

**STATEMENT OF
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REGIONAL DIRECTOR, JONES LANG LASALLE
AND
PROJECT MANAGER, NATIONAL BROKER CONTRACT
BEFORE THE
U.S. HOUSE OF REPRESENTATIVES
COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE
SUBCOMMITTEE ON ECONOMIC DEVELOPMENT, PUBLIC BUILDINGS
AND EMERGENCY MANAGEMENT
“EVALUATING GSA’S FIRST EXPERIENCE
WITH THE
NATIONAL BROKER CONTRACT”**

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Good afternoon Madam Chair, Ranking Member Diaz-Balart and members of the Subcommittee. My name is Chris Roth and I am a Regional Director at Jones Lang LaSalle and the Project Manager for Jones Lang LaSalle's National Broker Contracts. I have been in this role for the past two years, bringing to it my 18 years of experience in the real estate and construction industries, five of which were focused on federal government contracts, notably in support of the Military Housing Privatization Initiative for the Department of Defense.

Jones Lang LaSalle provides comprehensive real estate services to both public and private sector clients. We are not solely a tenant representation brokerage firm, though having merged with The Staubach Company in July of 2008, our brokerage capabilities in many markets where General Services Administration leases space has significantly increased. Our GSA National Broker Contract work volume was doubled by the recent merger as The Staubach Company also held a Contract, and now our work for the GSA is an even stronger pillar in our public sector business and our firm's culture.

We operate on local, regional and global levels for owners, tenants and investors. In the Americas, we have 12,400 professionals serving clients in nearly 500 cities. The business unit that I support within Jones Lang LaSalle – Public Institutions – is dedicated to public sector clients and has worked under a variety of federal, state and local government service contracts for 10 years. We are not new to the rigors, complexities and goals of government contracting.

I am pleased to appear before you to discuss Jones Lang LaSalle's experience with the GSA's first National Broker Contract. The brokers and the GSA have come a long way in the first four years. We believe that Jones Lang LaSalle has made a positive difference for the American Taxpayers and our results speak for themselves.

As tenant representation brokers for the GSA, we present objective evaluations of landlord's offers. That is, we present the terms and economics of lease offers in such a way that does not subjectively give preference to any location within the delineated areas prescribed by the GSA. You may know well a few of our successes on the National Broker Contract:

- A ~144,000 square foot lease for the U.S. Equal Employment Opportunity Commission, now in NoMa having moved from the CBD (lease awarded in a new location through a competitive acquisition);
- A ~592,000 square foot lease renewal for the U.S. Coast Guard in the Southwest Waterfront (lease awarded in same location through a renewal);
- A ~113,000 square foot lease for the Bureau of Prisons in the Capitol Hill submarket on the border of NoMa and the East End (lease awarded in same location through a competitive acquisition);
- A ~49,000 square foot lease for the Broadcasting Board of Governors in Miami, FL (lease awarded in same location through a renewal);
- A ~115,000 square foot lease for the Federal Drug Administration in Montgomery County (lease awarded in same location through a renewal);
- A ~71,000 square foot lease for the Consumer Product Safety Commission in Montgomery County (lease awarded in a new location through a competitive acquisition); and
- A ~13,000 square foot lease for the Internal Revenue Service in Prince George’s County (lease awarded in same location through a competitive acquisition).

How would we evaluate “GSA’s First Experience...?” We would look to some of the GSA’s own objectives set out six years ago during their procurement for brokerage services. Many of the GSA’s objectives have been met and in some areas exceeded with these Contracts.

One objective was to obtain better pricing for the GSA’s customers and the taxpayers. For this, there are measureable and quantifiable results.

- One component of “pricing” is the GSA’s direct compensation to brokers on this panel for work performed under the Contracts. This amount can be quantified as zero. Jones Lang LaSalle has received no direct compensation from the GSA for its services, nor reimbursement of any expenses, on these “no cost” Contracts. The Contracts have required us to hire specialized personnel, construct office space, augment information technology controls and travel extensively in order to perform. As is customary in commercial

practice, we are permitted by the Contracts to negotiate a market commission to be paid by the landlords.

- A second component of “pricing” is the rent paid by the GSA’s client agencies. Do they benefit from having representation with specific market knowledge and real estate expertise? If so, it should be resulting in lower rents. According to the GSA’s independent metric, the Lease Cost Reduction Measure, we are exceeding the Government’s expectations set at 9.25% below mid-point rents in the markets where we have awarded leases. As of our last quarterly evaluation held in May of this year, Jones Lang LaSalle has negotiated rents more than 11.00% below market rent mid-points since the start of the Contracts.
- A third component of “pricing” that should be taken into consideration is the rebate of market commissions – dollar for dollar – that goes directly toward GSA’s client agencies’ initial months of rent. It is important to look at the source and structure of such commissions and to understand the benefit received by the government. It is a commonly accepted commercial practice that commissions for both landlord representation and tenant representation are incorporated into market rents. By our calculations, this rebate has accumulated over \$16 million in direct rent savings to Government agencies from Jones Lang LaSalle’s efforts on our National Broker Contracts alone. Prior to GSA’s National (and regional) Brokerage Contracts, the distribution of the tenant representation commission was at the discretion of landlords, and therefore not measurable.

Another objective was to increase flexibility in contract administration. Contracted brokers can be a flexible staffing solution for the GSA. Though the financial success of the Contracts is dependent on having a range of assignments that balance our efforts, our teams can work well beyond standard business hours. We are able to respond quickly, and work nights and weekends to find space when the GSA’s agency customers have an urgent and compelling need. For example, since January 2007 we have been active in 14 markets in the Great Lakes Region securing urgently needed and often unique space at market rates. Most, but not all, are requirements for the Federal

Emergency Management Agency. For example, in August 2007, we were engaged to secure multiple trailer pads for FEMA to house tornado victims and their families in Northeast Minnesota. In July 2008, we were engaged to find space for several agencies: DHS, IRS, US Marshalls, Probate and Bankruptcy Courts, two Senatorial Offices, and the GSA's own Field Office in Cedar Rapids, IA due to flooding. We finished 7 leases in 30 days in this non-FEMA task. *Most "urgent and compelling" assignments have been for a single lease and are awarded in seven to ten days.*

Another objective was to provide more consistent service for GSA's agency customers. With a team of 24 professionals dedicated to the Contract, we have built institutional knowledge about specific agency requirements and tendencies; I see this knowledge shared almost daily across the team – nationally. Examples would include: how Federal Bureau of Investigation security requirements are incorporated into a Solicitation For Offers and how the Social Security Administration market surveys should be conducted in different GSA regions. Without regional barriers, our dedicated team provides better and more consistent services to the GSA's agency customers.

The brokerage services that we provide the GSA extend beyond those offered to our commercial clients, and for good reason. Through our government contracting experience, we understand the additional and unique requirements – most significantly reporting and compliance with Federal Acquisition Regulations – required of all firms involved in federal procurements. Our services under the Contracts cover all non-inherently governmental functions of the lease procurement process through occupancy. All decision-making authority rests with the Government. While a handful of larger, high-profile leases in major metropolitan markets – like the ones mentioned earlier in my testimony – may “steal the show” in the media, such leases misrepresent the true nature of typical transactions. The actual space requirements in the portfolio of leases range from a few hundred to nearly a million square feet, but more than half are less than 7,125 square feet. Uses range from field offices for the Federal Bureau of Investigation in Portland, Oregon to a small office for the United States Geological Survey in Bozeman, Montana. Geographically we work from Nome, Alaska to Guaynabo, Puerto Rico; from Pago Pago, in the American Samoa to Auburn, Maine. The volume of transactions we are

handling for the Government with a flexible workforce of more than 100 is steadily increasing, and more task orders have been issued to us every consecutive year.

Of the 1,275 task orders – lease procurements – we have been assigned under the Contracts, we are proud to have assisted the GSA in awarding 610 as signed leases to private sector landlords. Of the remainder, 448 are currently in procurement and 217 have been cancelled or put on hold. Projects are usually cancelled or put on hold when agencies reverse or change course on their anticipated requirements.

Jones Lang LaSalle has been pleased to have participated in the Contracts to date. We believe the Contracts work to benefit the GSA, us as contractors, the landlords and the American taxpayer. Yes, the Contracts took longer to perform well than both we and the GSA anticipated, and we have offered to the GSA a thorough perspective on lessons we have learned to date on these Contracts. We have also learned to work together with our GSA counterparts to get better pricing for the GSA's customers and the taxpayers; provide procurement flexibility; and deliver more consistent services to the GSA's agency customers.

Our firm looks forward to every opportunity to continue serving the Government in a real estate broker capacity, and we are confident that the objectives I mentioned, and many of the Government's other objectives, will be exceeded by an even greater margin with our involvement. I would be happy to answer any questions that the Committee may have.

End.