

STATEMENT OF
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PUBLIC BUILDINGS SERVICE
U.S. GENERAL SERVICES ADMINISTRATION
BEFORE THE
SUBCOMMITTEE ON ECONOMIC DEVELOPMENT,
PUBLIC BUILDINGS, AND EMERGENCY MANAGEMENT
COMMITTEE ON
TRANSPORTATION AND INFRASTRUCTURE
U.S. HOUSE OF REPRESENTATIVES

JULY 8, 2009



Good morning, Madam Chair, Ranking Member Diaz-Balart, and Members of the Subcommittee. My name is Tony Costa and I am the Acting Commissioner of Public Buildings at the U.S. General Services Administration (GSA). Thank you for inviting me here today to discuss GSA's fiscal year 2010 Capital Investment and Leasing Program.

GSA's Public Buildings Service (PBS) is one of the largest and most diversified public real estate organizations in the world. Our inventory consists of over 8,600 assets with almost 354 million square feet of rentable space across all 50 states, 6 U.S. territories, and the District of Columbia. The majority of our space is concentrated in large commercial markets such as Washington, DC, New York City, Chicago, Atlanta and Los Angeles. Our portfolio of public buildings includes primarily office buildings, courthouses, land ports of entry, and warehouses. It is the PBS mission to provide superior workplaces for federal customer agencies at an economical cost to the American taxpayer.

In support of our mission, PBS is charged with the responsibility of managing the Federal Buildings Fund (FBF) that was created by Congress in 1972 to finance PBS' real property activities. Using a market-based user-fee and cost reimbursement approach, the FBF funds the space needs of more than 500 executive branch organizations as well as the space needs of the Judiciary and Members of Congress. Congress appropriates funds to our customer agencies who, in turn, pay into the FBF the equivalent of commercial rent for the space they occupy. Customer payments into the FBF are used to rent space from the private sector; operate, repair and modernize government-owned facilities; and fund new federal construction in support of our customers' agency missions. PBS continues to demonstrate strong operational performance. As of the second quarter of 2009, 87% of our government-owned assets are achieving a positive flow of rent revenue less expenses (excluding depreciation) and the percentage of vacant space in our inventory is below current private sector experience. Our

cleaning and maintenance costs also continue to outperform private sector benchmarks.

I am pleased to be here today to request your authorization of the individual projects that make up our fiscal year (FY) 2010 capital program. We believe these projects are the ones that will best meet the needs of our customer agencies.

We have analyzed these projects and determined that they are consistent with our overall portfolio objectives:

- ◆ Optimizing the value of our portfolio of owned assets ;
- ◆ Directing capital resources primarily toward performing assets and developing workout or disposal strategies for under- and non-performing assets;
- ◆ Maintaining the continued functionality of our buildings and safeguarding the health and life-safety of their occupants;
- ◆ Providing quality workspace in support of the mission-related goals of tenant federal agencies;
- ◆ Achieving the energy efficiency and environmental goals of the Energy Policy Act of 2005 and the Energy Independence and Security Act of 2007; and
- ◆ Fulfilling our responsibilities under the National Historic Preservation Act to protect and preserve our historically significant public buildings.

REPAIRS AND ALTERATIONS

GSA is the steward of 1,523 federal buildings, which have a replacement value of about \$41 billion. We are requesting a Repairs and Alterations program of \$496 million to maintain and improve those properties that are in GSA's inventory for which there is a continuing federal need and that are capable of being

economically self-sufficient.

Though significant Recovery Act funding for repairs and alterations has enabled us to reduce our Repairs and Alterations request below that of recent years, reducing our backlog in this area is still our top priority. The highlights of GSA's FY 2010 Repairs and Alterations Program include:

- ◆ \$260 million for the Basic Program;
- ◆ \$176 million for the Major and Limited Scope Programs;
- ◆ \$20 million for the Fire and Life Safety Program;
- ◆ \$20 million for Energy and Water Conservation Measures; and
- ◆ \$20 million for Federal High-Performance Green Buildings.

The Energy and High-Performance Green Buildings Programs are a small but crucial part of our Repairs and Alterations request. Through these programs, we will make improvements similar to those included in our Recovery Act spending plan, but in different buildings. The Energy Independence and Security Act of 2007 ("EISA") sets challenging goals for the Federal Government and for GSA. Beginning in FY 2010, it requires GSA to reduce consumption of fossil fuel-generated energy in new buildings, major renovations, and lease construction and by 2030, it requires GSA to totally eliminate fossil-fuel consumption in our new buildings, major renovations and lease construction projects. EISA also accelerates the rate at which we must reduce energy consumption in our inventory as a whole to 3% per year and specifically requires more energy and water retrofits in our existing buildings.

GSA has identified energy and water retrofit projects required by EISA through surveys and studies in federal buildings throughout the country. These projects will have positive savings-to-investment ratios, will provide reasonable payback periods, and may generate rebates and savings from utility companies and incentives from grid operators. Projects will vary in size, location, and delivery method. They will include installation of high-efficiency HVAC systems, efficient lighting and controls, variable air-flow systems, building automation control

systems, and other energy saving technologies. Based on previous experience, we estimate annual energy savings at 366 billion BTUs and \$6 million resulting from projects funded with this request in FY 2010.

Through the High-Performance Green Buildings program, GSA will incorporate green technologies into ongoing projects, both for new construction and major renovation. These technologies might include geothermal (ground source heat pumps), photovoltaics, intelligent lighting, and improved envelopes. It is often more effective to incorporate these rapidly-evolving technologies after designs are complete - rather than during the design process - to take advantage of the latest developments.

We are requesting \$40 million for the implementation of energy and water retrofit projects and high-performance green building features in government-owned buildings during FY2010.

NEW CONSTRUCTION

We are requesting a Construction and Acquisition of Facilities Program of \$658 million. Our request includes funding for site acquisition, design, infrastructure, construction, and the management and inspection costs of ten federal facilities. PBS traditionally pursues a construction and ownership solution for special purpose and unique facilities that are not readily available in the real estate market. In addition, we recommend new construction where there is a long-term need in a given locality.

GSA's fiscal year 2010 New Construction Program is focused on urgent customer priorities ranging from laboratories for protecting the public health to land ports of entry for securing our borders. It includes:

- ◆ \$138 million for the Food and Drug Administration Consolidation at White Oak, MD;

- ◆ \$100 million for the purchase of the Columbia Plaza building in Washington, DC;
- ◆ \$25 million for remediation activities at the Denver Federal Center and the Southeast Federal Center in Washington, DC;
- ◆ \$190 million for a new FBI facility in Miami, FL;
- ◆ \$151 million for the design and/or construction of three land ports of entry; and
- ◆ \$53 million for two U.S. Courthouses in Yuma, AZ and Lancaster, PA.

Several of these projects were originally planned as lease construction but will now be built and owned by the Federal government, saving the taxpayer millions of dollars over the long term.

LEASING PROGRAM

To meet the space requirements of our clients, GSA has entered into more than 8,500 private sector leases in 7,100 locations nationwide. At 177.5 million square feet, leased space comprises more than half of our total portfolio square footage. We are pleased that the vacant space within our leased inventory has been at or below 1.5 percent for the last six years, well below the national industry average of 13.5 percent. We strive to keep leasing costs at or below market levels and have developed comprehensive strategies to do so, including the standard use of industry benchmarks and market surveys to comparison shop for the best value for our customers. Due to the volume and complexity of our customers' lease requirements, we will submit at least one more set of lease prospectuses for your consideration.

CONCLUSION

GSA continues to work with our customer agencies to meet their mission requirements within their financial constraints by consolidating requirements, reducing underutilized space, and minimizing tenant improvement costs in expiring space assignments. At the same time, we continue to work with stakeholders such as this Subcommittee to capitalize the requirements of our aging inventory and the growing and increasingly specialized needs of our customers. Finally, GSA continues to reduce our asset liabilities by concentrating reinvestment in core assets and disposing of underutilized assets.

Madam Chair, Ranking Member Diaz-Balart, this concludes my prepared statement. I will be pleased to answer any questions that you or any other Members of the Subcommittee may have about our proposed fiscal year 2010 Capital Investment and Leasing Program, or any other aspects of the Public Buildings Service.