “in accordance with applicable laws.” GSA also noted that it had developed and was then implementing a corrective action plan in response to similar concerns raised about other projects.⁴ GSA noted that their implementation of that plan, as approved by the IG, would address the IG’s second recommendation.

Other Issues

Congressman Goodlatte has expressed concerns and has followed up with GSA and the GSA IG on a number of these issues. In addition to the contracting issues identified by the IG, some key issues that have been raised relate to the cost-benefit analysis related to some of the greening elements, whether the renovation costs are reasonable, whether renovation was the most cost-effective solution for meeting the tenants’ space needs, and the impact of the construction on the tenant agencies.

In addition, Senators Webb and Warner have also expressed concerns, particularly regarding the impact of the renovation on current tenants. In particular, a letter they wrote to the VA and GSA on July 29, 2010, noted their concerns that the renovations would impact the VA Regional Office’s efforts to reduce its claims backlog and address VA’s long-term capacity issues.

⁴ See GSA IG Recovery Act Report on the UN Plaza Renovation Project Construction Contract Review of PBS’s Major Construction and Modernization Projects Funded by the American Recovery and Reinvestment Act of 2009, A090172/P/R/R10005, May 27, 2010; GSA IG Recovery Act Report on the Austin Courthouse Project Review of PBS’s Major Construction and Modernization Projects Funded by the American Reinvestment and Recovery Act of 2009 A090172/P/R/R10001, March 12, 2010.

WITNESSES

The Honorable Bob Goodlatte (R-VA)
Member of Congress

The Honorable Brian Miller
Inspector General
U.S. General Services Administration

Mr. David H. Ehrenwerth
Regional Administrator
U.S. General Services Administration

Ms. Julia Dudley
Clerk
U.S. District Court
Western District of Virginia