



U.S. General Services Administration

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Committee on Transportation & Infrastructure
Subcommittee on Economic Development, Public Buildings, and
Emergency Management
“Federal Triangle South: Redeveloping Underutilized Federal Property
through Public Private Partnerships
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Introduction

Good morning Chairman Barletta, Ranking Member Carson and Members of the Subcommittee. Thank you for inviting me to appear before you today.

At a time when budgets are tightening across the government, the mission of GSA to provide value to the government and the American people is more important than ever before. The savings and services we provide allow our partner agencies to focus their important resources on their critical missions. However, the fact is that in the current fiscal environment, reduced budgets are having an undeniable effect on the public infrastructure.

Today's hearing looks to explore increased utilization of public-private partnerships, both at GSA and across government. In a very real way, GSA's Public Buildings Service *is* a public-private partnership. Approximately 92 percent of the revenue in the Federal Buildings Fund is invested right back in to the private sector. These funds pay private sector landlords for existing lease obligations, private sector service companies to operate and maintain our buildings, and private sector design and construction firms to repair and construct our buildings.

At GSA, we are dealing with a building inventory that includes some of the oldest buildings in the country, buildings that not only need repairs to keep them in working order, but often require renovations to ensure that they are up to the standards of 21st century government.

Unfortunately, in recent fiscal years, GSA has been unable to use the rent that we receive from our partner agencies to fund the high priority mission needs of partner Federal agencies and to make basic repairs to the public buildings we hold in trust. In fact, we are now faced with cuts that could force GSA to default even on our existing lease obligations. In the face of these continued challenges, I am committed to exploring all of GSA's authorities to reduce the cost of real estate, meet our partner Federal agencies' needs, and repair and maintain our public buildings.

Savings at GSA

GSA partners with private industry to deliver needed space and service to our fellow agencies. Utilizing our consolidated buying power and real estate expertise, we are able to drive down the costs of leasing, operating, and maintaining the government's real estate footprint. GSA negotiates leases that, on average, are more than 11 percent below market rates.

By aggregating the space needs of a variety of agencies, we are also able to aggressively utilize our public buildings. Nationally, GSA's vacancy rate is 3.1 percent, far below the private sector average of 17.4 percent. If our vacancy rate was as high as the private sector's, it would cost the taxpayers an additional \$1 billion this year alone.

New Tools

Beyond our traditional, ongoing partnership with private industry, GSA is interested in further exploring the use of flexible authorities that do not require upfront appropriations.

To that end, and with direction from Congress and this Committee in particular, this year, GSA used its authority under Section 111 of the National Historic Preservation Act to outlease the Old Post Office. We reached an agreement for the investment of \$200 million in private sector funds in the restoration of this 114-year old federal building. This significant investment will allow us to convert the Old Post Office into a mixed-use development that will serve the local community, preserve the historic facility, and save taxpayer dollars. We also will receive a base rent of \$250,000 per month, which escalates at the Consumer Price Index over the term of the 60-year lease. The funds that GSA receives from the Old Post Office lease can be used for repair and upkeep of historic federal buildings across GSA's inventory, saving additional taxpayer dollars.

We are also actively exploring new approaches to leverage the value of our older, outdated buildings to get new, highly efficient space for our partner agencies. Across the country, we have put in motion several potential exchange projects, including the J. Edgar Hoover building here in Washington, D.C., and, of course, the project that is the subject of today's hearing: Federal Triangle South.

Federal Triangle South

Federal Triangle South is a proposed exchange that looks to leverage the value of several buildings in southwest DC to fund new, highly efficient space for the agencies currently housed there. Right now, the buildings that comprise this area represent a significant challenge as well as an opportunity for both GSA and the agencies that occupy them.

The Cotton Annex is empty. The GSA Regional Office Building at 7th and D Streets Southwest is an inefficient and unattractive space that was not constructed with the modern realities of a mobile workplace in mind. The Department of Energy Building is another facility that does not accommodate its tenants' needs for space or facility amenities and underutilizes the valuable land on which it sits. The Federal Aviation Administration buildings are in the best shape of any of these facilities, but they too are not equipped for the needs of a 21st century government agency.

On December 2, 2012, GSA issued a Request for Information to identify creative solutions to the challenges presented by these buildings, and on February 4, 2013, we received 10 responses. GSA has evaluated these responses and developed a strategy for how best to proceed, and we expect to issue a Request for Proposals in the near term.

We are excited with the prospect that GSA's initiative to exchange some of our existing inefficient and outdated properties for facilities that better serve today's needs will facilitate the District's effort to transform the properties at Federal Triangle South to create a mixed-use neighborhood connecting the National Mall to the Southwest Waterfront as envisioned in the SW Ecodistrict Plan, a plan jointly developed by the National Capital Planning Commission, GSA, and 15 federal and District government partner agencies. We believe we can both provide for the 21st Century space needs of Federal employees and create a place in which people will want to work, live, play, and learn. By exchanging underperforming federal property for the upgrade and renovation of other federal facilities, we can help replace a cold, sterile, utilitarian, single use enclave with a vibrant, diverse, and special community of its own.

In Federal Triangle South, we will be able to reexamine how the federal government uses these buildings and also reassess how this space fits into the surrounding community. Furthermore, as we look to address the needs of our partner agencies, we also have important opportunities to contribute to the economic development and sustainability of the places they call home. As the committee has noted, Federal Triangle South is a great example of where this approach can be successful.

Conclusion

GSA is committed to meet the challenge we have been given by both President Obama and Congress to make the entire government more efficient. That will require changing the way our buildings work, but it also means shrinking the federal footprint and creating more sustainable space. The current fiscal stress means that we simply cannot afford to do business as usual. We must look for new ways to maximize the value of our assets. Working together with industry, we have a chance to shape a better, more efficient government for the 21st century, as well as fuel the transformation of a core area of Washington DC.

I thank the committee for the opportunity to testify today and look forward to answering your questions.