

STATEMENT OF

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COMMISSIONER**

**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

***“CUTTING SPENDING AND CONSOLIDATING FEDERAL
OFFICE SPACE: GSA’S CAPITAL INVESTMENT AND
LEASING PROGRAM”***

March 10, 2011



Good morning Chairman Denham, Ranking Member Norton, and Members of the Subcommittee. My name is Robert A. Peck and I am the Commissioner of the U. S. General Services Administration's (GSA) Public Buildings Service (PBS). I am accompanied by David Foley, our Deputy Commissioner. Thank you for inviting us here today to discuss the critical investments GSA is making in our nation's infrastructure through our FY2012 capital investments.

As the Government's real property expert, PBS develops asset strategies to effectively manage our owned and leased building portfolio. PBS utilizes a sophisticated portfolio analysis, considering a variety of critical elements including tenant requirements, energy efficiency, and building infrastructure needs.

PBS selects new construction, renovation, and leasing projects that help Federal agencies fulfill their missions and maximize taxpayer value by effectively utilizing federal space. The projects selected for PBS's FY2012 program foster economic development, build upon the recovery of the construction industry, increase asset utilization, and pursue innovative new technologies that will reduce energy usage and create jobs.

The FY2012 request assumes full funding of the FY2011 President's Budget for GSA's construction and major repair and alteration program. Since we have not yet received funding for our FY2011 capital program, GSA may need to later reconsider our FY2012 request in light of what is appropriated in 2011. If any revisions are necessary, we will notify the committee accordingly. We want to thank this subcommittee and the full Committee for authorizing in a timely manner last year the FY 2011 capital program prospectuses that we submitted.

PBS continues to demonstrate strong operational performance, surpassing many private sector benchmarks. We aggressively pursue dispositions of unneeded Federal real estate and work with Federal agencies to better utilize space and get the greatest return to taxpayers. As of the first quarter of fiscal year 2011, 82.6 percent of our government-owned assets are achieving a positive cash flow and our vacancy rate was 2.9 percent, well below the private sector vacancy rate of 16.7 percent. PBS is also driving change in the sustainability of real property by becoming a green proving ground for new and innovative technologies. These efforts, in addition to our existing programs around environmental efficiency in building operations, enable PBS to reduce the Federal government's carbon footprint and optimize energy savings.

Prioritizing Projects for the PBS FY2012 Program -

The projects in our FY 2012 capital program are critical investment needs for the country and our tenant agencies. GSA utilizes a detailed asset analysis strategy to drive investment decisions. This plan prioritizes known critical tenant agency

requirements and building infrastructure needs based on the following criteria:

- Mission urgency;
- Physical condition of the asset;
- High-performance features, concentrating on energy conservation and renewable energy generation;
- Project timing and execution;
- Improving asset utilization and making better use of our existing inventory;
- Return on investment;
- Avoiding lease costs; and
- Historic significance.

These practices and policies, developed through many years of experience, ensure that GSA strategically invests limited resources in projects that maximize taxpayer value. The projects in our FY2012 program support PBS' portfolio objectives of maintaining well functioning buildings and safeguarding the health and life-safety of their occupants.

Many of these projects have been funded partly through previous budget requests. The projects include critical developments like the Department of Homeland Security (DHS) Headquarters Campus at St. Elizabeths in Washington, D.C. and the modernization of Prince J. Kuhio Kalaniana'ole Federal Building in Honolulu, HI.



Prince J. Kuhio Kalaniana'ole Federal Building, Honolulu, HI

As mentioned before, FY2012 funding proposals for some of our projects, as in the case of St. Elizabeths, are contingent upon appropriated funding for FY2011. Therefore, the project scope and schedules proposed in FY2012 could change, depending on the amount of FY2011 appropriations. The proposed cuts in H.R. 1 to the Federal Buildings Fund in the year-long

continuing resolution for FY2011 would significantly inhibit PBS's operations and ability to meet our tenant agencies' needs.

Through our FY2012 program, PBS is continuing to push forward with high-priority initiatives to improve space utilization in our existing inventory and aggressively move vacant and underutilized assets out of our inventory. To do this, we are leveraging our partnerships with other Federal agencies to strategically plan portfolio-wide strategies and importing space utilization strategies from the private sector and from GSA's own demonstration projects over the past ten years.

PBS is investing in our nation's economic recovery, while further innovating to meet our environmental and sustainability responsibilities. These investments stimulate job growth, increase space utilization, enhance asset condition, reduce energy consumption, improve the environmental performance of our inventory, reduce our repair and alterations needs, and increase the value of our assets. Of the \$5.5 billion in American Recovery and Reinvestment Act funds allocated to GSA, approximately \$4.5 billion will go toward upgrading and making more efficient the existing federal building inventory.

We successfully met our benchmarks for obligating the more than \$5 billion we had committed to awarding by September 30, 2010. And we are on target on actual construction progress on hundreds of projects. GSA's obligations via contract awards to private design and construction firms have put more than 10,000 American workers to work.

REPAIRS AND ALTERATIONS

GSA is the steward of over 1,500 government-owned buildings, which have a replacement value of \$45 billion. PBS is requesting a Repairs and Alterations program of \$869 million to enable GSA to maintain and improve these properties so they continue to meet the mission needs of our tenant agencies. Each of these projects has a long-term federal need and is capable of becoming economically self-sufficient, i.e., the rent we collect on the asset exceeds our costs in operating and maintaining it.

The highlights of GSA's FY 2012 Repairs and Alterations Program include:

- ◆ \$402 million for Basic Repairs and Alterations;
- ◆ \$395 million for Full Scope and Major Repairs and Alterations;
- ◆ \$15 million for the Fire Prevention Program;
- ◆ \$40 million for Energy and Water Retrofit and Conservation Measures;
- and
- ◆ \$7 million for Wellness and Fitness Program.

This program includes the following proposed major building modernizations:

- ◆ \$50 million for the last phase of the Interior Building in Washington, DC;
- ◆ \$55 million for the last phase of the Harry S. Truman Building in Washington, DC;
- ◆ \$199 million for the last phase of the Prince J. Kuhio Kalaniana'ole Federal Building and US Courthouse in Honolulu, HI;
- ◆ \$50 million for the Philip Burton FBI Consolidation in San Francisco, CA;
- and
- ◆ \$24 million for the Prevedel Federal Building in Overland, MO.

All of these investments are critical, including the Basic Repairs and Alterations program, which ensures the operational continuity of our inventory. The majority of the funding is focused on aggressively optimizing federal space and decreasing vacant space. The remaining funds enable us to respond expeditiously to repair and alteration needs and ensure our assets remain operable and functioning efficiently.



Department of Interior, Washington, DC

Sustainability Measures

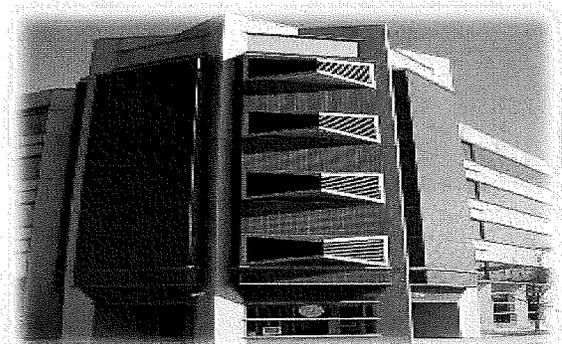
These investments are also critical to achieving legislative sustainability mandates. Funding for the Energy and Water Retrofit and Conservation Measures program is a modest but crucial part of our Repairs and Alterations request and a key element for our inventory to meet the requirements of EISA.

The FY2012 capital program includes funding to improve PBS's buildings with additional greening technologies and repairs and alterations to increase energy and water savings. With GSA's Green Proving Ground program, we hope to utilize FY2012 funding and outreach to the private industry for innovative building technologies and solutions to further reduce our energy and water usage.

Utilization of Owned Facilities

PBS is committed to maximizing the utilization of our existing inventory and avoiding costly build to suit lease construction projects. We intend to invest in the Phillip Burton Federal Building in San Francisco to consolidate the FBI in an owned building, avoiding the need for a lease project. This proposal is similar to the McNamara project from the FY2011 program that is still pending funding, which is also an investment in our existing inventory and which, if funded, will allow us to avoid a costly lease solution.

The Prevedel Federal Building in Overland, MO presents another opportunity to renovate a facility for further government use. The U.S. Army Personnel Center and U.S. Armed Forces Recruiting are departing due to BRAC, which would have led to the disposal of the building. The renovation will allow us to backfill with the Veterans Benefits Administration, maintaining a high-performing asset in GSA's inventory, avoiding



Prevedel Federal Building, Overland, MO

the need for acquisition of additional leased space. Also of note, we identified unneeded parcels at the campus and are able to move forward their disposal, significantly reducing the vacancy rate for the facility.

As you know, in his FY2012 budget proposal, the President announced an effort to accelerate the disposal and consolidation of the Federal Government's properties. The Administration is proposing a civilian property realignment initiative that will be led by a board composed of respected figures from the private and public sectors. This initiative will enable us to move currently excess and surplus properties out of the inventory of the major Federal landholding agencies, including GSA, and thus realize a financial return, the improvement of the government's sustainability, and the benefit of no longer having to keep the properties up. The effort will also help to implement large-scale consolidations across common assets and among agencies.

Moreover, as we work with Federal agencies to embrace the new "mobile workplace" and new workplace technologies and office strategies, we will reduce the amount of space they need to carry out their missions. This initiative will free up other Federal space that we will be able to move out of the Federal inventory.

NEW CONSTRUCTION

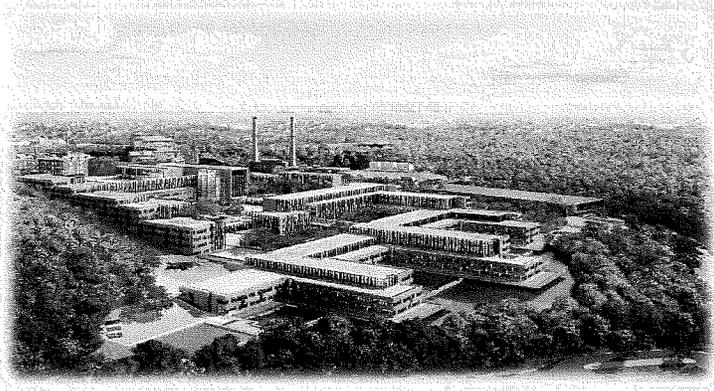
PBS is requesting a Construction and Acquisition of Facilities Program of \$840 million. Our request includes funding for site acquisition, design, infrastructure, construction, and the management and inspection costs of nine federal facilities. PBS traditionally pursues a construction and ownership solution for special purpose and unique facilities that are not readily available in the real estate market.

PBS' FY 2012 New Construction Program is focused on urgent customer priorities, particularly those investments that will improve security and foster economic development at our border crossings. This program includes:

- ◆ \$217 million for St. Elizabeths DHS Consolidation, West Campus Infrastructure, East Campus Road Development and Highway Interchange in Washington, DC;
- ◆ \$146 million for the FBI Consolidation in San Juan, PR;
- ◆ \$9 million for the Denver Federal Center remediation;
- ◆ \$97 million for the FBI Central Records Center in Frederick County, VA;
- ◆ \$60 million for the Land Port of Entry (LPOE) in Columbus, NM;
- ◆ \$174 million for the LPOE in Alexandria Bay, NY;
- ◆ \$75 million for the LPOE in Laredo, TX;
- ◆ \$36 million for the LPOE in Dunseith, ND; and
- ◆ \$26 million for the LPOE at Gateway in Brownsville, TX.

These funding priorities reflect urgent and indefinite customer needs, and investments that will ensure a long-term payback for the taxpayer.

For example, the DHS headquarters consolidation on the St Elizabeths Campus is necessary to facilitate communication, coordination and cooperation across



DHS and optimize operational efficiency. GSA proposes to continue the ongoing activities of the DHS consolidation efforts on the St. Elizabeths Campus which include infrastructure and repair investments in order to meet the needs of the current and future facility.

This project is a prime example of GSA's asset management strategy. Consolidating the operations of DHS will save hundreds of millions of dollars for taxpayers, moving DHS offices from more than 40 locations throughout the D.C. area to one centralized campus.

The Administration has prioritized investment in our Nation's border crossings this fiscal year. In addition to the \$371 million in LPOE funding in GSA's FY2012 request, the Department of Transportation has requested \$2.2 billion in investment in their surface transportation funding which, if funded, will be transferred to GSA for the design and construction of a number of critical facilities at the nation's borders. On an average day, in FY2010, nearly 287,000 vehicles, over 111,000 pedestrians, and more than 27,000 trucks pass through the Nation's border crossings. These investments prioritize the largest border crossings that support high-volume transportation and trade.

LEASING PROGRAM

To meet the space requirements of our clients, GSA has entered into more than 9,285 private sector leases in 8,094 locations nationwide. At 191 million rentable square feet, leased space comprises more than half of our total portfolio square footage. The vacant space within our leased inventory has been 1.5 percent or below for the last five years, well below the national industry average of 16.7 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. PBS is seeking authorization for the balance of our FY2011 programs, and intends to submit prospectus-level leases for the FY2012 program this summer.

CONCLUSION

PBS continues to work with our tenant agencies to help them shape their requirements to meet their mission needs, while improving operational efficiencies and space utilization to minimize costs for the American taxpayer. We also work with our stakeholders to capitalize the requirements of our aging inventory and the growing and increasingly specialized needs of our tenants. Finally, PBS strives to reduce our asset liabilities by concentrating reinvestment in core assets and disposing of unneeded assets.

Chairman Denham, Ranking Member Norton, 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 2012 capital investments, or any other aspects of the Public Buildings Service.