



U.S. General Services  
Administration

John Smith  
Regional Commissioner  
Southeast Sunbelt Region  
Public Buildings Service

Committee on Transportation and Infrastructure  
Subcommittee on Economic Development, Public Buildings, and  
Emergency Management  
"Dyer Courthouse"  
August 6, 2012

Good morning Chairman Denham, Ranking Member Norton, and members of the Subcommittee. My name is John Smith, and I am the Regional Commissioner for the U.S. General Services Administration's (GSA) Public Buildings Service (PBS) in the Southeast Sunbelt Region. Thank you for the opportunity to join you here today at the David W. Dyer Federal Building and United States Courthouse, a property GSA will be repositioning and one that highlights the unique challenges of moving real property.

This Administration has set aggressive goals to better utilize Federal real property, and GSA's Southeast Sunbelt Region is doing its part to help achieve savings on behalf of the American taxpayer.

#### *The Federal Real Property Portfolio –*

While GSA has a large real estate portfolio to manage, the broader Federal Government portfolio is far more extensive. GSA manages the Federal Real Property Profile (FRPP), which is the Government's inventory database of federally owned and leased assets, including buildings, land, and structures. The FRPP is a comprehensive snapshot of the federal real property profile that collects important data each year to help understand federal assets.

#### *Better Utilizing Federal Real Estate –*

The Administration has moved aggressively to ensure that Federal agencies better utilize their real estate. In June 2010, the President issued a Memorandum entitled "Disposing of Unneeded Federal Real Estate," which charged civilian agencies to utilize space, reduce operating costs, and dispose of unneeded real property more effectively to save \$3 billion by the end of 2012. GSA has played a role both in generating savings from its own real estate, as well as helping other agencies to find savings, and the Administration recently announced that the Federal Government will not only meet, but also exceed, this \$3 billion goal.

To further save money on real estate, the President proposed a bill that would usher in a new approach to Federal real estate, the Civilian Property Realignment Act. Building upon the successful model established by the Defense Base Realignment and Closure Commission, the President's proposal would create an independent board of experts to identify opportunities to consolidate, reduce, and realign the Federal civilian real estate footprint, as well as expedite the disposal of properties.

This proposal would utilize bundled recommendations, a fast-track Congressional procedure, streamlined disposal and consolidation authorities, and a revolving fund replenished by sales proceeds to provide logistical and financial support to agencies in their disposal of high-value properties. It would be a comprehensive solution to key obstacles, such as red tape and competing stakeholder interests, that hinder the Federal Government's progress on improving real estate management decisions.

Most recently, Acting OMB Director Jeffrey Zients issued a May 11, 2012, memorandum, entitled "Promoting Efficient Spending to Support Agency Operations," which stated, among other things, that agencies may not increase the size of their civilian real estate inventory. Any increase in an agency's total square footage of civilian inventory must be offset through consolidation, co-location, or disposal of space.

All of these initiatives are improving the Federal Government's management of real estate, ensuring that agency decisions are made in a cost-effective way, and saving taxpayers money.

#### *GSA as Asset Manager –*

Of the 893,381 buildings and structures reported in the FY 2010 FRPP, GSA controls 9,476 of these assets. GSA's Southeast Sunbelt Region is responsible for 1,566 of these assets.

In GSA's capacity as one of many landholding agencies, we supply office space to other Federal agencies in support of their mission. We have a robust asset management program to track the utilization of our inventory, strategically invest in our assets, where needed, and aggressively dispose of unneeded assets.

As a result of our efforts, we lead the market with our vacancy rates and utilization; 3% of our portfolio has been classified as an under- or not utilized asset. In the Southeast Sunbelt Region, 2% of our portfolio is under- or not utilized. Although we work diligently to identify unneeded assets for disposal, it is important to note that not all properties labeled as underutilized are available for sale. Underutilized assets, for example, can be buildings under renovation. In fact, the majority of GSA's properties labeled as underutilized in the FRPP are not candidates for disposal. When we find underutilized space in areas where there is a continuing Federal need, GSA works aggressively to renovate and reuse the asset to achieve greater utilization.

In the FRPP, GSA identified 124 assets as excess to our own agency's needs and began the disposal process for these assets. Of those 124 assets, the Southeast Sunbelt Region had only one.

Our low numbers of underutilized or excess assets are a testament to a major portfolio restructuring implemented over the past decade aimed at "right-sizing" our real estate portfolio. In the last 10 years, we have disposed of more than 280 GSA assets, valued at \$260.5 million. Thirty-four of these assets were from the Southeast Sunbelt Region, generating \$24.4 million.

GSA has saved more than \$300 million as part of the \$3 billion goal outlined in the June 2010 Presidential Memorandum, "Disposing of Unneeded Federal Real Estate," and the Southeast Sunbelt Region has contributed approximately \$16.6 million of this total.

These savings have come through a variety of actions, including disposals. One example of a recent disposal in the Southeast Sunbelt Region is the James O. Eastland Federal Building and Courthouse in Jackson, MS. The Eastland Federal Building, which has 115,829 gross square feet of office and related space and is situated on 1.5 acres of land, was listed in the National Register of Historic Places in 1976 as a contributing property to the Smith Park Architectural District. The property was sold through an on-line auction beginning on August 15, 2011, for \$1,400,009, and was conveyed to a local Jackson, MS developer, David Watkins, on March 1, 2012, to be transformed into an institute for the arts.

#### *GSA as Disposal Agent for the Government –*

In addition to managing our own inventory, GSA has authority to dispose of most federal real property governmentwide, particularly administrative assets. GSA provides strategic direction and oversees the development of programs related to the utilization and disposal of Federal excess and surplus real property governmentwide.

GSA's is widely recognized for our expertise in repositioning property. GSA develops tailored disposal strategies specific to an asset's characteristics, environmental issues, community interests, political concerns, market conditions, and other factors impacting the repositioning of the unneeded asset. Similarly, when preparing a property for public sale, GSA develops marketing plans that optimize the public offering. We use tools and techniques designed to reach very broad audiences and we target specific niche interests.

While GSA has the expertise to navigate properties through this disposal process successfully, each individual landholding agency is responsible for making its own asset management decisions as to whether an asset is excess to its needs. In the last 10 years, GSA has disposed of more than 2,600 governmentwide assets, realizing proceeds to the Government of \$4.2 billion. GSA's Southeast Sunbelt Region helped to dispose of 222 of these assets. The majority of these public sales were conducted on [www.realestatesales.gov](http://www.realestatesales.gov) (previously known as [www.auctionrp.com](http://www.auctionrp.com)), which provides a cost-effective way to reach the widest possible developmental interests and maximize the return for taxpayers.

### *The Dyer Courthouse –*

Today, the committee has chosen to host a hearing at the historic Dyer Courthouse, a property for which we are actively exploring repositioning strategies.

The Dyer Courthouse was constructed in 1933 and listed in the National Register of Historic Places in 1983. Until 2008, the building was substantially occupied by the courts and court-related activities. The courthouse has 160,238 rentable square feet of space.

In 2008, GSA completed construction of the new Wilkie D. Ferguson U.S. Courthouse, and tenants of the Dyer building vacated to occupy the newly constructed courthouse. Due to Dyer's several unique characteristics, including shared buildings systems with its sister property, the C. Clyde Atkins U.S. Courthouse, and the fact that GSA's leased portfolio in Miami amounts to nearly 3 million square feet, the original asset management strategy was to renovate and backfill Dyer for the purposes of lease cost avoidance and preservation of a historically significant asset.

This would have been in line with GSA's general strategy of favoring owned assets over continued long-term leasing. However, with the high cost of renovation (estimated at approximately \$60 million), the current limited GSA capital program,, and other competing capital needs, there was not a clear timeline for being able to move forward with a renovation.

In light of that, as part of GSA's efforts to right-size the portfolio, and in accordance with the direction provided by the Administration on disposing of unneeded Federal real estate, GSA intends to reposition this property in the near future. On August 1, 2012, GSA issued a Request for Information seeking ideas from members of the development community interested in redeveloping and preserving the property.

Developing a strategy to reposition the courthouse will not be without some unique challenges. As mentioned, the utility infrastructure, parking, courtyard, and tunnels are shared between buildings, and the cost to separate the connections and create two separate stand-alone operations is estimated to be in excess of \$10 million. GSA will look at all potential repositioning strategies and engage the private sector to find the strategy with the highest chance of success and the highest return to the taxpayer.

*Conclusion –*

GSA is one of many landholding agencies in the Federal Government. We continue to manage our inventory aggressively to dispose of unneeded properties and increase the utilization of our buildings. We continue to work in concert with the Administration and other landholding agencies in the government to utilize real estate more effectively.

The Southeast Sunbelt Region is pleased to be able to assist with these efforts. The Dyer Courthouse is one property that helps to highlight the challenges of developing long-term asset strategies in changing fiscal times, and the unique characteristics of properties that can present hurdles to repositioning. GSA looks forward to finding the best strategy to reposition this property and working with the Committee to continue our efforts to utilize federal real estate more effectively.

I welcome the opportunity to be here and I am happy to answer any questions.