GENERAL SERVICES ADMINISTRATION'S FISCAL YEAR 2008 CAPITAL INVESTMENT AND LEASING PROGRAM

(110–42)

HEARING

BEFORE THE

SUBCOMMITTEE ON
ECONOMIC DEVELOPMENT, PUBLIC BUILDINGS AND
EMERGENCY MANAGEMENT

OF THE

COMMITTEE ON
TRANSPORTATION AND
INFRASTRUCTURE
HOUSE OF REPRESENTATIVES

ONE HUNDRED TENTH CONGRESS

FIRST SESSION

MAY 10, 2007

Printed for the use of the
Committee on Transportation and Infrastructure

U.S. GOVERNMENT PRINTING OFFICE

35–924 PDF WASHINGTON : 2007

For sale by the Superintendent of Documents, U.S. Government Printing Office
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May 9, 2007

SUMMARY OF SUBJECT MATTER

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: Hearing on "General Services Administration's Fiscal Year 2008 Capital Investment and Leasing Program (CILP)"

PURPOSE

The Subcommittee will meet on Thursday, May 10, 2007, at 10:00 a.m., in room 2253 Rayburn House Office Building, for a hearing on "General Services Administration's Fiscal Year 2008 Capital Investment and Leasing Program (CILP)". The hearing will focus on all aspects of the CILP program including alteration, design, modernization, and construction activities.

BACKGROUND

The General Services Administration (GSA) is the central management agency of the Federal Government. GSA was created in 1949, after the Hoover Commission recommended a central management entity for Federal personnel and real property activities, telecommunications, and automatic data processing equipment. GSA owns more than 1,500 Federal buildings totaling 181 million square feet of space, which provides office space for 470,000 Federal workers. GSA leases 172 million square feet of space in 7,300 leased properties, which provides office space for an additional 590,000 Federal workers. It also provides space in Federal buildings for child-care and telecommuting. The inventory ranges from 2,500-square-foot border crossing stations along the northern border, to million square foot courthouses located in major metropolitan areas.

The Public Buildings Service owns, operates, and develops Federal buildings. 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. PBS, with a work force of approximately 6,000 employees, owns, operates, maintains, and repairs existing Federal buildings, and plans for the construction of new Federal buildings, including courthouses.

GSA Capital Investment and Leasing Program (CILP)

The Capital Investment Program plays a key role in providing the necessary resources to maintain current real property assets and acquire new or replacement assets. The Subcommittee scrutinizes each project under the CILP to assure Members that these projects meet critical tests of need and other benchmarks. The Subcommittee on Economic Development, Public Buildings, and Emergency Management has jurisdiction over all of GSA's real property activities pursuant to the Property Act of 1949, the Public Buildings Act of 1959, and the Cooperative Use Act of 1976. These three Acts are now codified in Title 40 of the United States Code.

Funding

PBS activities are funded primarily through the Federal Building Fund (FBF), an intra-governmental fund that agencies pay into through rent to GSA for the space they occupy. Any excess funds generated by the rental system are used for building repairs and new construction. In 1975, the FBF replaced appropriations to GSA as the primary means of financing the operations and capital costs associated with the Federal space owned or managed by GSA.

Congress exercises control over the FBF through the annual appropriations process by setting limits on how much of the fund can be expended for various activities. Section 3307 of Title 40, United States Code, requires the Committee on Transportation and Infrastructure of the House of Representatives and the Committee on the Environment and Public Works of the Senate to pass resolutions authorizing the construction, repair, alteration, or leasing of space prior to an appropriation of funds. Title 40 also requires the Administrator of GSA to submit to the Committees a prospectus requesting authority for any project in excess of $2.54 million for FY 2007.[1] The prospectus must be approved by the Office of Management and Budget, and must detail the particular project, along with the cost, benefits, and plan for Federal occupancy.

Committee resolutions authorizing leases, new construction, or repair and alteration projects are usually approved and sent to the Committee on Appropriations prior to markup by the appropriate Appropriations subcommittee.

The Transportation Committee can also initiate building projects by passing a resolution in accordance with 40 U.S.C. §3314(b), which allows Congress to direct the Administrator of GSA to conduct a study of Federal space needs in a community and report back to the Committee. These reports can serve as the basis to pass resolutions authorizing the appropriation of funds for the construction, acquisition, renovation, alteration, or leasing of space for Federal use.

In many previous budget cycles, the amount requested by GSA is not fully appropriated, which results in a backlog of repair, alteration, and construction needs and delays ongoing projects.

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[1] General Services Administration Prospectus Thresholds for Owned and Leased Federal Facilities, Stephanie Smith, Congressional Research Service, January 23, 2007, RS22287.

The result of this delay is that GSA often does not need new authorizations for ongoing projects, which results in a disparity between the Administration's authorization request and their budget request.

FY 2008 Authorization Request

The President's budget request for PBS for FY 2008 includes $615 million for new construction, including $318 million for consolidation of the Department of Homeland Security. GSA's has requested:

A. Alteration

The alteration program includes approximately $272 million worth of work to be done on several projects. These projects include the Eisenhower Executive Office Building, the IRS Enterprise Computing Center, and the Nebraska Avenue Complex.

B. Design

GSA has submitted two design projects for a total of $7 million. These projects include the Heating, Operations, and Transmission District in the District of Columbia and a project at the Richard Bolling Federal Building in Kansas City, MO.

C. Construction

GSA has submitted $482 million for construction projects in FY 2008. The largest project is $318 million for the consolidation of the Department of Homeland Security headquarters on St. Elizabeth's West campus and acquisition of a parcel of land for site access. The construction portfolio also includes five land ports of entry and a National Aeronautics and Space Administration (NASA) building.

D. Leasing

GSA has submitted more than $83 million worth of leases. The bulk of the leases submitted were for the Federal Bureau of Investigation, including offices in Phoenix, Arizona, San Diego, California, Santa Ana, California, Honolulu, Hawaii, Salt Lake City, Utah, and Tidewater, Virginia. Other agencies in the leasing portfolio include the Department of Education, the Internal Revenue Service, the Department of Homeland Security, the Department of Interior, the Nuclear Regulatory Commission, and National Nuclear Security Administration.

WITNESSES

Mr. David Winstead
Public Buildings Service Commissioner
General Services Administration

HEARING ON GENERAL SERVICES ADMINISTRATION'S FISCAL YEAR 2008 CAPITAL INVESTMENT AND LEASING PROGRAM

Thursday, May 10, 2007

HOUSE OF REPRESENTATIVES
SUBCOMMITTEE ON ECONOMIC DEVELOPMENT, PUBLIC BUILDINGS AND EMERGENCY MANAGEMENT,
COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE,
Washington, DC.

The subcommittee met, pursuant to call, at 10:05 a.m., in Room 2253, Rayburn House Office Building, the Honorable Eleanor Holmes Norton [chairwoman of the subcommittee] presiding.

Ms. NORTON. Good morning. I want to welcome the Commissioner of Public Building Service here this morning and look forward to his testimony. I am especially eager to hear progress the agency has made in regard to the Federal presence in the NoMa Neighborhood, close to the Capitol. In addition, I want to hear from the agency about the progress at the St. Elizabeth's Campus and the egress-ingress plans for the campus, which require the agency to request funds for the acquisition of two acres of land along the campus.

This year's program is very modest in comparison with other years. I also would comment on the fact that no new funding was requested for courthouse construction in the fiscal year 2008 program. I think we ought to get that around the Congress so people don't keep coming to me and asking me for courthouses. The Border Station Program is the program that gets all the attention this year, with funding requested for seven border stations along both the northern and southern borders.

There are two funding requests for St. Elizabeth's Campus, one for the construction of the Coast Guard Headquarters and the other for funds to purchase land for road access, as I previously mentioned.

Since the lease package was not until recently received, the Committee will not consider the leases at this time.

I will limit my remarks, as I have many questions for Mr. Winstead.

I am pleased to recognize now Ranking Member Graves for any opening remarks he may wish to make.

Mr. GRAVES. Thank you, Madam Chair.

I want to thank the Public Buildings Commissioner Mr. Winstead for being here today. I appreciate your coming in and providing testimony on fiscal year 2008.

Each year, the General Services Administration submits to Congress a prospectus for the alteration, acquisition, design, construction, lease of Federal buildings, and courthouses. As the Subcommittee with responsibility for overseeing these projects, I believe we have an obligation to do our due diligence to ensure that projects are necessary and appropriately budgeted for.

As we review these projects, we need to make sure we are getting the best value for the Government's dollars for the taxpayers' dollars. On that note, I am very interested in the results of the comprehensive courtroom usage study that this Committee has requested. This study is going to investigate how often courtrooms are actually used for official functions, and I am very interested in the courtroom sharing as a means of keeping the costs of courthouse construction reasonable. I think it is very important that we don't overbuild when it comes to courthouses.

Additionally, I think we should take a deeper look at the cost of leasing versus Federal construction. About half of the lease prospectuses submitted this year are for the Federal Bureau of Investigation. The FBI has been growing since September 11th, and it is clear that the FBI isn't going to go away, obviously, soon, and their construction isn't going to go away soon. These are large and expensive leases; they are costly build-to-suit leases with expensive security requirements. Does anybody really think that we are going to leave these buildings after we have put so much money into them? Is leasing really the best value for the Government is the question I have.

For fiscal years 2006 through 2008, GSA has proposed 22 FBI lease projects. The estimated annual lease payments for these projects is $160 million. To deliver those same projects through construction, it would cost about $1.7 billion. That means that in 11 years these leases will cost more than if we constructed these buildings ourselves. Clearly, there is a definite cost advantage to ownership. Colossal Government waste is involved with leasing over Government-owned facilities, and we do this because of ridiculous budget scoring rules that we have.

I am looking forward to working with the Chairman in examining many of these issues as we move forward, and, again, I appreciate, Mr. Winstead, you for being here today. Thank you.

Ms. NORTON. Thank you very much, Mr. Graves. I certainly want to associate myself with your comment on leasing versus construction that has turned out to be a scoring problem that is penny wise and very pound foolish. I hope we can find some way around it to save the taxpayers' money.

I would ask Mr. Arcuri if he has any opening statement at this time.

Mr. ARCURI. No, ma'am.

Ms. NORTON. Thank you very much.

I am pleased to hear testimony now from Mr. Winstead.

TESTIMONY OF DAVID L. WINSTEAD, COMMISSIONER, PUBLIC BUILDING SERVICE, GENERAL SERVICES ADMINISTRATION

Mr. WINSTEAD. Thank you, Chairman Norton, Congressman Graves. I am very pleased to be before the Subcommittee on Economic Development, Public Buildings and Emergency Management.

I am David Winstead. I am Commissioner of Public Buildings Service. I have been privileged to serve in this position since October 2005.

I am also very pleased to have with me Deputy Tony Costa and Assistant Commissioner Bill Matthews and members of our NCR team, including Bart Bush, Art Turowski, and others.

I wanted to share with you both addressing some of the questions you just mentioned in your introductory remarks, but also I thank you for inviting me to testify here today on behalf of our 2008 Capital Investment and Leasing Program. As you know, I have put to the record a full statement addressing a lot of the issues and background on these projects.

I am happy to report to you today that Public Buildings Service, we feel, continues to have a strong operating position at the end of fiscal year 2006. Eighty-one percent of our Government-owned assets achieved positive funds from operation and our percentage of vacant space in our owned inventory, which is half of our portfolio, was 7 percent, which is way below the private sector standards. In addition, our cleaning operation and maintenance of our Federal buildings to ensure that we are meeting both safe and healthy and comfortable work environments was 4.2 percent below the private sector.

Before I address our fiscal year 2008 Capital Program, I would like to share with you some of our efforts in the recent year and accomplishments in looking at the critical organizational support we have for the Federal Buildings Fund and our program, as well as challenges that we are having with clients, as well as meeting those challenges. As you know, my predecessor spent a great deal of time on customer relations, and a lot of the things he put in place we are continuing to refine.

We have also, in the last year, strengthened our Capital Program delivery by restructuring the Office of the Chief Architect and adding a new position, Assistant Commissioner for Construction, to really focus on both the number of projects that you have mentioned—the FBI, the courthouses, and the border stations—but also focus on the reality of the marketplace. We are seeing huge costs and increase in material costs, twice as high as the CPI in recent years.

Also, in order to more effectively manage our Real Estate Leasing Program, as well as the administration of the national brokerage contract, we are also strengthening and will be working this current year on looking at our real estate acquisition and trying to strengthen that with perhaps some new support internally; and that is in addition to our customer service efforts through Assistant Commissioner Martha Benson. Given the business volume, complexity of our work, and significant stakeholder interest, I think this area has to continue to be a major priority in the coming months.

Now I would like to provide you a quick overview of sort of our fiscal year 2008 program. I believe these projects submitted meet the needs of our customer agencies and will enhance, in fact, the Federal real property portfolio. I would mention that we have had an incredible management career. Bill Matthews has been focused, as Assistant Commissioner, on our portfolio, looking at optimizing

the value, optimizing our income from the Federal Building Fund, directing capital resources to the best use, and helping us overall to manage the continued owned inventory.

Looking at repair and alteration section of the budget for fiscal year 2008, we are requesting a Repair and Alteration Program of $804 million to maintain and improve properties in GSA's inventory. GSA traditionally first looks at reinvesting in our existing owned properties before considering new construction. A recent renovation of the historic Pittsburgh U.S. Post Office and Courthouse—I mentioned this to Congressman Altmire recently—was rededicated just this last year, in November, with some $88 million in renovation expansion. We provided through that a modern office space for the courts and also invested in a landmark national register building to ensure both the Federal presence, as well as to preserve a vital part of downtown Pittsburgh.

In addition, GSA has had a longstanding practice of actively managing our buildings to reduce operating costs and energy consumption. We know that Congress and the Administration are very committed to looking for obvious energy saving efforts, and we are doing that through our 18 LEEDs buildings and all the new LEEDs, as well as lease these requirements that we are administering.

In addition this year, we are requesting $15 million for implementation of energy retrofit in Government-owned properties, such as lighting control and energy management and solar systems. Based on our previous experience, we estimate that energy savings at some 70 billion BTU or about $1.1 million annually through those efforts alone.

GSA is also continuing to support opportunities for solar and new renewable energy. In 2006, about 4.5 percent of our electricity was generated through renewable power and through renewable energy certificates, compared with a national average of about 2.3. So we are almost two percentage points higher than the national average.

Turning to the new construction portion of our program, we are requesting a Construction and Acquisition of Facilities Program of $615 million. This includes funding for site acquisition, design, infrastructure, construction, the management and inspection costs for all our Federal facilities in our inventory, which now are over 1500. An example of one of most recent major construction programs and projects is a new headquarters for the Bureau of Alcohol, Tobacco, Firearms and Explosives, which will open in the next couple of months in the North Massachusetts area, or NoMa section, of Washington, D.C. As you can see on your far left, a picture of that new facility, it is a state of the art headquarters for ATF encompassing approximately 422 million [subsequently edited by witness to read: 422 thousand] square feet.

Our largest program request this year is the Department of Homeland Security Consolidation and Development at St. Elizabeths West Campus in Washington, D.C. Our fiscal year 2008 program request for St. Elizabeths is for construction of the Coast Guard Headquarters and Command Center and the design of the DHS Headquarter elements, infrastructure work to facilitate development and funding to purchase an additional site to facilitate egress and ingress into this proposed new campus of DHS.

That second overview is a picture of the St. Elizabeths campus, the middle photograph.

GSA is also requesting funds for site acquisition, design, and construction of seven land ports of entry and funding to complete the consolidated FDA Headquarters at White Oak, which is about a $1.1 billion overall project new campus for the Federal Food and Drug Administration.

In our Courthouse Program, the President's budget contains funding to begin construction of the Buffalo Courthouse. As you know, GSA funded this project in fiscal year 2007 spending, instead of 2008.

As you turn to our Leasing Program, as I testify here today, I will tell you our leasing portfolio is now a little bit above our owned portfolio for the first time. We continue to acquire leased space for our customers, and in order to meet these space requirements, we have entered into more than 8500 private sector leases in some 7100 locations nationwide. We are very pleased, however, that the management of those lease actions, in terms of vacant space within our leased inventory, has been at or below 1.5 percent for the last four years, well below the national average of vacancy of about 11.6 percent. So we are managing these Federal leases in a very tight manner to ensure that we have fully occupied space under these lease contracts.

This year we are submitting 13 lease prospectuses and one alteration and lease space prospectus for your consideration.

In conclusion, GSA is always seeking ways to increase investment capital, to address our liability for Repair and Alteration. It is a fact that we now have over $1 billion [subsequently edited by witness to read: $7 billion] a year in terms of reinvestment needs in our inventory. Obviously we do not have quite that number in terms of this budget, so we are constantly looking at ways to restructure and access underutilized assets, our Tier 3, as we call them, and reinvest that into our owned assets.

We are also currently exploring the use and appropriate ways under existing authority to expand our program, both looking at obviously the authority we have to retain the revenues from disposal of properties, which in the fiscal year 2005 appropriations bill gave us that authority, as well as exploring some additional authority under that disposal which allows for out-leasing assets and lease-back for improved space to help to look at potentially funding reinvestment in this owned inventory.

Congress has periodically recognized the need to intervene where there is rapid growth in government programs and emerging public priorities in terms of direct funding where we have exceeded the capacity of the Federal Buildings Fund.

GSA continues to collaborate with our client agencies to address customer financial constraints, while preserving necessary capital. I have spent a lot of time over the last year working with the Federal judiciary in a very aggressive partnership to contain costs and to work with them to both administer our program and build through Design Excellence new courthouses, but also to reflect a sensitivity to their rent and delivering these projects on time and on budget.

We have identified opportunities to consolidate requirements, to reduce underutilized space, to minimize tenant improvement costs, and expiring space assignments, and we look forward to working with the Subcommittee on solutions that enable GSA to address a growing inventory and infrastructure liability, as well as the requirements of special purpose facilities such as Federal courthouses and border stations.

Before I conclude, I would mention that I am also pleased to provide to the Committee copies of some documents that we find very, very useful, both in terms of our stakeholders here in Congress and our clients. I do have copies of a number of documents. One is the state of our portfolio that essentially addresses some of the facts that I have said in testimony about the health of our Federal buildings. This last year we are now focusing on a new effort called Workplace Matters, where we essentially have a program where we are implementing workplace solutions with our clients so they can get more utilization out of the space they currently have in either owned or leased inventory.

Lastly, as you all know, for 15 years now we have had a Design Excellence program which has been recognized by the architectural profession as one of the—and in fact put us in the lead in terms of landmark Federal structures that are receiving awards from the AIA and many other organizations. In fact, this morning, the Urban Land Institute is awarding an award for one of our buildings. Every two years we have a design award that we do with our new construction. I am also giving you all a copy of our new design awards to look at.

Madam Chair, Ranking Member Graves, Congressman Arcuri, I am very pleased to be here and I hope that this has given you some background on our 2008 request. I would be happy to answer any questions.

Ms. NORTON. Thank you very much, Mr. Winstead. As you know, you are about to embark on the largest building program I think in the history of the agency with the St. Elizabeths campus. That would mean building not one agency, but a compound of agencies. I don't think there has been a building effort like that by the Federal Government since the Pentagon.

We have seen some recent spike in construction costs—they can be expected over the years when construction will take place—of the several agencies, beginning with the Coast Guard, that will be built. I would like to know how the cost of construction today has affected your Capital Lease and Investment Program on the one hand and, on the other, whether you have looked into ways of mitigating or alleviating the pressure of the rising cost of construction both in leases and now as you begin a construction program of your own.

Mr. WINSTEAD. Chairman Norton, as I mentioned earlier, we have seen an enormous increase in the marketplace over the last three or four years that is in fact doubling the CPI; 5.7 percent increase in construction average nationwide compared to 2.3 for the CPI. In Southern California, where we have seen a lot of competition with billions of dollars of school construction competing for our Federal construction leases out there on new projects, we have seen

over 12 percent increase in steel, which has driven up. So we have had to manage these projects with some new oversight.

That is why I created this Assistant Commissioner for Construction who is now in place, Bob Fraga, who has put in place many more controls in terms of both looking at variance of projects along the way, looking at how we can shorten the design process so that, as we start a new courthouse, it traditionally takes six or seven years. We try to do the design work much quicker so that the end results in the marketplace and better, obviously, meets the prospectus level funding that we have gotten authority from you to deliver this project.

I will tell you that the recent years, as you have just mentioned, have been extremely challenging, but I think with these new mechanisms in place, and what we have had in place before, I think we are going to be better able to control these projects moving forward. Also, we do not expect, in the coming year, quite the level of multiples over the CPI we have seen in material cost increases.

Ms. NORTON. Why don't you expect those in the coming years?

Mr. WINSTEAD. Our AC does not feel that it will be quite the same as it was in 2006, where we saw some 10 percent increase.

Ms. NORTON. What caused that in 2006?

Mr. WINSTEAD. Well, as I mentioned, I think competition in certain markets. Obviously, the consumption of material, steel, glass——

Ms. NORTON. The reason I ask, Mr. Winstead, is because what I think we all are going to have to get used to is not some hunch that school systems are also building where we are building and calling upon the same resources, but the Chinese are in the market.

Mr. WINSTEAD. Oh, you are correct.

Ms. NORTON. They want all the wood; they want all the steel.

Mr. WINSTEAD. Yes. No question.

Ms. NORTON. So in calculating the costs, it seems to me one has to have a global vision as to how costs are driven up. I mean, everybody is applauding biofuels, and then we find that the cost of corn is going up. I don't know what is going to happen to poor people who depend upon corn in other countries; it is an ingredient in much food that we eat.

So in a real sense it becomes very much more difficult to control costs when you are not even dealing within a regional or national market. Is this new Commissioner prepared to look at how the global marketplace will affect costs, especially as you embark with steel and concrete? You are going to be maybe 20 years building St. Elizabeths campus, for example.

Mr. WINSTEAD. Madam Chair, I think you are absolutely correct. The growth in China and India and other parts of the world that are consuming these products are driving up the prices for American construction here in the U.S. But I do feel that the tracking mechanisms of variance, in terms of project costs, the way we are reviewing them, we recently had a charrette with industry leaders from the construction industry, members of the AGC, to come and to help share with us their perspective on how they in the private sector are dealing with these cost issues. It is going to continue to be a challenge, but we are doing the best we can, and I think we

both have internal professional support, real estate and project management support, as well as outside advice, to try to deal with it.

Ms. NORTON. I know we are building in different parts of the Country and different regions. One wonders if there is not a way to somehow get the advantage from being the Federal Government in the amount of—the decentralization of the way, of course, we have to build may mean that the savings that would otherwise come, for example, to a major corporation who was building in various parts of the Country, might not come to us depending on whether or not there is some way for our role in the marketplace, wherever we happen to be building, whatever is the regional basis for the particular contracts, unless somehow we can bring to bear the fact that it is the Federal Government and the fact that we are major players, somehow, if you look at us nationally in the marketplace.

I am hoping that your new leasing commissioner, or whatever is his title, can somehow make the economies of scale come to play here.

Mr. WINSTEAD. Madam Chairman, on the point, you are kind of referencing supply side management, and one of the things we are doing more is looking at obviously the quantity, the hundreds of millions of dollars of building materials and projects we are building to manage that in terms of contracts, and we are doing that a lot more aggressively now than we were three years ago. That is part of it. I mean, we do understand the leverage we have with $2 billion in the marketplace than we should get economies.

The other thing we are doing that is new from the last year when I was here is in the ports of entry. Although we continue to design them under Design Excellence, we are looking at more modularization of the components in a port and, in so doing, trying to get economies from port to port instead of reinventing the wheel, if you will, every time we go to procure or have bids out for a new land port of entry.

Ms. NORTON. Let me ask one more question then round and then go to the Ranking Member.

I am sure the agency was embarrassed—I certainly was—particularly after the hearing we held on NoMa, to see a two-day story recently in The Washington Post about employees at the Equal Employment Opportunity Commission—and I am embarrassed because I once chaired the agency—who were up in arms about coming to NoMa cast doubt on the marketing and, frankly, realtor skills of the GSA. Now, here we have a part of Washington which the Federal Government has invested heavily, where the way has been broken open, even before the Federal Government put the ATF there, put the new New York Avenue subway there, broken open by the private sector, the CareFirsts of this world, with, of course, some Federal agencies there.

I have to ask you what was your outreach to EEOC in specific terms? What did you do? How did you handle that?

Mr. WINSTEAD. As you know, the National Capital Region has been working very, very closely with the EEOC. In fact, I believe by week's end we are going to have an action on the EEOC, and

Bart Bush is here and his people, if you need any additional information on that.

Ms. NORTON. We were very pleased to see, finally, an agency come forward, perhaps before you became commissioner, five years ago, when the GSA joined with me in having a forum, inviting in all of the developers who were already bringing amenities there with nothing. We are talking about the area in downtown closest to the Capitol of the United States. So that meant that somehow marketing of the kind that—again, the local real estate community, in whom I understand you are increasingly relying, would never have abided.

I mean, if you are trying to market a place that people don't know as well, you have got to do it, it is not going to do it for itself. Of course, there is a lot of knowledge on the part of the Committee about what is happening there, but there seemed to be almost no knowledge on the part of EEOC employees, and the chairman of the agency was left on her own. I am about to send a letter over there in which I describe some of what has been happening. But she seemed to be left on her own to handle this matter.

I called the BID—BID stands for Building Improvement District—and they are ready and willing to go, and I said, my goodness, why are we fighting this war about a part of the city where they ought to be given the prices closest to the only thing even remotely resembling a mall in the District of Columbia, two subways? What in the world are they fighting about? And if the GSA can't handle that, what are they going to do when we send a hundred and some thousand Federal employees out to St. Elizabeths, which is indeed a new area for the Federal Government, across the Anacostia?

It did not exactly inspire confidence in the skills of the agency to market property that the United States Government says is where it wants Federal agencies to locate because we have spent our money in order to accommodate their location there. I have got to find out what happened to the EEOC.

Mr. WINSTEAD. Madam Chairman, I will make sure that I get to you and the Committee exactly what meetings were held with the chairman of the EEOC in terms of discussion about locational options, and I will be happy to——

Ms. NORTON. Well, of course, the chairman—Mr. Winstead, I want you to answer the question I am asking. The chairman did her job. She knew that Federal agencies don't have the funds in their budget in order to accommodate the K Street rents. She went and did the right thing. So I am not worried about her. I want to know what you did and what you offered to help her and the agency prepare the employees to come to NoMa, not exactly the end of the world; I can walk there from here.

Mr. WINSTEAD. Well, Madam Chairman, I do know that the NCR and their customer service and leasing team were actively engaged with the EEOC. Obviously, it did not translate into full understanding at the Commissioner's level or the chairman's level, or the employees, and we will redouble efforts.

I do want to make two comments. We have put a lot of effort on customer relations and outreach and engagement, and if we were deficient with the EEOC, we will certainly——

Ms. NORTON. Well, do you not see that you were deficient with the EEOC? If we were deficient? If you have not learned anything from the EEOC experience, then how is the Committee to have confidence that you are prepared to handle, if I may say so, St. Elizabeths? Because that is, it seems to me, a much more difficult task.

Mr. WINSTEAD. Well, all I can do is to commit to you that we will redouble efforts——

Ms. NORTON. Well, let me ask for more than a commitment. I would like to see a plan from the agency on preparing employees to understand the parts of the city in which they are moving if those parts of the city don't happen to be smack dab in the middle of K Street and Connecticut Avenue. I mean, it ought to be clear that the employees need some help.

What does the agency head know? The agency head is in the EEOC business, so the agency head cannot be expected to anticipate that employees will go up there, look and see a vacant lot or so, without understanding that there is a new grocery store coming; that there is rental housing coming; that there is going to be a shuttle; that every building there has amenities on the ground floor; that we will not approve prospectuses if they don't; that CareFirst is there; that CNN is there; that NPR is coming; that CBS is coming. You know, they don't know any of that.

And if you are professional real estate people, it is not the EEOC chairman's job to do that. And, now, what she is having to do is to deal with the backlash that never should have been there before.

Frankly, I am really outraged. I am outraged because we just had a hearing on NoMa. I am outraged because I took my own time and effort, the effort of my staff and committee five years ago to work with your agency in order to prepare NoMa, and here we have The Washington Post telling people that it is not the place to go because there are vacant lots there and McDonald's. It is a terrible, terrible comment and a huge failure on the part of the agency. You need to know it, and within 30 days I want to see a plan for how you are going to do outreach to employees to prepare them to understand what is present in new areas if those areas are not the areas that are traditional areas for Federal agencies.

I will ask Mr. Graves if he has any questions at this time.

Mr. GRAVES. Thank you, Madam Chairman.

My main question is what I brought up in my opening statement, when it comes to leasing versus ownership. Obviously, the numbers bear out that over the long run it is cheaper if we were to build some of these facilities rather than leasing, but I am curious if there are any other savings. I mean, are you looking at anything differently? Would we be better off owning these facilities rather than leasing them?

And kind of as a follow-up to that, too, I know the scoring is obviously an issue and you have constraints there. What do we need to do legally to change and help that.

Mr. WINSTEAD. Congressman Graves, I know that you are concerned about the FBI leasing program as specific in terms of being a lease-construct versus Federal construction. I will tell you that I would be happy to provide to counsel and the Committee a very sophisticated economic analysis that we go through as part of the prospectus process. It is called The Automated Prospectus System,

or TAPS, where we actually look at present value calculation in terms of the options of owned versus lease-constructs versus lease actions, and we look at values comparing basically constructing a new building with altering an existing or modernization, and what payback that has over a 30-year life cycle and present value, as well as leasing a building. So we go through this kind of analysis and cost out each alternative over the 30 years, including reversionary value to buildings. So we are looking at that on every project.

In terms of the FBI program specifically, you know, we do have part of the FBI program—and I was not here when we negotiated this initially with the FBI—was to deliver on a huge number of facility needs that they needed over a short period of time. Some of this was driven by new requirements after 9/11 in terms of security. These campuses are largely secure outside of major areas, where traditionally the FBI has been in some of our Federal buildings in downtown. We were asked by Director Mueller to do this on an expedited basis, and he actually had a goal of having this program in place and largely completed by the time he completed his term.

So we have been working on a number of prospectuses, some 22. I will tell you that we got into this because, number one, we had a schedule issue in terms of delivering these projects on a very tight time frame, and we felt that the lease-construct approach and leveraging the private sector in that regard could do that quicker.

In addition, we are constrained, as you suggest, by the scoring issue and about the Federal Building Fund resources to deal with a program of this magnitude. If you look at these 22 projects and you look at the fair market value of them under the analysis that we did, the TAPS analysis, it is about $1.7 billion in annual rent. As a comparison, it is about $158 million for that portfolio of projects.

So, when we got into this program, we were dealing with their needs and direction that they were giving us, the time schedule, plus the fact that to move ahead on this we were committing the Federal Government to aggregate $159 million of lease payments annually versus $1.7 billion in federal construction. So it was really a question of availability of resources in the Federal Building Fund, the schedule, and their program and what they needed. So we have entered into this lease program.

With that said, you know, there may well be, in the out portions of this, a way that we can look at the construction based on schedule and see if there are any savings and capabilities in the Federal Buildings Fund to look at that again. But these figures I have just given you include lease-construct of all those 22 locations.

Mr. GRAVES. I didn't know if you were looking down the road. I understand trying to get them in something and get them up and going. Obviously, to go into a lease, you can get them going quicker than building a building that may take two years. Is it something, though, that you are looking at more long-term now? I mean, obviously, that is not going to go away and they are going to keep expanding.

Mr. WINSTEAD. Yes, I think it is. We also obviously—I will just give you two cases in point that sort of illustrate this. Houston,

Texas occupancy for fiscal year 2008—this is the FBI facility—leasing on that particular property will be $121 million new construction. So we actually saw an annual cost advantage of about $1.7 million.

In addition, on the San Diego side, we saw the equivalent of an annual cost saving of about $900 million going with this approach in the short-term. But we will be looking in the out years part of the program to see if we have the resource in the Federal Building Fund and, in fact, if a wholly-owned Federal facility makes more sense, and we will obviously be bringing that back to the Committee.

Mr. GRAVES. Thanks.

Ms. NORTON. Thank you very much, Mr. Graves.

Mr. Arcuri?

Mr. ARCURI. Thank you, Madam Chairwoman.

Mr. Winstead, thank you very much. Good to see you again.

Mr. WINSTEAD. Nice to see you.

Mr. ARCURI. Thank you very much for being here. I have just a couple of questions that are somewhat unrelated. The first one, can you tell us to what extent does the agency try to follow a "buy American" policy in terms of the contracts and the projects that you are working on?

Mr. WINSTEAD. Well, obviously, we have in our procurement, both evaluation for locally procured projects and that is also a part in terms of our sustainability goal, to look, in Federal construction, to look for a U.S. product in the local market. So I think we proceed on that basis with all of our projects.

Mr. ARCURI. To what extent do you comply with it in the past 10 years, the percentage of goods that you purchased that are American as opposed to non-American?

Mr. WINSTEAD. In terms of percentage? Congressman, I can't give you that here, but I will definitely get that figure back to you and your staff. Do we have it on a specific project? No.

Mr. ARCURI. Okay.

Mr. WINSTEAD. But I will get that back to you.

Mr. ARCURI. Thank you.

My next question is how does your agency incorporate energy efficiency into your design program?

Mr. WINSTEAD. Congressman, we do it under two ways, we do it both through our new construction—three ways: through our new construction in terms of LEEDs requirements; we try to obtain silver LEEDs; and one of the things that I am particularly interested in this area is to continue to try to quantify the payback and the savings under LEED certification.

We are beginning to see that there is more data and essentially more interest in sustainable buildings. About 40 percent of national consumption of energy goes into our built environment, both residential and commercial. Seventy percent of that 40 percent consumption is in electricity. So what we have been doing since 1985 is retrofitting all of our lighting in our Federal buildings to save on energy utility costs.

We are moving aggressively in terms of solar. We have a new building called NARA in Waltham, Massachusetts that has a solar roof that is essentially embedded in the rubber membrane of the

roof; it is not one of these panels, it is in fact the roof. In technology like that we have to take the lead on, and we are. We have recently participated in the Green Building Council in Denver, Colorado and had exhibits on all of our 18, now, LEEDs buildings.

In the renovation process we focus on it as well. We look at, obviously, when we are renovating a building, new chillers that have high energy efficiency; we look at basically any kind of glazing of windows, retrofitting glazing to save on cooling and heating and insulation factors. On the lease side we are working with lease provisions that will in fact drive potential landlords and developers to provide more energy-efficient buildings.

So in all three areas we are really trying to push the envelope, and I think the Federal Government is regarded as a leader in this area, and I can certainly provide great examples of that. In fact, the ATF building has a lot of the new one and NoMa has a lot of those new systems in place, and we will continue to demand it both in terms of LEED certification for new construction and in terms of our lease actions.

Mr. ARCURI. Would you consider energy efficiency to be one of your priorities in terms of your design of new buildings?

Mr. WINSTEAD. In terms of new buildings?

Mr. ARCURI. Yes.

Mr. WINSTEAD. Yes. Absolutely. Again, it rests on this huge percentage; 40 percent of energy consumption is going into basically our built environments, so we are consuming a huge portion of it. The more we can do, whether our 1500 buildings, you know, obviously, that pays off in terms of overall goals.

Mr. ARCURI. One last question I have. I understand that you use independent or private realtors at times in terms of finding space or selling buildings. Does that continue?

Mr. WINSTEAD. Yes, sir, it does. Both in terms of disposal and in terms of lease acquisition, we do use a broker. As I mentioned to you, I think, when I met with you, we do have a new program that is about two years old and a national brokerage contract where we have selected—we had a competition and four firms won it, and we are essentially using them in a leveraged capability to get the best deal in the marketplace for us, and it is proving results. I have provided, I think to this Committee, I think the agency has, and we will continue to, an update on the results from the national brokerage contract. But we are seeing, in some cases, savings way below our target.

Back to Chairman Norton's issue about leverage in the marketplace in leased actions, that is where we really do have leverage, and we are seeing—our target is about an 8 percent savings below market. In some of these national brokerage lease actions we have seen 13 percent. So we are actually seeing 2 or 3 percentage points savings.

Mr. ARCURI. And does the amount that you pay vary from market to market, depending on where in the Country the realtors are being used?

Mr. WINSTEAD. Yes, absolutely. Obviously, in the major urban markets, the cost in Lower Manhattan, where we are now negotiating a 600,000 square foot lease to reoccupy at The World Trade Center, you know, leases up there are $80 a square foot versus

other parts of the Country where they are much less. So we do go in the market, we look at both comparative and appraisal market rates; we do judge the leasing actions and what the brokerage are giving; we review the kind of rate we are getting, as well as their action in terms of what they are——

Mr. ARCURI. So you pay a prevailing wage, so to speak, to the realtors, depending on where they are.

Mr. WINSTEAD. Yes. In terms of the commission rate within that market, yes. And that is reviewed by our staff.

Mr. ARCURI. Thank you.

Mr. WINSTEAD. Thank you.

Ms. NORTON. In light of Mr. Arcuri's questions on energy, I am going to be holding a series of three hearings on energy, but I am going to begin with energy conservation. Something akin to the fascination with technology has developed in the green movement, and that is there are all these wonderful things we could be doing, and if big players like the Federal Government had been even more energetic—and, yes, the Federal Government has indeed tried to some of this—then, of course, we would have driven down some of the costs of some of the more expensive ways to conserve energy.

My concern is with ordinary energy conservation in, for example, the Federal inventory of buildings. What, if any, guidance is given to Federal agencies about common sense things that could save millions upon millions of dollars, like when to turn off lights, about heating and air conditioning temperatures to maintain, about who to be responsible in each facility for energy, is there an energy officer, for example, in every courthouse, or someone assigned that responsibility.

Some of us remember when there were long lines during the Carter Administration and the President put on sweaters. You know, we saved a lot of energy during that period, when he set the example that you didn't have to put your heat up to 80, you could put on a sweater and save fuel.

What written or other guidance do we give this huge inventory, those who occupy this huge inventory of Federal buildings around the Country and around the world?

Mr. WINSTEAD. Madam Chairman, we do have, both in our Applied Science Division, where we have energy experts, Kevin Kampschroer we do have within our Building Operations Section that reports to Bill Matthews, guidelines that obviously we are trying to manage our properties and ensure——

Ms. NORTON. Give me an example of what you are talking about. I gave you examples of what I was talking about. For example, does everybody in a Federal facility in this region have any guidance on turning lights out at night?

Mr. WINSTEAD. We do have a constant sort of regulation in terms of the local building manager in each of our properties that we are working with in terms of guidelines on contributing to the cost savings in terms of turning off lights.

Ms. NORTON. When are lights supposed to be shut off in buildings unless somebody is in the building doing work in Federal buildings in this region, for example?

Mr. WINSTEAD. Well, obviously, the older buildings don't have the same controls. A lot of our newer buildings have——

Ms. NORTON. We understand. Here you are getting back into technology again. I am not talking about controls. I am talking about you go past buildings and you see lights on.

Mr. WINSTEAD. Right.

Ms. NORTON. And you say, boy, those are some hard working people in there with all those lights on, until you recognize that there probably aren't any people there at all and that some building superintendent who was in charge of making sure that all lights were out by dah-dah-dah, you tell me, would save the Federal Government money instead of running them all night. Not to mention computers. Is there any guidance on shutting down computers?

Mr. WINSTEAD. Yes, there are, Madam Chairman. We do have——

Ms. NORTON. What is that guidance specifically?

Mr. WINSTEAD. I don't know on the timing. I don't think it varies in terms of an hour of the day, but obviously Federal employees are instructed to turn off their computers to save energy.

Ms. NORTON. By whom?

Mr. WINSTEAD. By both the agency head in terms of guidelines, as well as, obviously, our building managers that are in our buildings who, you know, are in there and obviously trying to enforce turning off lights, as well as, obviously, computers, and trying to save energy.

Ms. NORTON. Mr. Winstead, would you get me whatever written guidance already exists on that score?

Mr. WINSTEAD. Sure. I would be happy to. We will be happy to get it to you, Chairwoman Norton.

Ms. NORTON. And, again, I ask for that within 30 days.

Mr. WINSTEAD. All right.

Ms. NORTON. Until the notion of energy conservation became what it has today become, an extraordinarily urgent one, we couldn't blame GSA or anybody else for putting an emphasis in design in the 20th century sense of the word. What are you doing now, or could you do, to shift the focus away form the way a building looks or its aesthetics to how it performs. You have got to spend money on something or the other, particularly today, when there are going to be great restrictions on how money is spent.

Have you considered the tradeoff between usual design and aesthetics on the one hand and the performance of the building with respect to energy, for example, on the other?

Mr. WINSTEAD. Madam Chairman, we do, obviously, through our Design Guide and through the execution of our Design Excellence Program, we are focused much more on not only LEED certification solutions and energy efficient systems in the buildings, but also on that issue you talk about, and that is that form should follow function, and it shouldn't necessarily be driving complicated buildings because their design are in fact more difficult and more expensive to cool and heat.

I think I share with you some of that concern and reflection. I think there are some instances over the last 15 years that we have in fact designed some buildings that are aesthetically striking and beautiful, but, in fact, in terms of maybe some of the components of some of these courthouses they are not as efficient because of the

design. So we are focused on that and ensuring that that not happen in the future.

Ms. NORTON. It does seem to me that in your RFPs, to the extent that an RFP reflects the interest of the Federal Government in this kind of building performance and the tradeoff you are willing to do to get that given the costs of construction that you just testified to, for example, you would move us, it seems to me, very substantially now—go ahead, sir.

Mr. WINSTEAD. That is actually in the P-100. We are actually revising that right now, which has a lot of these guidelines, and I would be happy to get you a copy.

Ms. NORTON. We would be very much interested in seeing that.

Well, this is one of those times when the bell rings and even the congresswoman from the District of Columbia has to vote because it is a vote in the Committee of the whole. It will be a vote of about 20 minutes.

Mr. WINSTEAD. All right.

Ms. NORTON. And I will be back. So we will recess the hearing for another 20 minutes and we will return.

Mr. WINSTEAD. All right.

[Recess.]

Ms. NORTON. The Ranking Member gets to vote on a few more things than I do. I finished with the part that I can vote on and he has left word that we should certainly proceed.

I had, I think, left off asking about energy. It would just help us, as we prepare for these hearings, to also know about some of what you are already doing in implementing your energy initiatives into new construction. I know I am quite aware that you have been doing some of that for years now, so if you would get us the written information on what you are doing, that would be helpful to us.

Mr. WINSTEAD. Madam Chairman, I will get that to you, and I did mention there is a letter which I talked to counsel about that I will get to you that essentially provides the guidance that you were asking about to both our building managers and our tenants on the energy conservation issue. So I will get that letter to you. It was sent out about 18 months ago.

Ms. NORTON. We would very much like to have that.

Does GSA have all the authority it needs to implement the highest and best use of energy conservation initiatives?

Well, most of this you have been doing a great deal of this—let's say you were doing it the 20th century way, which was ahead of most developers. Now you see private companies leaping ahead. You, yourself, mentioned in your testimony that you believe that the ATF building will qualify as within the LEED family of buildings.

Have you considered, given the urgency now attached to conservation in many different ways, the competition you are going to meet in the marketplace for fuel, the uses of scores of materials in cleaning, in building, the new approaches to energy conservation that are being incorporated into buildings? Do you believe you have all the authority you need to do whatever you need to do when these new ideas begin to come forward?

Mr. WINSTEAD. Madam Chair, I do think we do overall, in terms of both the Energy Policy Act of 2005 and the Executive Order that was passed this last January.

Ms. NORTON. How is the Executive Order enforced?

Mr. WINSTEAD. There are guidelines. There is an interagency panel that is actually caucusing with all the members of the Federal Property Council to make sure that the Energy Initiative Executive Order is implemented. So I do think we are abiding by and do have the authority to achieve the kind of objectives we want. In truth, as you suggest, we are actually driving the market. We are insisting on these LEED certifications. By doing so, both the contract construction side, as well as the landlord development community, are having to meet it.

In testimony before the Senate, there was one minor change that we had in terms of the term from a 10 to 20 year, I guess it was a tax credit. It was part of my Senate testimony that I will make part of the record. There was one thing that our people did feel that would help us to amortize those energy costs over a longer period than just 10 years. That would have helped. We suggested that to the Senate. But outside of that, both with the Energy Policy Act Executive Order and our construction and lease provisions, I think we are able to achieve those objectives.

Ms. NORTON. Have you asked for the tax credit in your Senate testimony?

Mr. WINSTEAD. Madam Chair, this has to do with contracting authority for buying power. Now it is limited to 10 years. We have actually asked for legislation considering a proposal to increase that to 20 years so that the payback would be longer. So that request has been made and has been suggested.

Ms. NORTON. Well, staff tells me that that amendment is going to be included in our energy package as well to the full Committee.

Mr. WINSTEAD. Okay, good.

Ms. NORTON. Because the full Committee is—and, indeed, the majority wants the committees to submit doable proposals for energy conservation of various kinds.

Mr. WINSTEAD. Madam Chair, I think the marketplace is a part of this. If you look back, there is a group called the Green Building Council that meets annually and brings the development community together with both public building owners, such as the GSA, with private, and about three years ago they were attracting—I spoke at it about six months ago—they were attracting about 4,000 people to these conferences. The last one they had in Denver, there were 13,000 people there. So what you are now seeing is the private sector realizes that they can make money at this, so I think a lot of these new energy saving systems that are showing payback over two to three years—we do have better data I would be happy to provide to the Committee.

Recently, at a presentation I heard from BOMA, they actually looked at, for all these energy systems like new chillers and glazing and various other, what the payout is in years, and I would be happy to provide that to the Committee, because it is much shorter than you would think. For most of the new technologies, the payback is between two and three years. Some people have been argu-

ing this is going to take a decade or more to keep this competitive if we go this way. But I will provide that to the Committee.

Ms. NORTON. You, of course, are a big rate payer in a region like this. Have you ever considered ways in which, again, given the importance of the Federal Government in regions like this—the Defense Department would be another one in various regions of the Country, but certainly the GSA—how you could affect building codes to reflect more energy efficient buildings, building codes in the regions where you are located? Is there any way for GSA to affect this project?

Again, the Federal Government is such a big player. Nobody would try to regulate them. But here we are a big player. Are we using all of our considerable presence?

Mr. WINSTEAD. I think we are, Madam Chair. I am sure there is more that we can do, but our P-100 reflects a lot of these new systems and requirements, and in terms of the District they have a new incentive, as you know, in terms of development in the District for LEEDs, so I think we are going to see that more in communities around the Country.

Ms. NORTON. See, that really goes to my question. I see communities on their own. Did you have anything to do with the District's LEED proposal?

Mr. WINSTEAD. Well, I don't know whether we actually reviewed the legislation——

Ms. NORTON. The reason I ask is to the extent we are in these areas——

Mr. WINSTEAD. Absolutely, we should be engaging.

Ms. NORTON.—a major player, it would be a good thing to be involved in them locally.

Mr. WINSTEAD. We will definitely follow up with you.

Ms. NORTON. There will be no developer here bigger than the GSA, so if the GSA is at the table, you are likely to have an effect upon how building codes shape up.

You have $15 million for energy programs in your fiscal year 2008 budget. How is that to be used?

Mr. WINSTEAD. That is for, Madam Chair, specific projects beyond what we are including in new construction. That is for basically looking at electronic monitoring devices and looking at specific, some solar applications. So these are special projects that are funded by that $15 million.

Ms. NORTON. For buildings, for sites, for——

Mr. WINSTEAD. For specific projects in various buildings around the Country. But this is beyond what we are doing under the LEEDs. That is for specific projects for that $15 million. And we will be happy to break that out for you.

Ms. NORTON. I would like to know about your progress on the St. Elizabeths campus.

Mr. WINSTEAD. Sure.

Ms. NORTON. This Committee has been very active with the appropriators and, unlike last session, we believe we have gotten the appropriators to some understanding of the importance of not letting the President's allocation be disbursed elsewhere. It was a terrible thing to happen that we didn't have the ability to get that

through last time. So staff has done a very good job of keeping in very close touch with our appropriators.

Would you tell me why the Homeland—oh, and I should mention that who is just as adamant about the new headquarters on the St. Elizabeths campus because of the management difficulties the Homeland Security agency has encountered is the chairman of that committee, who has also pressed very hard for this building to start.

First, could you tell me why this appropriation was divided between two committees? Here we have GSA responsible for construction, no matter what type of construction it is, and yet some of the money was put into the Homeland Security budget. I realize it is the Homeland Security building. Has that generally been the case, if you are building a building specifically for an agency, it is divided between committees, the GSA committee and the committee which normally handles its appropriation?

Mr. WINSTEAD. Chairman Norton, as you know, in our request for St. Elizabeths, which is considerable in the budget, there was additional appropriations on the DHS side to move that——

Ms. NORTON. Is it a technical reason why it was on the DHS side? As I understand it, that is for the wiring and the security upgrades and the rest, without which you couldn't build a building anyway. Does anybody know why that occurred? That was a tremendous problem last time.

Mr. WINSTEAD. I think that is typical in terms of what that was funding, versus what we have in for moving these elements of the Coast Guard Headquarters forward.

Ms. NORTON. Well, apparently——

Mr. WINSTEAD. It is agency equipment, telecommunications.

Ms. NORTON. Yes. Like furniture, I guess.

Mr. WINSTEAD. Yes.

Ms. NORTON. You fund the base building. It really was a terrible impediment——

Mr. WINSTEAD. To the issues last year.

Ms. NORTON. Yes, it was. We believe it won't be, but we are working double-time, and I would like to know what you have been doing, particularly in the Senate, to make sure that this appropriation goes through. I don't believe the agency did all it could have done last time.

Mr. WINSTEAD. Well, I remember last year, and continually, we have been in touch with you and your staff on this. Since March of 2006 we have had over 12 briefings on Capitol Hill with the appropriators on the House and Senate side to try to move this project forward, which I have heard directly, not in recent months, but from Michael Jackson, and I actually talked to Secretary Chertoff in January about this project, and he was very supportive of it. So I know that the issue is getting this money through Capitol Hill and us being diligent, along with this Committee, obviously, in ensuring the appropriation side gets done.

Apparently we had, even recently, May 14th—I mean in four days, rather, we are going to have a briefing for the Senate on this same subject, so my sense is the agency has been very aggressive in trying to make sure that we are briefing the House and Senate appropriators on this, the importance of the project. Back in Octo-

ber, as you know, Madam Chair, the housing plan that we were worried about a year ago that was not specific enough to convince certain of those.

We think that is in place and we are, in fact, as you know, rapidly almost completing the Master Plan, of which I was briefed last Friday and would be happy to provide additional briefings to you and your staff on. So I think things are moving, and we will just work diligently, as we will with the Senate group in four days, to make sure this appropriation action gets done.

Ms. NORTON. Well, I am very pleased to hear that you are briefing the Senate, because we have done our homework over here. Now, we believe we are in decent shape here. We are watching it every day to make sure that nothing slips off the side of the cliff, but we need your help and Homeland Security's help on the Senate side as well, because obviously we are on pay-go this year, and this is the easiest money to pull out because it is for bricks and mortar.

It also happens to be for an agency which is crippled, frankly, by having 60 different locations, 80 different leases, huge shuttle costs. When the authorization bill was passed for the Homeland Security bill yesterday, I didn't go in to talk about ordinary homeland security measures on which I have been very deeply involved; I went to talk about what it means to have gone to all the trouble after 9/11 to put together this building, and then to have it exactly as it was, with people having to shuttle all over the place with duplicate facilities of every kind, from mail rooms to child care facilities.

Mr. WINSTEAD. Madam Chair, one element of this that I just wanted to bring you up to speed on is the historic preservation elements here that we are working very hard on. I had a briefing last Friday on what our alternatives do in terms of preserving that historic element of St. Elizabeths. I would also mention that I have, as we have on the appropriations side, I have actually reached out personally to the chairman of the Advisory Council on Historic Preservation, a guy named John Nau, whose role, that Council's role is to advice Federal agencies on the issue of historic buildings preservation. I have reached out to Dick Moe, who is with the National Preservation Trust.

Both of those gentleman I have talked with about St. Elizabeths so that as we proceed on the Master Plan and begin to move on the issue of scale and density and restoration of certain buildings—as you know, we have 60 buildings on that campus—that we have the historical preservation.

Ms. NORTON. The historic preservation people are likely to be the last ones to come under the tent. What is your view of where they stand on these matters?

Mr. WINSTEAD. Chairman Norton, I think our historic preservation people at GSA are working very closely with, as I mentioned, the Advisory Council on Historic Preservation. They actually asked a group of their board to work on St. Elizabeths in an advisory way with us. The chairman of that is this gentleman I mentioned named John Nau. I have shared, obviously, the efficiencies of consolidating DHS there, the positive economic development impact on the community in that area. He is a businessman very sensitive to that, but he is going to try to make sure that we adhere to the Sec-

tion 106 requirements, but he is obviously very much in support of the concept, generally. The densities are the issue, and we feel we have some alternatives that we are studying that will be acceptable, and we are going to continue on that stretch.

Ms. NORTON. Well, we will get through it. We will get through it, but we can expect—and, of course, GSA is old hands at having to deal with various parts of the community, including the historic preservation. I am a strong historic preservationist. I live in a historic district in D.C. and in one of those houses that you can't change, so I understand it very much. This is part of the city which no developer could ever develop because of the number of historic buildings. There are a number of them we are going to preserve. Some of them may not be as historic as people think, so we are going to have to do what is necessary.

I finally want to ask you a set of questions about cost as a factor in leasing, and want to just put you on notice that the Subcommittee will be taking some actions to make sure that agencies do not have the authority they believe they have, but which the statute clearly does not give them, to pick and choose wherever they want to go, no matter the cost to the taxpayers. That was always wrong. It becomes really impossible now. The EEOC Chair, I think, recognized not only that her own budget had been cut very substantially over the years and that she had no choice, but that we were to a point where that simply wasn't going to be allowed.

So the Committee intends to take action. But I need to know what you are doing to make the cost of the lease itself a bigger factor in deciding where to locate agencies so that agencies have a realistic sense of where they can find sites that are indeed appropriate for them with the appropriate amenities, but recognizing that the day is over when they can decide as if they were private people with their own pocketbook. What have you done to make the cost of the lease a bigger factor in the location of Federal agencies and in making Federal agencies understand that you will consult with them, but that the statute does not make them the final arbiter of that matter when it comes to the expenditures involved?

Mr. WINSTEAD. Madam Chair, I know that this has been a concern of yours for some time, and I know that there is history of certain moves over the last decade—I wasn't party to them as Commissioner—where we actually made recommendations and there were other appeals higher up the chain and they ended up trying to get to some place other than where we have directed them based on real estate, our procurement guidelines, and low-cost considerations, which is what you are most concerned about.

We continue to work hard looking at all the rules, the Section 102 under the Federal Management Regulations, our GSA Customer Guide to our tenant agencies in terms of requiring delineated areas and making sure there is full competition and those aren't constrained, including places like NoMa, as you know, we have done. The reality is we are going to continue to set and require the requirements and ensure that they adhere by our decision in terms of we are the landlord, we are the real estate experts; and that is what we try to do in all of our procurements, is to drive to both low-cost for the Government, as well as satisfactory location

and workplace solutions for our Federal tenants, and I will continue to do that.

I know you had great concern over NoMa. You and I are on the same wavelength. I spent, in my prior career, a lot of time understanding the potential in areas like that in terms of both lease cost as well as transportation accessibility and amenities. I frankly think that our existing policies set a framework that allows us to achieve low-cost lease options, but also engages the agencies in terms of delineated areas and in terms of ultimate decisions in terms of location decisions.

Ms. NORTON. We believe the agency needs help. The fact is that the evidence is before us that clearly agencies have been able to further delineate after there is a delineated area, and they do so, they say, because they want to be near "customers." That, of course, is code for lawyers and code for being in the highest cost parts of the District of Columbia. That is what lawyers can afford. In a city the size of the District of Columbia, with an excellent transportation system, a taxi system, a livable walkable city, the notion that you have to be "close to your customers," this is not Manhattan. This is a not a huge city. And, yet, there is no question that NoMa would not be empty except for I guess one agency, which now is having to fight its own employees to locate in NoMa because they don't have the available information.

In effect, what has happened is that GSA, for all of its expertise—and I am a big fan of this agency for its expertise, for the way it does much of its work, but the fact is that GSA has allowed agencies to redline parts of the District of Columbia. There is no question in my mind that that is what happened in NoMa. The people did so because they did not know that NoMa was the place, the up and coming place. They had not been sold on NoMa. So we do not intend to allow that to continue. That is why I want you to, on your end, get to the Committee what you intend to do in very specific terms to reach out to employees, and we believe the agency needs help.

Very frankly, I will tell you that I think part of the problem is that EEOC is structural. EEOC is a peer agencies of these agencies, and it would take considerable strength and some, perhaps, ammunition besides perhaps what you have had to, in fact, make agencies understand that they are not free agents here. We have seen how the courts have just used the fact that they are courts to try to run roughshod all over GSA literally for every single year that I have been on this Committee, so I have some understanding. At least with agencies, they are peer agencies. The courts have tried to lord it over GSA as if they were somehow very special and had to be treated very specially. Well, the agency needs help, and under the new Congress we intend to give you that help.

Mr. WINSTEAD. Chairman Norton, under both the FMR 102 Section 83, as well as Executive Order 12072, which deals with space assignment and efficiencies, I will look at those carefully and get back to you recommendations that we think you should consider that could tighten it and give us more. I don't know, my lawyers will look at it and get back to you in terms of what we think are needed in those sections and others to strengthen both the result of low-cost leases as well as, obviously, locational decisions that are

correct for the agency. I do know the history here, so I would be happy to look at these sections and others and get back to you.

Ms. NORTON. Well, that is really the way to proceed. To the extent that the agencies can help us as we design new policies, that is the best way, for the agencies to come to the Subcommittee and say we need help, and this is the kind of help we could best use. We would be very much open to receiving that. The only bottom line is it is not going to continue the way it is, and the agencies really have developed this culture—that is all it can be called. It is an impression that they have, and they need to somehow have that abruptly turned around, other than being put in the position the EEOC is in, where she is out there fending for herself, trying to make people understand that she really doesn't have any recourse. And guess what, she does not. She really does not have any recourse, and they believe that by being—they are treating this as a protest action.

Nobody would ever make or require Federal employees to go where there weren't all the amenities necessary. It is of course the case that the statute contemplates that Federal agencies will lead the way. Here we are not asking them to lead the way, and it is very interesting that big private entities are willing to lead the way based on cost and based on their analysis of the area and what is likely to happen, and in the Federal Government that has been harder to get across.

I don't want to continue to beat upon the agency for this. I recognize that this is not entirely your responsibility, it is the responsibility of this Committee. I would welcome, welcome your participation in this effort and any information or recommendations that you can give us, and I would caution you that you should do that before we have the hearing on the leases, because I intend to make this known at that time.

Mr. WINSTEAD. We will get it right back to you.

Ms. NORTON. Thank you very much.

This hearing is adjourned. Thank you all for attending.

[Whereupon, at 12:05 p.m., the subcommittee was adjourned.]

Subcommittee on Economic Development, Public Buildings and Emergency Management

Hearing on "General Services Administration's FY2008 Capital Investment and Leasing Program"
Thursday, May 10, 2007

Statement – Congressman Jason Altmire (PA-04)

Thank you, Chairwoman Norton, for holding this hearing today to examine the General Services Administration's Capital Investment and Leasing Program (CILP). The Subcommittee on Economic Development has oversight over the General Services Administration (GSA) and its activities. CILP plays a key role in providing the necessary resources to maintain current property and acquire new assets.

In the FY08 authorization request, $615 million is included for new construction activities by the Public Building Service, $272 million worth of alterations, two design projects for a total of $7 million, $482 million for construction projects – mostly for the consolidation of the Department of Homeland Security's headquarters, and $83 million worth of leases. It's important for this Subcommittee to fully review these requests to ensure the proper stewardship of the taxpayer dollar. I appreciate the opportunity to learn more about the alteration, design, modernization, and construction activities of the GSA and look forward to today's testimony from Commissioner Winstead.

Thank you again, Chairwoman Norton, for holding this hearing. I yield back the balance of my time.

# # #

ELEANOR HOLMES NORTON
DISTRICT OF COLUMBIA

COMMITTEE ON HOMELAND SECURITY
SUBCOMMITTEES:
EMERGENCY PREPAREDNESS, SCIENCE AND TECHNOLOGY
PREVENTION OF NUCLEAR AND BIOLOGICAL ATTACK

Congress of the United States
House of Representatives
Washington, D.C. 20515

COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE
SUBCOMMITTEES:
RANKING MEMBER, ECONOMIC DEVELOPMENT, PUBLIC BUILDINGS, AND EMERGENCY MANAGEMENT
AVIATION
WATER RESOURCES AND ENVIRONMENT

COMMITTEE ON GOVERNMENT REFORM
SUBCOMMITTEES:
FEDERAL WORKFORCE AND AGENCY ORGANIZATION
CRIMINAL JUSTICE, DRUG POLICY AND HUMAN RESOURCES

STATEMENT OF
THE HONORABLE ELEANOR HOLMES NORTON
SUBCOMMITTEE ON ECONOMIC DEVELOPMENT, PUBLIC BUILDINGS, AND EMERGENCY MANAGEMENT
MAY 10, 2007

The Subcommittee hearing will come to order.

I welcome the Commissioner of the Public Building Service here this morning and look forward to his testimony. I am especially eager to hear of progress the agency has made in regard to the federal presence in the NOMA neighborhood. In addition, I want to hear from the agency about the progress at the St. Elizabeth's campus and the egress/ingress plans for the campus which requires the agency to request funds for the acquisition of 2 acres of land along the campus.

This year's program is very modest in comparison to other years. I also would comment on the fact that no new funding was requested for courthouse construction in the FY 08 program. The border station program is the program that gets all the attention this year with funding requested for seven border stations, along both the northern and southern borders. There are two funding requests for St. Elizabeths campus - one for the construction of the Coast Guard Headquarters and the other for funds to purchase land for road access as I previously mentioned.

Since the lease package was not recieved until just recently, the committee will not consider the leases at this time.

I will limit my remarks as I have many questions for Mr. Winstead.

I now recognize Ranking Member Graves for any opening remarks he has.

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STATEMENT OF

DAVID L. WINSTEAD

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

MAY 10, 2007

Good morning, Madam Chair, Ranking Member Graves, and Members of the Subcommittee. My name is David L. Winstead and I am the Commissioner of the Public Buildings Service at the U.S. General Services Administration (GSA). Thank you for inviting me here today to discuss GSA's fiscal year 2008 Capital Investment and Leasing Program.

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 over 347 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 good economies to the American taxpayer.

In support of our mission, PBS is charged with the responsibility of managing the Federal Buildings Fund (FBF), a revolving fund that was created by Congress in !972. Today, the FBF funds the space needs of more than 500 Federal agency bureaus, including the Judiciary and Members of Congress, using a market-based approach. Congress appropriates funds to our customer agencies that then pay into the FBF the equivalent of commercial rent for the space they occupy. The FBF then provides GSA with the funds to rent space from the private sector, 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 2007, 82% of our government-owned assets are achieving positive funds from operations; our percentage of vacant space in our owned inventory at

8.8% continues to be below private sector standards. Additionally, our cleaning maintenance and utility costs are 4.9 percent below industry standard.

Before I address our FY08 capital program, I would like to share several accomplishments that address critical organizational leadership and customer challenges we face. First, to strengthen our capital program delivery, I have restructured the Office of the Chief Architect and added an executive level position with responsibility and accountability for construction program delivery. This new Senior Executive complements the work of the existing executive Chief Architect position, which is responsible and accountable for the design of our capital projects. I have every expectation that the executives in these positions will lead us to improved delivery of high performing, sustainable real property assets that meet the customer's functional needs at a price they can afford.

I am also establishing an organization dedicated solely to focus on real estate acquisition. Given the business volume, complexity of this work, and significant stakeholder interest, I have made this one of PBS' highest priorities. This new office, led by a Senior Executive, will primarily focus on improving the real estate leasing program.

Finally, I have committed significant personal effort to strengthening our relationship with two of our primary customers, the Judiciary as well as the Department of Homeland Security, particularly the Customs and Border Protection bureau, which is responsible for land ports of entry. These are our two largest tenants and historically represent a significant portion of our capital program.

I am pleased to be here today to request your authorization of the individual projects that make up our FY 08 capital program. We believe these projects will best meet the needs of our customer agencies and will enhance the Federal real property portfolio.

We have analyzed these projects and determined that they meet several overall portfolio objectives, such as:

- Optimizing the value of our portfolio of owned assets by assessing the financial performance building by building;
- Optimizing FBF income by enhancing current asset performance through needed reinvestment and acquiring new assets to meet emerging long-term Federal requirements;
- Directing capital resources primarily toward performing assets with a workout or disposal strategy for under- and non-performing assets;
- Ensuring 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
- Fulfilling our responsibilities under the National Historic Preservation Act to protect and preserve our historically significant public buildings.

REPAIR AND ALTERATIONS

GSA is the steward and custodian of 1,532 Federal buildings, which have a replacement value of about $41.7 billion. We are requesting a Repair and Alternations Program of $804 million to maintain and improve those properties that are in GSA's inventory for which there is a continuing Federal need and which are capable of being economically self-sufficient.

The highlights of GSA's fiscal year 2008 Repair and Alterations Program include:

- $350 million for the Basic Program;
- $76 million for the Limited Scope Program;

- $356 million for Major Modernization;
- $7 million for the Design Program; and
- $15 million for the Energy Program;

In dealing with the finite taxpayer resources, I should note that we evaluate and rank our repair and alterations proposals based on the following criteria:

- Economic justification in terms of financial return and present value cost;
- Project timing and execution risk;
- Physical urgency based on building conditions and needs; and,
- Customer urgency based on mission requirements and overall satisfaction levels.

The projects before you today have passed these criteria and reflect sound investment in the owned portfolio.

Energy Program

As noted earlier, we are requesting $15 million for the implementation of energy retrofits in government-owned buildings. These projects represent good savings-to-investment ratios with reasonable payback periods of six years, on average. Projects include facility HVAC systems, lighting and controls, building automation systems, increased efficiency for motors and variable frequency drives, distributed generation, as well as other energy saving technologies. Based on previous experience, we estimate energy savings at 70 billion BTUs and $1.125 million annually.

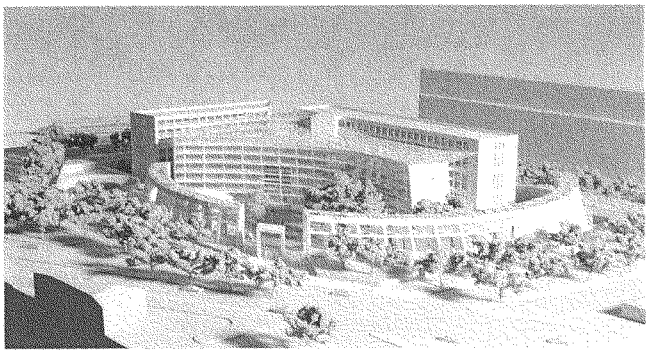
GSA also continues to explore opportunities for solar and other renewable energy. In 2006, 4.5% of our electricity was generated from renewable power or bought through renewable energy certificates, compared with the national average of 2.3%.

Combined heat and power (CHP) systems can also be a source of both energy security and savings. The Food and Drug Administration Office in White Oak, Maryland is a great case study. Using an energy savings performance contract (ESPC) to install a 5.8-megawatt facility, we saved more than 37 million kilowatt-hours, $1.4 million in energy costs, and $2.1 million in annual operation and maintenance costs (FY 2003 data).

We have achieved tremendous reductions in energy consumption and costs largely due to the investments funded by Congress coupled with the concerted efforts of our property managers working with our client agencies. In fact, between 1985 and 2005, GSA achieved a 30% reduction in energy consumption while our utility costs are consistently lower than those in the private sector. However, as we accomplish projects with quick payback and simple designs, the challenge of achieving this level of energy reduction will become increasingly more difficult and more costly.

NEW CONSTRUCTION

We are requesting a Construction and Acquisition of Facilities Program of $615 million. Our request includes funding for site acquisition, design, infrastructure, construction, and the management and inspection costs of these Federal facilities. PBS traditionally pursues a construction and ownership solution for special purpose and unique facilities (such as land ports of entry and courthouses), which are not readily available in the real estate market. In addition, we recommend new construction when it is economically advantageous and where there is a long-term need in a given locality.



For example, we found new construction to be in the best long-term interest of the government to house the Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF). This new GSA Federal Building (which is displayed here) sits at the intersection of New York and Florida Avenues, NE, in Washington, DC, and will serve as the ATF headquarters. It is a state-of-the-art facility encompassing approximately 422,000 gross square feet.

The building contains new and innovative construction elements, including a raised access floor plenum throughout to enclose all utilities and provide HVAC distribution, and a continuous "foil" atrium skylight. The building is also designed within the guidelines of the LEED™ (Leadership in Energy and Environmental Design) Green Building Rating System and is being constructed to achieve at least a certified level.

GSA is also developing the St. Elizabeths West Campus site as the new headquarters for the U.S. Department of Homeland Security (DHS). St. Elizabeths is a 176-acre site located in Ward 8 of Southeast Washington, DC. It is the only federally-owned site within the District of Columbia that is large enough to accommodate the housing needs that DHS has identified for its headquarters facility to co-locate up to 14,000 employees. Doing so will enable

DHS to house in one location all components of its organization that need to be able to assemble together quickly to respond to natural and man-made disasters.

Funds being requested for FY2008 will enable GSA to start construction of the US Coast Guard's new headquarters at St. Elizabeths as well as begin design of the project's second phase. The Coast Guard will be the vanguard of DHS to occupy the site; the Department's headquarters should be in the next phase of development, with additional departmental components to follow in the third phase.

The highlights of GSA's fiscal year 2008 Program include:

- $319 million for the Coast Guard Consolidation and Development of St. Elizabeths Campus in Washington, DC;
- $58 million for the Food and Drug Administration Consolidation at White Oak, MD;
- $21 million for infrastructure activities at St Elizabeths West Campus;
- $7 million for an additional ingress/egress point to the St. Elizabeths West Campus;
- $155 million for site acquisition, design, and construction of seven land ports of entry; and,
- $9 million for the Non-prospectus Construction Program.

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 172 million square feet, leased space comprises half of our total portfolio square footage. We are pleased the vacant space within our leased inventory has been at or below 1.5 percent for the last four years; well below the national industry average of 11.6 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. This year we have submitted 13 lease prospectuses and 1 alteration in leased space prospectus for your consideration. Many of the leases in our submission would be candidates for Government-owned facilities. Because of the lack of available resources to fund these requirements in GSA's Construction program, we must request leasing authority for long-term, specialized customer requirements.

CONCLUSION

GSA continues to collaborate with our client agencies to identify approaches to address customer financial constraints while preserving the necessary capital for the FBF. We are identifying opportunities to consolidate requirements, reduce underutilized space, and minimize tenant improvement costs in expiring space assignments. Through these efforts, we are working with our customers to better manage their costs while meeting their requirements.

As we strive to collaborate with our customers to reduce costs, GSA faces challenges to fund the requirements of our aging inventory and meet the growing needs and special requirements of our customers. All Federal landholding agencies are struggling to fund reinvestment needs as documented in the April 2007 GAO Federal Real Property report.

GSA continues to address our asset liabilities through a portfolio management strategy focused on concentrating reinvestment in core assets and disposal of underutilized assets. Using new authority granted by Congress in the FY2005 appropriations bill, GSA retained proceeds from the sale and outlease of assets, returning over $100 million to the Federal Buildings Fund. We are currently exploring the use of additional authorities to outlease assets with lease back of improved space as an alternative to funding needed reinvestment.

Madam Chair, Ranking Member Graves, 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 2008 Capital Investment and Leasing Program, or any other aspects of the Public Buildings Service.

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