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H.R. 2513, A BILL DIRECTING THE ADMINISTRATOR OF GENERAL SERVICES TO ACQUIRE A POSTAL SERVICE BUILDING IN TERRE HAUTE, IN

HEARING

BEFORE THE

SUBCOMMITTEE ON GOVERNMENT MANAGEMENT, INFORMATION, AND TECHNOLOGY

OF THE

COMMITTEE ON GOVERNMENT REFORM
HOUSE OF REPRESENTATIVES

ONE HUNDRED SIXTH CONGRESS

FIRST SESSION

ON

H.R. 2513

TO DIRECT THE ADMINISTRATOR OF GENERAL SERVICES TO ACQUIRE A BUILDING LOCATED IN TERRE HAUTE, INDIANA, AND FOR OTHER PURPOSES

SEPTEMBER 29, 1999

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H.R. 2513, A BILL DIRECTING THE ADMINISTRATOR OF GENERAL SERVICES TO ACQUIRE A POSTAL SERVICE BUILDING IN TERRE HAUTE, IN

WEDNESDAY, SEPTEMBER 29, 1999

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON GOVERNMENT MANAGEMENT,
INFORMATION, AND TECHNOLOGY,
COMMITTEE ON GOVERNMENT REFORM,
Washington, DC.

The subcommittee met, pursuant to notice, at 10 a.m., in room 2203, Rayburn House Office Building, Hon. Stephen Horn (chairman of the subcommittee) presiding.

Present: Representatives Horn, Ose, Turner, and Mink.

Also present: Representative Waxman.

Staff present: J. Russell George, staff director and chief counsel; Randy Kaplan, counsel; Bonnie Heald, communications director and professional staff member; Chip Ahlswede, clerk; P.J. Caceres and Deborah Oppenheim, interns; Michelle Ash and Trey Henderson, minority counsels; and Jean Gosa, minority staff assistant.

Mr. HORN. A quorum being present, this hearing of the House Subcommittee on Government Management, Information, and Technology will come to order.

The focus of today's hearing is H.R. 2513, introduced by our colleague from Indiana, Representative Ed Pease. This bill is of great importance to Mr. Pease's constituents, the people of Terre Haute, IN.

The bill would direct the Administrator of General Services to acquire a Postal Service building located in downtown Terre Haute. The building, a three-story Indiana limestone structure, was constructed in 1935 through a Depression-era public works project. The building is listed on the National Register of Historic Places, but it is sorely in need of repair.

Historically, the building has housed Federal courts, the Post Office and several other Federal offices, including the Social Security Administration, the Federal Bureau of Investigation, and the Internal Revenue Service. Following the Postal Reorganization Act of 1970, the building was transferred from the Federal inventory to the U.S. Postal Service. Because of its declining condition, however, a number of Federal tenants have already moved out. Without repair and modernization, the local community fears that the remaining tenants, including the Postal Service, will also leave. The Gen-

eral Services Administration has estimated it will cost between $4 million and $5 million to renovate the aging building.

In 1997, the Postal Service's main processing and distribution operation moved from the downtown building to a new location; however, a small retail outlet still remains at the site. In addition, building tenants include the U.S. district and bankruptcy courts, the Federal Bureau of Investigation, the U.S. attorney, the U.S. Marshal, and Representative Pease's district office.

The subcommittee marked up the bill and reported it to the full committee without amendment on September 22, 1999. Today's hearing is being held at the request of the ranking member of the full committee Mr. Waxman and the subcommittee's ranking member, Mr. Turner, both of whom requested further consideration of this legislation.

We have a knowledgeable group of witnesses before us today. We will hear from Representative Pease; local officials, including the mayor of Terre Haute, Jim Jenkins. We will also hear from representatives of both the Postal Service and the General Services Administration. We want to learn about the Postal Service's efforts to maintain this historic structure and potential restoration plans under the property management leadership of the General Services Administration.

We welcome the witnesses. We look forward to your testimony.

[The text of H.R. 2513 and the prepared statement of Hon. Stephen Horn follow:]

106TH CONGRESS
1ST SESSION

H. R. 2513

To direct the Administrator of General Services to acquire a building located in Terre Haute, Indiana, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

JULY 14, 1999

MR. PEASE introduced the following bill; which was referred to the Committee on Government Reform, and in addition to the Committee on Transportation and Infrastructure, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

---

A BILL

To direct the Administrator of General Services to acquire a building located in Terre Haute, Indiana, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. ACQUISITION OF BUILDING.

(a) ACQUISITION.—The Administrator of General Services shall acquire by transfer from the United States Postal Service the real property and improvements located at 30 North Seventh Street in Terre Haute, Indiana.

(b) REIMBURSEMENT.—The transfer under subsection (a) shall be made without reimbursement, except that the Administrator shall provide to the Postal Service an

option to occupy 8,000 square feet of renovated space in the building acquired under subsection (a) at no cost for a 20-year term.

SEC. 2. RENOVATION OF BUILDING.

(a) IN GENERAL.—The Administrator of General Services shall renovate the building acquired under section 1, and acquire parking spaces, to accommodate use of the building by the Administrator and the United States Postal Service.

(b) AUTHORIZATION OF APPROPRIATIONS.—Subject to the requirements of section 7(a) of the Public Buildings Act of 1959 (40 U.S.C. 606(a)), there is authorized to be appropriated to carry out this section $5,000,000 for fiscal years beginning after September 30, 1999. Such sums shall remain available until expended.

○

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INDEPENDENT

Subcommittee on Government Management, Information, and Technology
Legislative Hearing on H.R. 2513, a bill to direct the Administrator of General Services to acquire a Postal Service building in Terre Haute, Indiana, introduced by Representative Edward Pease (IN)
Opening Statement
Chairman Stephen Horn (CA)

A quorum being present, this hearing of the House Subcommittee on Government Management, Information, and Technology, will come to order.

The focus of today's hearing is H.R. 2513, introduced by my colleague from Indiana Representative Ed Pease. This bill is of great importance to Mr. Pease's constituents, the people of Terre Haute, Indiana.

The bill would direct the Administrator of General Services to acquire a Postal Service building located in downtown Terre Haute. The building, a three-story Indiana limestone structure, was constructed in 1935 through a Depression-era public works project. The building is listed on the National Register of Historic Places, but it is sorely in need of repair.

Historically, the building has housed Federal courts, the Post Office and several other Federal offices, including the Social Security Administration, the Federal Bureau of Investigation, and the Internal Revenue Service. Following the Postal Reorganization Act of 1970, the building was transferred from the Federal inventory to the United States Postal Service. Because of its declining condition, however, a number of Federal tenants have already moved out. Without repair and modernization, the local community fears that the remaining tenants, including the Postal Service, will also leave. The General Services Administration has estimated that it will cost between $4 million and $5 million to renovate the aging building.

In 1997, the Postal Service's main processing and distribution operation moved from the downtown building to a new location, however, a small retail outlet still remains at the site. In addition, building tenants include the United States District and Bankruptcy courts, the Federal Bureau of Investigation, the United States Attorney, the United States Marshall, and Representative Pease's district office.

This subcommittee marked-up the bill and reported it to the full committee, without amendment, on September 22, 1999. Today's hearing is being held at the request of the ranking member of the full committee, Mr. Waxman, and the subcommittee's ranking member, Mr. Turner, both of whom requested further consideration of this legislation.

We have a knowledgeable group of witnesses before us today. We will hear from Representative Pease and local officials, including the mayor of Terre Haute, Jim Jenkins. We will also hear from representatives from both the Postal Service and the General Services Administration. We want to learn about the Postal Service's efforts to maintain this historic structure, and potential restoration plans under the property management leadership of the General Services Administration.

We welcome the witnesses and look forward to their testimony.

I now yield to Mr. Turner, the ranking member of the subcommittee, for an opening statement.

Mr. HORN. I now yield to the gentleman from Texas Mr. Turner, the ranking member of the subcommittee, for an opening statement.

Mr. TURNER. Thank you, Mr. Chairman. It is appropriate that we have this hearing and that the GSA has expressed some reservations about the project. I am personally very sympathetic to Mr. Pease's legislation. Being from a small town myself, I understand how important it is to preserve the downtown area. I think it is very important for us to have this hearing today because the bill would transfer the building to the General Services Administration, with reservations being expressed by the GSA. It is important that we get them ironed out and get the matter resolved satisfactorily in order for the legislation to ultimately be meaningful.

So hopefully today, by having this hearing, all parties have the opportunity to express their point of view. It is my hope that the ultimate outcome will be to see this building restored, its historical significance preserved, and it be an enhancement, rather than a detraction, to the downtown of the hometown of my good friend Ed Pease.

Thank you, Mr. Chairman.

Mr. HORN. Well, thank you. I also came from a small town, and I agree with you, and we hope that the preservation aspects and the historic value would be worth saving.

[The prepared statement of Hon. Jim Turner follows:]

STATEMENT OF THE HONORABLE JIM TURNER
SUBCOMMITTEE HEARING ON H.R. 2513, A BILL TO DIRECT THE ADMINISTRATOR OF GENERAL SERVICES TO ACQUIRE A POSTAL SERVICE BUILDING LOCATED IN TERRE HAUTE, INDIANA
9/28/99

H.R. 2513, which was introduced by Rep. Pease, would transfer the Postal Service building in his hometown of Terre Haute, Indiana, to the General Services Administration. Included in this transfer would be a provision providing the Postal Service with an option to remain in the building rent-free for 20 years. In addition, this bill would authorize $5,000,000 for necessary renovations to the building and to acquire parking space to accommodate existing and future offices.

According to Rep. Pease, H.R. 2513 would help maintain the presence of the Postal Service in downtown Terre Haute, which is a priority with the community. Coming from East Texas, I fully understand the important role the post office plays in our rural communities. The presence of the Postal Service building is part of a larger plan to revitalize downtown Terre Haute. The Postal Service building is ideally located adjacent to Indiana State University, a bus terminal, numerous businesses, and state and city operations. The anticipated renovations would make the facility more attractive to potential lessees, and under this plan, the monies payed by lessees would go to the federal government. With GSA's experience in building management and multi-tenant facilities, Rep. Pease believes that GSA is a natural to assume control of the Postal Building facility.

However, GSA has expressed a number of concerns about this bill, including the difficulty that may be involved with leasing space in the facility. GSA also believes that because the Postal Service building is listed in the National

Register of Historic Places and is located close to several colleges, a directed sale to a private entity, using the historical or educational use exceptions to a public sale, may be an option that would be agreeable to all sides.

This hearing will address the need for H.R. 2513; the condition and occupancy of the Postal Building in Terre Haute; efforts by the Postal Service to market, renovate, and lease space in the building; and the prospects for leasing space in the building to both the federal government and private tenants. I look forward to the testimony today and hope that we can work with all interested parties to find a mutually agreeable plan for this important historic building.

Mr. HORN. I want to now welcome the gentleman from Indiana, Mr. Pease to introduce the witnesses, and then he is welcome to join us here at the dais if he would like to pursue questions.

So, Mr. Pease.

STATEMENT OF HON. EDWARD A. PEASE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF INDIANA

Mr. PEASE. Thank you, Mr. Chairman, Mr. Turner, the ranking minority member, to you and your staffs and the other members of the subcommittee with whom I have met and with whom my staff has met over the period of time in which we have worked together to try and reach an appropriate resolution of an admittedly difficult situation involving formerly Federal and now Postal Service property in Terre Haute, IN.

I have prepared a statement that goes into much greater detail than I plan to orally and would request, Mr. Chairman, that that statement be included in the record.

Mr. HORN. Without objection, it will be included at this point.

Mr. PEASE. Thank you, Mr. Chairman.

Briefly, the background of the situation is this: The building that is currently occupied by the—that is owned by the U.S. Postal Service at Seventh and Cherry Streets in Terre Haute, IN, was originally a Federal building. It was a WPA building, and it housed a number of Federal agencies and the Post Office for many years until the Postal Reorganization Act divided some properties between the Federal inventory and the U.S. Postal Service, and this property, which was the main postal facility in western Indiana, was transferred to the Postal Service. In its modernization program of the last 25 years, eventually there was built a new distribution center closer to the interstate in Terre Haute, IN, and the need for the extensive amount of space that the Postal Service had required before was no longer there.

The building has included a number of Federal agencies through the course of its history. Some are still there. Most prominent among them, the U.S. District Court, the bankruptcy court, the FBI, the Marshal Service and several others, but those being the most prominent ones. One of our district offices is located in this building as well.

The building is typical of many buildings from the WPA era. It is an imposing building. You will be told more about it, but it is also a large building that needs maintenance, and which the Postal Service has done the best they can, I believe, through the period of their stewardship. But to make the building more attractive and more competitive for other tenants is going to require more work, and the Postal Service has made it clear, and I do understand, that their major priority is delivering the mail. Management of buildings is secondary to that goal, and their presence in this building will be much reduced from what it was before, leaving them with a large building to manage really outside of the realm of their primary mission.

The Terre Haute community, like many communities, has had difficulty in maintaining its downtown area, despite commitments by the city and by Indiana State University, which is an urban campus in downtown Terre Haute. There has been progress made,

particularly in the most recent past, in trying to turn that around. The city has made substantial investments in the downtown area, but this is the most prominent historic building in downtown Terre Haute, and its presence as an anchor for the business and government activities of downtown Terre Haute is critical to the success of the efforts of the city, the Chamber and others to make the downtown area more viable than it has been in the recent past.

Because the building is not as attractive in terms of office space and other facilities in Terre Haute have been, we have seen some of the Federal agencies that used to occupy that building move to private commercial leases in other space within the city of Terre Haute. Most prominent among them are the Internal Revenue Service, the Social Security Administration, the armed services recruiting offices, and the Department of Agriculture, although there are others. It is our belief that if this building is transferred, as we propose it should be, to the General Services Administration, which is in the business of managing buildings, and if we provide the resources that are necessary to make the building as attractive as we would like for it to be, that when those other leases expire for Federal space that is being rented elsewhere in Terre Haute, those tenants could be brought back to the Federal building, fully occupy the building, and make it a viable, government center for the city of Terre Haute, as well as preserve the historic integrity of the building and its importance in the downtown community.

We have worked with the Postal Service and the GSA for almost 2 years on this project, trying to find ways that will work to the best advantage of everyone. We are convinced that this is the best proposal at this time, but we remain open to further conversations and discussions as the matter progresses. Thank you, Mr. Chairman, Mr. Ranking Member.

[The prepared statement of Hon. Edward A. Pease follows:]

WRITTEN TESTIMONY OF

CONGRESSMAN EDWARD A. PEASE

BEFORE THE

SUBCOMMITTEE ON GOVERNMENT MANAGEMENT, INFORMATION AND TECHNOLOGY OF THE HOUSE COMMITTEE ON GOVERNMENT REFORM

SEPTEMBER 29, 1999

10:00 A.M.

2203 RAYBURN HOUSE OFFICE BUILDING

Statement

Thank you, Mr. Chairman, for this opportunity to testify in support of my bill, H.R. 2513. I represent the Seventh District of Indiana, which includes the city of Terre Haute. In September 1935, the Federal Building, which is located at the intersection of Seventh and Cherry streets in Terre Haute, Indiana, opened its doors to the public. Its original tenants included a Federal court, a post office, the Social Security Administration, and the Internal Revenue Service. This grand structure is a product of the Works Progress Administration during the Depression under the Roosevelt Administration and is listed on the National Register of Historic Places. The building is a fine example of Art Deco architecture, utilizing Indiana limestone, marble, and ornate decor.

Pursuant to the Postal Reorganization Act of 1970, some of the buildings in the Federal inventory were conveyed to the United States Postal Service (USPS). The postal facility located in downtown Terre Haute, Indiana, is one such building that was included in the transfer. Since the transfer, numerous Federal agencies have leased space in the Terre Haute facility for their operations. However, the building is currently in need of basic repairs and modernization, and many of these agencies, including the Social Security Administration and the Internal Revenue Service, have relocated to other locations in the city of Terre Haute under private leases.

According to the most recent figures from GSA and the USPS, the total rentable space for the Terre Haute facility is approximately 41,300 square feet. Of this space, 30,902 square

feet are currently occupied by the USPS and other Federal agencies, thus placing the current overall occupancy rate at 75%. As you will hear in today's testimony, there have been discrepancies in opinion regarding the actual rentable space for the Terre Haute facility. GSA contends that the basement of the facility should be counted toward the total rentable space. However, this space has never been marketed as rentable space in the past. In fact, the basement space is presented as storage space to be used by the agencies and offices that occupy the first, second, and third floors of the building. If the basement space was included in the total rentable space, the figure would not accurately reflect the vacant space currently available for leasing. Currently, the building houses several Federal offices, including a U.S. District Court, a U.S. Bankruptcy Court, the U.S. Marshals Service, the Federal Bureau of Investigation, a U.S. Attorney's office, Federal Probation, as well as one of my district offices. In addition to this Federal presence, space is also leased by two private attorneys and Jelene Kennedy, a blind senior citizen who operates a concession stand for the building.

In 1997, a new postal processing and distribution center was opened in Terre Haute, Indiana. Due to the construction of this new postal facility, the presence of the USPS in the Federal building has been reduced to box and window services only. There have been indications that the USPS may terminate its presence at this facility.

H.R. 2513 would transfer the Terre Haute facility to GSA at no charge, providing the USPS with an option to remain in a portion of the building (8,000 square feet) rent-free for 20 years. In addition, the bill would authorize $5,000,000 for necessary renovations to the building and to acquire parking spaces to accommodate existing and future offices.

H.R. 2513 has many merits. It would help maintain the presence of the USPS in downtown Terre Haute, which is a priority with the community and numerous interest groups. Additionally, the anticipated renovations would make the facility more attractive to public and private lessees, including Federal agencies seeking to relocate when their leases in other Terre Haute locations expire in the next few years. At this time, the Social Security Administration, the Internal Revenue Service, the Department of Agriculture, and armed forces recruiting offices operate outside the facility, but within the city of Terre Haute. Ideally, these Federal agencies would move into the building, thus occupying, at a minimum, 16,095 additional square feet, increasing the occupancy rate to 96%. Under this plan, the monies currently being paid under

private leases would be paid to the Federal government, thereby saving taxpayers money. In addition, a central location for Federal agencies and their services would provide improved accessibility for the Terre Haute community.

Two additional aspects that should be considered when examining H.R. 2513 are the demand for additional space by those Federal agencies currently in the Terre Haute facility, as well as the demand for space in the facility by state and private entities. The FBI and the U.S. District Court, both of which currently occupy space in the building, have indicated that additional space is necessary for their operations. In addition, a private lessee has expressed interest in leasing approximately 1,800 square feet. Also, the Governor of Indiana has indicated his interest in this project and his willingness to work in filling vacant spaces in the building with state agencies if there is space remaining after other Federal agencies relocate to this property. Moreover, Mayor Jim Jenkins, Historic Landmarks Foundation of Indiana, STAMPS Downtown, Indiana State University, Downtown Terre Haute, Inc., Terre Haute Chamber of Commerce, the Deming Center, and others have expressed their willingness to assist in finding tenants to occupy any vacancies in the building.

One final factor that should be taken into consideration is the recent decision by the Bureau of Prisons to designate the Federal Penitentiary in Terre Haute as the sole location in the United States for the execution of Federal death sentences. The potential impact of this designation on the Federal court at Terre Haute is currently unknown, but is likely to be substantial.

In conclusion, it makes sense to transfer this property from the USPS to GSA. The General Services Administration is familiar with building management and better suited to properly manage this multi-tenant facility--a historic structure architecturally and structurally similar to facilities managed by GSA in other cities. I believe that the figures clearly indicate a strong presence, as well as a strong demand, for space in the Terre Haute facility. For many reasons, the transfer of the facility to GSA is a sound transaction which will prove to be an asset to the Federal government and to the citizens of the Terre Haute area.

JIM WHITLOCK
ASSISTANT REGIONAL ADMINISTRATOR
FOR THE PUBLIC BUILDINGS SERVICE
GREAT LAKES REGION
GENERAL SERVICES ADMINISTRATION

BEFORE THE
SUBCOMMITTEE ON GOVERNMENT MANAGEMENT,
INFORMATION, AND TECHNOLOGY
COMMITTEE ON GOVERNMENT REFORM
U.S. HOUSE OF REPRESENTATIVES

SEPTEMBER 29, 1999

I am Jim Whitlock, Assistant Regional Administrator for the Public Buildings Service—Great Lakes Region. Thank you, Mr. Chairman, for the opportunity to appear before you today to discuss H.R. 2513, which would direct the General Services Administration (GSA) to acquire a postal service building in Terre Haute, Indiana. This building, owned by the U.S. Postal Service, was completed in 1934 and is listed on the National Register of Historic Places. It is just over 75,000 gross square feet, with a usable area of approximately 50,000 sf, and a parking lot of 20 spaces.

The issue of GSA assuming ownership of the building was first raised in June of 1998, after the U.S. Postal Service relocated the majority of its operations from the Postal Service building to a newly constructed postal facility, also located in Terre Haute. GSA declined the offer of ownership, based on insufficient need for a federal building -courthouse of this size. We simply do not have the federal tenancy to sustain this building.

GSA currently 'leases' space from the Postal Service at this building to house several federal agencies including the Judiciary, Justice Department and House of Representatives. These agencies occupy approximately 13,250 usable square feet of space, roughly twenty-six percent of the building. In addition to housing these agencies in the U.S.Postal Service Building, GSA leases commercial space for three federal agencies in Terre Haute. The Commerce Department Bureau of Census is located in a temporary location to conduct Census 2000 activities. The Social Security Administration and Internal Revenue Service, both former tenants of the Postal Service building, are also housed in commercial leases secured by GSA.

The Internal Revenue Service and Social Security Administration are unlikely candidates to fill vacant space in the Postal Service Building. These agencies have consistently relocated from U.S. Postal buildings across the country. They have a unique set of clientele and requirements that are best met in single story structures that are fully accessible. We do not know of any instances in recent memory of SSA and IRS moving from a commercial lease back into a postal building.

It is important to note that GSA does not have a monopoly on acquiring space for federal agencies. We have postured ourselves as a client service

agency, and as a provider of choice. We can no longer force federal agencies into our own inventory, nor can we force them into buildings owned by the U.S. Postal Service. Our clients have an option to turn to other providers if GSA does not provide the space or services that meet their specific requirements.

Under the most optimistic circumstances, if we could successfully relocate our entire leased inventory back into the U.S. Postal Service Building, we could still not achieve a sustainable tenancy. Approximately fifty percent of the building would remain non-revenue producing, including 8,000 square feet of space that the bill would allow the Postal Service to occupy rent free, should the Postal Service elect to remain occupants of the building. With only half of the building generating revenue, we anticipate that the expense of maintaining and operating the building will exceed the rental income. GSA would be forced to operate the building at a loss from day one.

In order to break even, it would be necessary that both SSA and IRS return to the building and that the Postal Service reimburse GSA the full operating expenses of the space they would occupy. We recognize the purpose of the free rent provision under the bill is to compensate the Postal Service for the value of the building. After considering the value of the proposed renovated space for the Postal Service, the current level of occupancy, the uncertainty of additional income from out-leasing activities and the additional cost of parking as proposed by the legislation, we believe such a transfer is not in the best interest of GSA.

That concludes my formal statement and I would like to introduce Mr. Gordon Creed who will discuss some of the options available for the continued use of this building by other entities.

Mr. HORN. Well, if you would like to join us now, and if you could introduce the witnesses, we would like to hear from them, and please come up here and introduce them one at a time, and then we will ask the General Services Administration and the Postal Service to speak.

Mr. PEASE. Thank you, Mr. Chairman. I think first I should introduce the mayor.

Mr. HORN. Let me swear in everybody just so we do not have to go through this every time. Why don't you all stand up. This is an investigatory committee of government reform, so everybody is sworn.

[Witnesses sworn.]

Mr. HORN. The clerk will note that all five witnesses have affirmed.

Mr. PEASE. Mr. Chairman, would you like me to introduce everyone at the same time, or introduce one at a time and let them present?

Mr. HORN. One at a time, and in the order you would like them to testify.

Mr. PEASE. Thank you, Mr. Chairman.

The mayor of the city of Terre Haute is my good friend Jim Jenkins. Mayor Jenkins was the sheriff in Vigo County before he became the mayor of the city of Terre Haute. He has worked for years in community service in a variety of capacities, and he has been one of the leaders in trying to find appropriate ways to partner public and private investment in the city of Terre Haute to revitalize the downtown and to preserve our historic structures there.

Mayor Jenkins has been part of our conversations from the first day in trying to find a way to resolve this positively and productively. I am grateful that he is here, the Honorable Jim Jenkins.

STATEMENT OF JIM JENKINS, TERRE HAUTE, IN

Mr. JENKINS. Good morning, Mr. Chairman, gentlemen. Thank you very much for allowing us to appear and speak to you today. We appreciate the opportunity.

Approval of this bill is in the best interests of the city of Terre Haute, IN, and its citizens and businesses. We believe the existing Post Office building in downtown Terre Haute currently serves broad clientele that is important to our downtown. Major users of this Post Office include Indiana State University, Indiana Regional Government Center, City Hall, the Vigo County courthouse, and also our downtown retail and office community.

The city of Terre Haute is working very hard to improve this downtown to make the city a more desirable place for people to choose to live and to enhance the marketability of the community as a whole.

A new vision statement has also been adopted to guide our downtown development. Businesses are converting upper floor space to apartments, building facades are being restored, the streetscape is being enhanced, an art museum is being renovated, and a major mixed-use urban renewal project is under way. The Post Office renovation has the potential of being the next major downtown civic improvement project.

The Terre Haute community is working together in a united front to maintain the Post Office downtown and see that this building is restored. Entities such as Indiana State University; Downtown Terre Haute, Inc.; the Alliance for Growth & Progress; the Chamber of Commerce, both of whom are represented here today with the Alliance director Mr. Bill Price, the Chamber of Commerce incoming chairman Mr. Thomas Francis is also with us today; the Indiana Landmarks Foundation, and also local government, we are committed to the purpose of and the adoption of H.R. 2513.

I believe the Post Office should remain in its present downtown location for the convenience of the public. The building is certainly able to accommodate the space needs of the Post Office, especially now that they have been reduced. In addition, there are a number of other Federal offices in Terre Haute that could be consolidated into this downtown building that are now scattered throughout the city. Moving these offices to a building that is already owned by the Federal Government would save money, we believe, and be beneficial to the downtown economy.

I was born and raised in Terre Haute, a citizen, and have lived there all my life, served in public office, and I have seen Terre Haute change a great deal, especially over the past 30 years. Prior to the building of the interstate, which is located south of the city about 3 miles, U.S. 40 was the main route through the middle of town, the National Road, as you may be aware of, going from the east coast all the way to St. Louis. Once the interstate was constructed, the downtown virtually moved 3 miles south of its original location. The retail and commercial shopping all centered and located around the interstate, and as such, the downtown languished and withered over those 25 or so years. It finally bottomed out, if you will, buildings being torn down and businesses moving out, and the community as a whole has decided over the past 5 to 7 years that we must restore the heart and soul of the community of Terre Haute, and that is its downtown.

It is a story not unlike many others throughout the Midwest where the downtown has withered, languished, and we want to show the rest of the world that the community of Terre Haute has a past, has a history that we are very proud of, and it also has a very viable heart and soul, and that is the downtown.

This particular building is very prominent in the downtown. It is just a half block off the National Road. It would serve any number of purposes, it does serve any number of purposes, especially as a tie to the university. The university is separated from the downtown again by one block. This particular building allows for Post Office boxes and mailing services, window services and other kinds of services for the students at Indiana State University.

So we believe it does any number of things, but it is essential to us restoring our heart and soul, and we would appreciate greatly your support of the adoption of Congressman Pease's bill. Thank you.

[The prepared statement of Mr. Jenkins follows:]

City of Terre Haute

OFFICE OF THE MAYOR, City Hall
17 Harding Avenue, Terre Haute, Indiana 47807
812-232-9467
Fax 812-232-6346

James R. Jenkins
Mayor

COMMENTS FROM MAYOR JENKINS TO THE HOUSE SUBCOMMITTEE ON GOVERNMENT MANAGEMENT, INFORMATION AND TECHNOLOGY

I appreciate this opportunity to express my support for H.R. 2513 as proposed by Congressman Pease. Approval of this bill is in the best interest of the City of Terre Haute, Indiana, its citizens, and businesses.

The existing Post Office Building in downtown Terre Haute currently serves a broad clientele that is important to our downtown. Major users of this Post Office include Indiana State University, the Indiana Regional Government Center, City Hall, the Vigo County Courthouse, and our downtown retail and office community.

The City of Terre Haute is working hard to improve the downtown to make the city a more desirable place for people to choose to live and enhance the marketability of the community as a whole. A new "Vision Statement" has been adopted to guide downtown development. Businesses are converting upper floor space to apartments, building facades are being restored, the streetscape is being enhanced, an art museum is being renovated, and a major mixed use urban renewal project to underway. The Post Office renovation has the potential of being the next major downtown civic improvement project.

The Terre Haute community is working together in a united front to maintain the Post Office downtown and see the building restored. Entities such as Indiana State University, Downtown Terre Haute, Inc., the Alliance for Growth & Progress, the Chamber of Commerce, the Indiana Landmarks Foundation, and local government are committed to the purposes of and adoption of H. R. 2513.

I believe the Post Office should remain in its present downtown location for the convenience of the public. The building is certainly able to accommodate the space needs of the Postal Office. In addition, there is a number of other Federal Offices in Terre Haute that could be consolidated into this downtown building that is now scattered throughout the city. Moving these offices to a building that is already owned by the Federal government would save money and be beneficial to the downtown economy. I encourage you to support the adoption of Congressman Pease's bill.

Thank you,

James R. Jenkins, Mayor

Mr. PEASE. Mr. Chairman, I would next like to introduce Todd Nation. Todd is a businessman in downtown Terre Haute, has been actively involved in Downtown Terre Haute, Inc., but he has also been involved in the historic preservation programs of the community and in a particular volunteer civic association whose goal it was to maintain a postal presence in this building and to maintain the viability of this building.

As an aside, I note for the chairman's benefit that Todd owns an independent book shop in downtown Terre Haute, because the chairman looks for independent book shops whenever he travels, and I hope someday we will get you to downtown Terre Haute and you can go to BookNation.

Todd Nation.

STATEMENT OF TODD NATION, SAVE THE ARCHITECTURALLY MAGNIFICENT POSTAL STATION, DOWNTOWN TERRE HAUTE, INC.

Mr. NATION. Thank you, Congressman, Mr. Chairman. As Ed said, my name is Todd Nation. I have traveled here at Chairman Horn's invitation to represent the business community of downtown Terre Haute, IN. I own and run BookNation, a small, independent book shop on Wabash Avenue, about a block from the historic Post Office and Federal building in question here today.

As a long-time member and immediate past president of our local Main Street organization, Downtown Terre Haute, Inc., I have been very involved with local efforts to persuade the U.S. Postal Service to keep downtown's post office box and window services in the Post Office and Federal building. My neighbors and I agree that the historic facility is in the neighborhood's best location for these services.

We also believe that this property should again become the central location for Federal offices like the IRS, Social Security, military recruiters, and the Department of Agriculture, as the mayor just said. Those offices and others are now scattered throughout the community, while space within our taxpayer-built Post Office and Federal building has sat empty downtown for years.

STAMPS Downtown, our organization. In 1997, the U.S. Postal Service announced their intention to relocate all postal functions housed in the historic main station. Offices, sorting machinery, fleet parking, retail windows and other operations were consolidated in the new Terre Haute postal facility at the southern edge of town. Luckily, Postmaster Ken Hartweck recognized the need to maintain post office box and window service somewhere downtown, but he began advertising for leasable space to locate a new retail unit within a mile of the historic facility. Most available options would be too far away from their neighborhood customer base, most of whom now walk to the centrally located Post Office and Federal building.

These announcements caused great concern in the downtown community. Neighborhood businesses and residents joined forces with local government, Indiana State University, the Historic Landmarks Foundation of Indiana, our Chamber of Commerce and other local, not-for-profit agencies in an extraordinary demonstration of community resolve to form Save the Architecturally Mag-

nificent Postal Station Downtown, known by its acronym, STAMPS Downtown. We have been very fortunate to have the support of our Congressman Ed Pease, who has helped us carry our message all the way here to you in Washington, DC.

Why this legislation is necessary.

This situation merits your attention for a number of reasons. I will briefly explain the top three. No. 1, restoring the Post Office and Federal building to accommodate postal retail operations and relocated Federal offices will save taxpayers money and serve us better in the long run. Renting offices and parking lots throughout the city, while our historic and centrally located downtown facility deteriorates further, is wasteful. Local taxpayers expect better stewardship of our funds and facilities than we have seen in recent years.

No. 2, the General Services Administration ownership of the Post Office and Federal building will ensure proper maintenance and management of this taxpayer-built landmark. Postal officials have repeatedly cited the high cost of remodeling and maintenance as being their primary reasons for looking elsewhere for space.

No. 3, keeping post office box and window services in the historic facility is the best thing that the Federal Government can do to help support State and local efforts to revitalize downtown Terre Haute. A regional State office building was established about a block away from the Post Office and Federal building a few years ago. In the past 2 years, local initiatives have aided the development of housing for nearly 100 new residents within two blocks of the old Post Office. Those are all people who would use this facility and continue to use it. Indiana State University has recognized the importance of having an attractive, convenient downtown at their southern border and has repeatedly stated their wish to have postal services maintained where they are.

Why doesn't the USPS just stay there?

Throughout many meetings and discussions that we have had with the U.S. Postal Service, the only vision that postal officials could articulate for the Post Office and Federal building was their intention to try and find a suitable tenant to lease the building, but they made it clear that they did not intend to invest in upgrading the facility to make it more appealing. The USPS's advertised rental rates per square foot are also considerably higher than those of similar downtown office and retail space.

The more information that we gathered about the U.S. Postal Service's management of this property, the more alarmed members of the STAMPS Downtown became. Local opinions were expressed through letters to elected and USPS officials, on the editorial page of the Tribune Star, our local newspaper, and in public meetings where the Postmaster and other USPS officials were begged to reconsider their plans for downtown service and the historic facility.

The members of STAMPS Downtown hereby ask you to lead your fellow Representatives to the best solution for all parties involved. In H.R. 2513, Congressman Pease has proposed a solution to this set of problems that balances taxpayer concerns with the long-term

maintenance and management needs of our historic Terre Haute Post Office and Federal building.

I stand ready to answer any questions that you might have about our organization's support of this legislation.

Mr. HORN. Thank you very much.

[The prepared statement of Mr. Nation follows:]

STAMPS Downtown

c/o DOWNTOWN TERRE HAUTE, INC.
PO BOX 626
TERRE HAUTE, IN 47808

To: Members of the Congressional Subcommittee on Government Management, Information and Technology
From: Todd Nation, Charter Member, STAMPS Downtown
Date: September 29, 1999
Subject: Support for H.R. 2513

Background:

My name is Todd Nation, and I have traveled here at Chairman Horn's invitation to represent the business community of Downtown Terre Haute, Indiana. I own and run BookNation, a small, independent book shop on Wabash Avenue, about a block from the historic Post Office and Federal Building in question here today.

As a longtime member and immediate past president of our local Main Street organization, Downtown Terre Haute, Inc., I have been very involved with local efforts to persuade the United States Postal Service (USPS) to keep downtown's post office box and window services in the Post Office and Federal Building. My neighbors and I agree that the historic facility is in the neighborhood's best location for these services.

We also believe that this property should again become a central location for federal offices like the IRS, Social Security, military recruiters and the Department of Agriculture. Those offices and others are now scattered throughout the community while space within our taxpayer-built Post Office and Federal Building has sat empty downtown for years.

Our Organization:

In 1997, the USPS announced their intention to relocate all postal functions housed in the historic main station. Offices, sorting machinery, fleet parking, retail windows and other operations were to be consolidated in the new Terre Haute Postal Facility at the southern edge of town. Luckily, Postmaster Ken Hartweck recognized the need to maintain post office box and window services somewhere downtown, but he began advertising for leasable space to locate a new retail unit within a mile of the historic facility. Most available options would be

Congressional Advocate
Congressman Ed Pease
Coalition members
Arts Illiana
Darning Center Tenants Association
Downtown Terre Haute, Inc.
Historic Landmarks Foundation of Indiana
Indiana State University
Mayor Jim Jenkins
Terre Haute City Council
Terre Haute Chamber of Commerce
Terre Haute Department of Redevelopment
US District Chief Judge Sarah Evans Barker
Vigo Co. Historical Society
Vigo Co. Public Library
Vigo Co. School Corp.

too far away from their neighborhood customer base, most of whom now walk to the centrally-located Post Office and Federal Building.

These announcements caused great concern in the downtown community. Neighborhood businesses and residents joined forces with local government, Indiana State University (ISU), Historic Landmarks Foundation of Indiana (HLFI), our Chamber of Commerce and other local non-profit agencies in an extraordinary demonstration of community resolve to form Save The Architecturally Magnificent Postal Station Downtown (STAMPS Downtown). We have been very fortunate to have the support of our Congressman, Ed Pease, who has helped us carry our message all of the way here to you in Washington D.C.

Why This Legislation is Necessary:

This situation merits your attention for a number of reasons. I will briefly explain the top three.

1. Restoring the Post Office and Federal Building to accommodate postal retail operations and relocated federal offices will save taxpayers money and serve us better in the long run. Renting offices and parking lots throughout the city while our historic, centrally-located downtown facility deteriorates further is wasteful. Local taxpayers expect better stewardship of our funds and facilities than we have seen in recent years.

2. General Services Administration (GSA) ownership of the Post Office and Federal Building will ensure proper maintenance and management of this taxpayer-built landmark. Postal officials have repeatedly cited the high cost of remodeling and maintenance as being their primary reasons for looking elsewhere.

3. Keeping post office box and window services in the historic facility is the best thing that the federal government can do to help support state and local efforts to revitalize Downtown Terre Haute. A regional State Office Building was established about a block away from the Post Office and Federal Building a

few years ago. In the last two years, local initiatives have aided the development of housing for nearly one hundred new residents within two blocks of the old Post Office. ISU has recognized the importance of having an attractive, convenient downtown at their southern border, and has repeatedly stated their wish to have postal services maintained where they are.

Why Doesn't the USPS Just Stay?

Throughout the many meetings and discussions that we have had with the USPS, the only vision that postal officials could articulate for the Post Office and Federal Building was their intention to try to find a suitable tenant to lease the building, but they made it clear that they did not intend to invest in upgrading the facility to make it more appealing. The USPS' advertised rental rates per square foot are also considerably higher than those of similar downtown office and retail space.

The more information that we gathered about the USPS' management of this property, the more alarmed members of STAMPS Downtown became. Local, vocal opinions were expressed through letters to elected and USPS officials, on the editorial page of the Tribune Star, and in public meetings where the Postmaster and other USPS officials were begged to reconsider their plans for downtown service and the historic facility.

The members of STAMPS Downtown hereby ask you to lead your fellow representatives to the best solution for all parties involved. In H.R. 2513, Congressman Pease has proposed a solution to this set of problems that balances taxpayer concerns with the long term maintenance and management needs of our historic Terre Haute Post Office and Federal Building.

I stand ready to answer any questions that you might have about our organization's support of this legislation.

Mr. HORN. I would ask Mr. Pease, is this the last witness locally?

Mr. PEASE. Yes, Mr. Chairman.

Mr. HORN. I would like to read into the record the testimony of another witness from Terre Haute. I happen to know this gentleman to be a person of high integrity and a great educator. John W. Moore, president of Indiana State University at Terre Haute, happened to be a colleague of mine when I was president of California State University in Long Beach, and he chaired and was president of the Stanislaus campus, which is a growing campus in the central valley, and he writes me this note:

I am writing to support the GSA receiving ownership of the Terre Haute Office and Federal Building from the United States Postal Service. It is crucial to the day-to-day operations of Indiana State University and others that the Federal building have a landlord that will maintain and invest in its historic significance and the services it provides to the community.

Indiana State University, located adjacent to the Federal building, employs over 1,700 faculty and staff, serves a student population of nearly 11,000, over half of whom live on campus and some 500 of whom are international students. Also, each summer the university hosts literally thousands who come to the campus to participate in Hoosier Boys and Girls State, Special Olympics, Summer Honors, State Police, cheerleader and other such camps, to name but a few. The sheer volume of mail flowing in and out of the campus is staggering, not to mention the foot traffic to and from the Federal building.

Also within the block housing the Federal building and in close proximity are the offices of the Vigo County School Corp., the Deming Center, a residential facility housing the elderly, city and county government operations, downtown merchants and businesses, a bus terminal. And a new city center project is currently under construction directly behind the Federal building.

Revitalization of Downtown Terre Haute is critical to the city and university leadership and those we serve. A vital Wabash Valley depends on the revitalized downtown district, and the Federal building is a major component to that success. I strongly urge your endorsement of this effort.

My respect and best wishes go to you and your colleagues in the House with this letter.

Sincerely, John W. Moore, President, Indiana State University.

Without objection, that letter then will also be put in the record at this point.

[The information referred to follows:]

Indiana State University

Office of the President

September 27, 1999

The Honorable Stephen Horn, Chairman
Subcommittee on Government Management,
Information, and Technology
Committee on Government Reform
Rayburn House Office Building, Room B-373
Washington, DC 20515

Dear Congressman Horn:

I am writing to support the GSA receiving ownership of the Terre Haute Office and Federal Building from the United States Postal Service. It is critical to the day-to-day operations of Indiana State University and others that the Federal Building have a landlord that will maintain and invest in its historic significance and the services it provides to the community.

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Also within the block housing the Federal Building and in close proximity are the offices of the Vigo County School Corporation, the Deming Center (a residential facility housing the elderly), city and county government operations, downtown merchants and businesses, a bus terminal. And, a new city center project is currently under construction directly behind the Federal Building.

Revitalization of Downtown Terre Haute, is critical to city and university leadership and those we serve. A vital Wabash Valley depends on a revitalized downtown district, and the Federal Building is a major component to that success. I strongly urge your endorsement of this effort.

My respect and best wishes go to you and your colleagues in the House with this letter.

Sincerely,

John W. Moore
President

bja

Terre Haute, Indiana 47809
(812) 237-4000
FAX: (812) 237-7948

Mr. HORN. So now we are pleased to have the experts on the Federal Government side, and we will start with Mr. James Whitlock, the Assistant Regional Administrator for Public Buildings in the Great Lakes region, region 5, of the General Services Administration. We thank you very much, Mr. Whitlock. We are happy to have you here, and we look forward to your testimony. Please proceed.

STATEMENT OF JAMES WHITLOCK, ASSISTANT REGIONAL ADMINISTRATOR FOR PUBLIC BUILDING, GREAT LAKES REGION (REGION 5), GENERAL SERVICES ADMINISTRATION

Mr. WHITLOCK. Thank you, Mr. Chairman. We, too, have submitted an opening statement, and I would like to submit that for the record and just sort of summarize some points.

Mr. HORN. Without objection, it will be inserted in the record at this point.

Mr. WHITLOCK. It is impossible for us to disagree with the Congressman and the mayor representing the downtown, and the university president. The goals that are being outlined there, we face those in every one of the cities of this size with buildings of this character, especially one as attractive, historic, one that has murals. I mean, it has all of the ramifications of the types of things that should be preserved. And you can tell from the last couple of years of activity that there has been a lot of attempts to find ways to do that, and we have not yet found any. And one of the attempts—and this is not something just in Terre Haute. It happens in community after community. Finding ways to accomplish this is very difficult.

The Congressman outlined some of the agencies that are in the community. GSA is no longer a monopoly. We have not the ability to order them to the space. It is interesting how Agriculture, which is basically funded through the State universities, tends to be, or demands to be located at the edge of town, serving farmers. They refuse to come downtown, and they think that is the proper thing for them to do, so they do it because they think that is the right answer, not because they are obstructionists about rebuilding downtowns.

Recruiting, which you may have read in this morning's USA Today, is not meeting their goals. They tend to move wherever the movie theaters are, wherever they can pick up candidates for the services. So they are very concerned about getting close to where they see potential recruits.

The last two agencies that are perhaps candidates, IRS and SSA, they moved from the building not so much because the space is not attractive, that is not their issue. They usually base their discussions on the need to be handicap-accessible, which is normally a first floor or a single location without steps. They stressed adequate parking as being very important because they are becoming customer-service agencies. But the most critical issue is it wraps around; going back into the Postal Service building is a technological difficulty with the functional obsolescence of getting cabling and wiring into those work stations, so they prefer to do that in a more modern building where they can do that at a lower cost.

So there is a set of practical reasons why this just does not fall into place as we all wish it would. Based on that, GSA has taken the position that this is probably not a good building for us to own. We do not disagree we can manage it, that is not the issue. The issue is how can we keep it occupied.

I wanted then to pass the baton to Gordon, who can talk about some of the ways that—there are other ways perhaps some buildings of this character might be able to be utilized.

Mr. HORN. Thank you.

[The prepared statement of Mr. Whitlock follows:]

JIM WHITLOCK
ASSISTANT REGIONAL ADMINISTRATOR
FOR THE PUBLIC BUILDINGS SERVICE
GREAT LAKES REGION
GENERAL SERVICES ADMINISTRATION

BEFORE THE
SUBCOMMITTEE ON GOVERNMENT MANAGEMENT,
INFORMATION, AND TECHNOLOGY
COMMITTEE ON GOVERNMENT REFORM
U.S. HOUSE OF REPRESENTATIVES

SEPTEMBER 29, 1999

I am Jim Whitlock, Assistant Regional Administrator for the Public Buildings Service—Great Lakes Region. Thank you, Mr. Chairman, for the opportunity to appear before you today to discuss H.R. 2513, which would direct the General Services Administration (GSA) to acquire a postal service building in Terre Haute, Indiana. This building, owned by the U.S. Postal Service, was completed in 1934 and is listed on the National Register of Historic Places. It is just over 75,000 gross square feet, with a usable area of approximately 50,000 sf, and a parking lot of 20 spaces.

The issue of GSA assuming ownership of the building was first raised in June of 1998, after the U.S. Postal Service relocated the majority of its operations from the Postal Service building to a newly constructed postal facility, also located in Terre Haute. GSA declined the offer of ownership, based on insufficient need for a federal building -courthouse of this size. We simply do not have the federal tenancy to sustain this building.

GSA currently 'leases' space from the Postal Service at this building to house several federal agencies including the Judiciary, Justice Department and House of Representatives. These agencies occupy approximately 13,250 usable square feet of space, roughly twenty-six percent of the building. In addition to housing these agencies in the U.S.Postal Service Building, GSA leases commercial space for three federal agencies in Terre Haute. The Commerce Department Bureau of Census is located in a temporary location to conduct Census 2000 activities. The Social Security Administration and Internal Revenue Service, both former tenants of the Postal Service building, are also housed in commercial leases secured by GSA.

The Internal Revenue Service and Social Security Administration are unlikely candidates to fill vacant space in the Postal Service Building. These agencies have consistently relocated from U.S. Postal buildings across the country. They have a unique set of clientele and requirements that are best met in single story structures that are fully accessible. We do not know of any instances in recent memory of SSA and IRS moving from a commercial lease back into a postal building.

It is important to note that GSA does not have a monopoly on acquiring space for federal agencies. We have postured ourselves as a client service

agency, and as a provider of choice. We can no longer force federal agencies into our own inventory, nor can we force them into buildings owned by the U.S. Postal Service. Our clients have an option to turn to other providers if GSA does not provide the space or services that meet their specific requirements.

Under the most optimistic circumstances, if we could successfully relocate our entire leased inventory back into the U.S. Postal Service Building, we could still not achieve a sustainable tenancy. Approximately fifty percent of the building would remain non-revenue producing, including 8,000 square feet of space that the bill would allow the Postal Service to occupy rent free, should the Postal Service elect to remain occupants of the building. With only half of the building generating revenue, we anticipate that the expense of maintaining and operating the building will exceed the rental income. GSA would be forced to operate the building at a loss from day one.

In order to break even, it would be necessary that both SSA and IRS return to the building and that the Postal Service reimburse GSA the full operating expenses of the space they would occupy. We recognize the purpose of the free rent provision under the bill is to compensate the Postal Service for the value of the building. After considering the value of the proposed renovated space for the Postal Service, the current level of occupancy, the uncertainty of additional income from out-leasing activities and the additional cost of parking as proposed by the legislation, we believe such a transfer is not in the best interest of GSA.

That concludes my formal statement and I would like to introduce Mr. Gordon Creed who will discuss some of the options available for the continued use of this building by other entities.

Mr. HORN. Mr. Gordon Creed is the Deputy Assistant Commissioner for Property Disposal of the General Services Administration here in Washington. Mr. Creed.

STATEMENT OF GORDON CREED, DEPUTY ASSISTANT COMMISSIONER FOR PROPERTY DISPOSAL, PUBLIC BUILDINGS SERVICE, GENERAL SERVICES ADMINISTRATION

Mr. CREED. Good morning, Mr. Chairman and members of the committee. I am Gordon Creed, Deputy Assistant Commissioner of the Office of Property Disposal within the General Services Administration.

I am pleased to have the opportunity to appear before you today to discuss H.R. 2513, a bill that directs the Administrator of General Services to acquire a building located in Terre Haute, IN, and for other purposes.

I will briefly discuss GSA's role in the disposal of government-owned property and how GSA would view the redeployment of this U.S. Postal Service asset under existing statutory authority.

Commencing with the Surplus Property Act of 1944, which was administered by the War Assets Administration, and continuing with the enactment of the Federal Property and Administrative Services Act of 1949, GSA's mission has included the promotion of real property disposal, consistent with sound asset management practices.

GSA promotes asset management in the property disposal program by three ways. One, we encourage agencies to release unneeded properties; two, recycling unneeded Federal property to agencies that are in need of real property; and three, disposing of property no longer needed by any Federal agency.

GSA has more than 50 years of experience in the transfer and disposal of government real property assets, spanning from simple easements to complex military bases. Taxpayers benefit from the efficient transfer of property to non-Federal public and private interest. Surplus properties that are returned to local tax rolls contribute to economic growth and job creation.

GSA objects to the enactment of H.R. 2513 because no administrative effort was ever made to promote and successfully market the redeployment of the Terre Haute property.

In July 1985, GSA and the Postal Service entered into an agreement that covers the transfer, exchange and disposal of real property. The agreement established procedures for the Postal Service to notify GSA of postal real property that was no longer needed for its purposes; that is, excess to its needs. The agreement covered real property that is excess to the Postal Service for purposes of ownership, yet remains encumbered by existing tenant agreements.

In recent discussions with Postal Service officials, I have learned that there is no need for the Postal Service to retain ownership of the Terre Haute property. I further understand that there are outleases issued by the Postal Service that need to be honored in any potential reuse of the property.

Mr. HORN. I am going to have to interject for a minute. I have a commitment that I have to meet in Transportation. Mr. Ose will preside while I am gone, and then if you finish your testimony, Mr.

Turner will have 10 minutes for questioning, and then next will be Mr. Ose, and then Mr. Pease and then Mrs. Mink.

Mr. OSE [presiding]. Please continue.

Mr. WHITLOCK. Thank you.

GSA's leases account for 13,250 square feet of the building.

I note that GSA successfully solved this same, very same, situation in 1998 when it disposed of the 11-story Federal building to the city of Philadelphia. Although this facility was excess to the needs of the General Services Administration, there was a continuing need to provide space for the Military Recruitment and Induction Center located on two floors of the building. After acquiring the property, the city of Philadelphia entered into an exchange transaction with the Pennsylvania Academy of Fine Arts so that the academy could gain additional space in which to accommodate its growing need for academic and gallery space. It is important to note, this disposal was favorably reviewed by this subcommittee.

Another example of this type of successful redeployment of unneeded government-owned property is the former Federal office building in Asheville, NC, known as Grove Arcade. In 1997, this property was conveyed to the city of Asheville, without cost, for use as a historic monument. Section 203(K)(3) of the Federal Property Act authorizes this type of conveyance, and, in addition, allows for the transferee to generate income in operating the property. Thus, a revenue stream for repair, rehabilitation, restoration and maintenance of the property remains an option should the city of Asheville seek to outlease any available vacant space in this building.

Is the Terre Haute property a potential historic monument? While the Advisory Board on National Parks, Historic Sites, Buildings and Monuments established by section 463 of Title 16 makes the recommendation over the suitability of property as a historic monument, clearly the property's age, design and history seem to lean in that direction. Successful reuse of the Postal Service property appears to be the goal of the legislation, and to that end GSA stands available to assist the Postal Service in marketing this property.

Because of the proximity of the Terre Haute building to the Indiana State University, it is also possible that an application could be submitted to the Department of Education for public educational use of the property. Section 203(K)(1) of the Federal Property Act allows for the conveyance of surplus real property for public educational use.

Finally, I note that GSA's experience and brand name connote a quality in the real estate market often sought by developers who seek trophy properties for their portfolio. This could, in fact, be one of those desired properties.

Mr. Chairman, this concludes my statement, and I will be pleased to respond to any questions you or any members of the subcommittee may wish to ask.

Mr. OSE. Thank you, Mr. Creed.

[The prepared statement of Mr. Creed follows:]

GORDON S. CREED
DEPUTY ASSISTANT COMMISSIONER
OF THE
OFFICE OF PROPERTY DISPOSAL
PUBLIC BUILDINGS SERVICE
GENERAL SERVICES ADMINISTRATION

BEFORE THE
SUBCOMMITTEE ON GOVERNMENT MANAGEMENT,
INFORMATION, AND TECHNOLOGY
COMMITTEE ON GOVERNMENT REFORM
U.S. HOUSE OF REPRESENTATIVES

SEPTEMBER 29, 1999

Mr. Chairman and Members of the Committee:

I am Gordon S. Creed, Deputy Assistant Commissioner of the Office of Property Disposal, Public Buildings Service, General Services Administration (GSA). I am pleased to have the opportunity to appear before you today to discuss H.R. 2513, a bill that directs the Administrator of General Services to acquire a building located in Terre Haute, Indiana, and for other purposes.

I will briefly discuss GSA's role in the disposal of Government-owned property, and how GSA would view the redeployment of this U.S. Postal Service asset under existing statutory authority. Commencing with the Surplus Property Act of 1944, which was administered by the War Assets Administration, and continuing with the enactment of the Federal Property and Administrative Services Act of 1949, GSA's mission has included the promotion of real property disposal consistent with sound asset management practices. GSA promotes asset management in the property disposal program by:

- Encouraging agencies to release unneeded properties;
- Recycling unneeded Federal property to agencies that are in need of real property; and
- Disposing of property no longer needed by any Federal agency.

GSA has more than 50 years of experience in the transfer and disposal of Government real property assets, spanning from simple easements to complex military bases. Taxpayers benefit from the efficient transfer of

property to non-Federal public and private interests. Surplus properties that are returned to local tax rolls contribute to economic growth and job creation.

GSA objects to the enactment of H.R. 2513 because no administrative effort was ever made to promote and successfully market the redeployment of the Terre Haute property.

In July 1985, GSA and the Postal Service entered into an Agreement that covers the transfer, exchange, and disposal of real property. The Agreement established procedures for the Postal Service to notify GSA of Postal real property that was no longer needed for its purposes, i.e., excess to its needs. The Agreement covered real property that is excess to the Postal Service for purposes of ownership yet remains encumbered by existing tenant agreements.

In recent discussions with Postal Service officials I have learned there is no need for the Postal Service to retain ownership of the Terra Haute property. I further understand that there are outleases issued by the Postal Service that need to be honored in any potential reuse of the property. GSA leases account for 13,250 square feet of the building.

I note that GSA successfully solved this very same situation in 1998 when it disposed of the 11 story Federal Building to the City of Philadelphia. Although this facility was excess to the needs of the GSA, there was a continuing need to provide space for the military recruitment and induction center located on two floors of the building. After acquiring the property,

the City of Philadelphia entered into an exchange transaction with the Pennsylvania Academy of Fine Arts so that the Academy could gain additional space in which to accommodate its growing need for academic and gallery space. It is important to note, this disposal was favorably reviewed by this subcommittee.

Another example of this type of successful redeployment of unneeded Government owned property is the former Federal Office Building in Asheville North Carolina known as Grove Arcade. In 1997, this property was conveyed to the City of Asheville without cost for use as a historic monument. Section 203(K)(3) of the Federal Property Act authorizes this type of conveyance and, in addition, allows for the transferee to generate income in operating the property. Thus, a revenue stream for repair, rehabilitation, restoration, and maintenance of the property remains an option should the City of Asheville seek to outlease any available vacant space in this building.

Is the Terra Haute property a potential historic monument? While the Advisory Board on National Parks, Historic Sites, Buildings and Monuments established by section 463 of Title 16 makes the recommendation over the suitability of property as a historic monument, clearly the property's age, design and history seem to lean in that direction. Successful reuse of the Postal Service property appears to be the goal of the legislation and to that end, GSA stands available to assist the Postal Service in marketing this property.

Because of the proximity of the Terra Haute Building to the Indiana State University, it is also possible that an application could be submitted to the Department of Education for public educational use for the property. Section 203(k)(1) of the Federal Property Act allows for the conveyance of surplus real property for public educational use. Finally, I note that GSA's experience and brand name connote a quality in the real estate market often sought by developers who seek trophy properties for their portfolio. This could, in fact, be one of those desired properties.

Mr. Chairman, this concludes my statement, I will be pleased to respond to any questions you or the other members of the subcommittee may wish to ask.

Mr. OSE. Our next witness is Edward J. Rynne, who is a real estate specialist with the Postal Service.

STATEMENT OF EDWARD J. RYNNE, JR., REAL ESTATE SPECIALIST, ASSET MANAGEMENT GROUP, U.S. POSTAL SERVICE

Mr. RYNNE. Good morning, Mr. Chairman and members of the subcommittee. My name is Edward J. Rynne, and I am on the staff of the Asset Management Group at Postal Service headquarters. I thank you for this opportunity to discuss H.R. 2513, a bill to direct the Administrator of General Services to acquire the Federal building owned by the Postal Service in Terre Haute, IN.

At the outset, I would like to thank Congressman Pease and his staff for the considerable time and energy they have expended on this matter. I would also like to state that we share the Congressman's desire to resolve this matter in a way that preserves the character and usefulness of the Federal building while also meeting the need of our customers in Terre Haute, as well as the practical and financial interests of the Postal Service and the government as a whole.

Mr. Chairman, much of the information in my prepared statement has already been conveyed and with your permission, I would like to submit my entire statement for the record and offer a few brief comments.

Mr. OSE. Without objection.

Mr. RYNNE. The proposed legislation, H.R. 2513, would attempt to resolve the current situation by requiring a no-cost transfer of the Federal building to the General Services Administration. In turn, GSA would provide the Postal Service with an option to occupy approximately 8,000 square feet of renovated retail space on the ground floor of the building at no cost for a 20-year term. The bill would also authorize the appropriation of $5 million to GSA in future fiscal years to renovate the building and to acquire parking spaces.

This proposal would achieve at least two major goals. It would preserve and improve a historic Federal building for use by key government tenants and maintain an active Postal Service presence in the Federal building, which we believe serves the interests of our downtown and university customers. We also understand that it would pose some interesting challenges for the General Services Administration.

In conclusion, I want to reiterate that we appreciate the progress that has been made on this issue, and we look forward to working with the interested parties to resolve this matter in a way that serves the important interests of all concerned.

At this time I would be glad to respond to your questions.

Mr. OSE. Thank you, Mr. Rynne.

[The prepared statement of Mr. Rynne follows:]

STATEMENT OF EDWARD J. RYNNE, JR.
POSTAL SERVICE FACILITIES – ASSET MANAGEMENT GROUP
BEFORE THE SUBCOMMITTEE ON
GOVERNMENT MANAGEMENT, INFORMATION AND TECHNOLOGY
OF THE HOUSE COMMITTEE ON GOVERNMENT REFORM
September 29, 1999

Good morning, Mr. Chairman and members of the Subcommittee. My name is Edward J. Rynne, Jr., and I am a Real Estate Specialist in the Asset Management Group at Postal Service Headquarters. I thank you for this opportunity to discuss H.R. 2513, a bill to direct the Administrator of General Services to acquire the Federal Building, owned by the Postal Service, in Terre Haute, Indiana.

At the outset, I would like to thank Congressman Pease and his staff for the considerable time and energy they have expended on this matter. I would also like to state that we share the Congressman's desire to resolve this matter in a way that preserves the character and usefulness of the Federal Building while meeting the needs of our customers in Terre Haute, as well as the practical and financial interests of the Postal Service and the Government as a whole.

The building, which is the subject of this legislation, is located at Seventh and Cherry Streets in downtown Terre Haute near the campus of Indiana State University. Constructed during the Depression, the Terre Haute Federal Building is a handsome Art Deco structure listed on the National Register of Historic Places. The facility is in good condition, with many of the original fixtures still in place, including a notable Works Progress Administration (W.P.A.) mural in the second-floor Federal courtroom, which depicts the signing of the Magna Carta. Originally part of the property inventory of the

General Services Administration, the building was transferred to the inventory of the Postal Service following the enactment of the Postal Reorganization Act in 1970.

The building was, and to a considerable extent still is, the focal point for the Federal presence in downtown Terre Haute. Original tenants included the Federal district court, the Post Office Department, and other Federal offices including the Social Security Administration, the Federal Bureau of Investigation, and the Internal Revenue Service. At this time, the district court and related offices, the bankruptcy court, U.S. Marshals, the FBI, and a Postal Service retail station remain.

Originally, the Federal Building was the primary site for mail distribution and other postal operations in Terre Haute. Over time, however, the inevitable aging of the building, and our increasing needs for space took their toll. In 1997, we moved our mail processing and distribution functions to a new facility on West Margaret Drive, approximately three miles away. The new building houses all mail processing operations, 41 delivery routes, a Postal Store, the Postmaster's staff, and related administrative and support offices. For the convenience of our downtown and University customers, a retail and box delivery unit has been retained in the Federal Building.

As a result, the Federal Building—although still imposing—is seriously underpopulated. Currently, we calculate that about 32% of the rentable space is occupied by nonpostal, Federal tenants, while 25% of the rentable space is vacant. Additionally, the space currently occupied by our retail operations is more than three times as large as we actually require. So far, we have been unable to attract any substantial new Federal or state government tenants, in part due to the ready

availability of other, more modern office space in the vicinity. For similar reasons, coupled with the difficulty and expense of converting such grand public space as the ground floor lobby to commercial use, our prospects of bringing in private tenants or putting the building on the market are limited.

The proposed legislation, H.R. 2513, would attempt to resolve this situation by requiring a no-cost transfer of the Federal Building to the General Services Administration. In turn, GSA would provide the Postal Service with an option to occupy 8,000 square feet of renovated retail space on the ground floor of the building, at no cost for a 20-year term. The bill would also authorize the appropriation of $5 million to GSA in future fiscal years to renovate the building and acquire parking spaces.

This proposal would achieve at least two major goals. It would preserve and improve an historic Federal building for use by key government tenants, and maintain an active Postal Service presence in the Federal Building, which we believe serves the interests of our downtown and University customers. We also understand that it would pose some interesting challenges for the General Services Administration.

In conclusion, I want to reiterate that we appreciate the progress that has been made on this issue, and we look forward to working with the interested parties to resolve this matter in a way that serves the important interests of all concerned. At this time, I would be glad to respond to your questions.

Mr. OSE. Mr. Turner.

Mr. TURNER. Thank you, Mr. Ose.

One of the comments I wanted to inquire about was made by you, Mr. Creed. You made the statement, GSA objects to the enactment of H.R. 2513 because no administrative effort was ever made to promote and successfully remarket the deployment of the Terre Haute property.

Expand on that a little bit. Are you referring to the Postal Service's inaction?

Mr. CREED. No. What I am suggesting here, Congressman, is that GSA has not had the opportunity to conduct a nationwide canvass of those parties that are interested in acquiring government assets. We have not attempted to market this property.

Mr. TURNER. So when you refer to no administrative effort was ever made, you are talking about your efforts. You haven't had the opportunity to make those efforts?

Mr. CREED. That is correct.

Mr. TURNER. As I understand the intent of the bill, it was to transfer the property to your agency and then have your agency renovate it and lease it. That seems to be totally inconsistent with what you just referred to about marketing it or disposing of it. Am I missing something here?

Mr. CREED. No. You are absolutely correct.

Mr. TURNER. And do I take it that your vantage point is that you really do not want to even consider renovation and leasing of the property?

Mr. CREED. Respectfully, Mr. Turner, I think that Mr. Whitlock can better address that question.

Mr. WHITLOCK. I think we were trying to point out that even though we know the building needs to be preserved, I mean, there is no disagreement about that, we are trying to point out that the use of further Federal occupancy, the agencies that were sort of outlined, most likely would not agree to reenter the building, with or without renovation. So it puts us in a financial dilemma to take $5 million, give or take, out of our resources and to modernize the building.

There is also the issue of a 20-year postal occupancy, which is sort of a fairly expensive cost issue that we are not quite sure why that provision is there other than to perhaps reimburse the Postal Service for their ownership of the building.

From a strictly financial standpoint, and we are trying to analyze our projects on the basis of financial practices, it doesn't work with that equation with Federal agencies. But we did not want to close out the discussion of making the building work with all kinds of other possibilities between both the disposal, which is a formal process, declaration of excess by one agency giving it over to GSA and then goes through a formalized process. Our involvement to this point has simply been to look from a localized standpoint what is available within the community to make the building viable in the future. So there is a difference between the short term or the local activity versus the broader-based activity.

Mr. TURNER. You made reference to the fact that you don't think other Federal agencies would come back to this building. When their existing leases expire, how would you attempt to attract those

agencies back? Would you just be a bidder as any other bidder in that process, and would you submit a bid to the agency for the space?

Mr. WHITLOCK. Well, that is a good question. In prior times, we would have ordered them to the building, and their appeal process would have been to OMB, and we would usually win, because economics would rule. But in the last decade, that has changed. And if we were to attract them to a building we own, we have to modernize it and offer it to them, and they must accept it on the basis of what we have done for that particular agency, and then they have the opportunity to say, well, that doesn't meet our requirements, and on that basis then, we go into the lease market.

I would like to note that most of our leasing for IRS and SSA, for example, we do still insist that they remain in the downtown areas. But that is controlled by residential Executive order, so they have to follow that as well as we do. So even if we are in the lease market, we are still in the downtown of these communities.

Mr. TURNER. So I guess some of our Federal agencies could simply, in their specifications, when they advertise for bids, expect that you wouldn't even be an eligible bidder because of your location or because of some other characteristic of the property?

Mr. WHITLOCK. It is inevitably wrapped around excess, parking, and technology requirements.

Mr. TURNER. What is the parking situation at this building?

Mr. WHITLOCK. My understanding is there are 20 parking spaces.

Mr. TURNER. Somebody estimated a $5 million cost of renovation including the acquisition of additional parking spaces? Is that part of the plan, to acquire additional space?

Mr. WHITLOCK. I think that is in the proposal.

Mr. TURNER. Is there space available for that?

Mr. JENKINS. Yes, sir.

Mr. TURNER. It seems that obviously we have a variety of players here with different interests. I think it is probably important to step back and look at the big picture. I think Congressman Pease and the community leaders have done so in trying to fit this all together in a way that will preserve this building. My impression, just seeing the picture here of the building, is it certainly appears to be one that is structurally sound and has historical significance and deserves to be preserved. I am as interested, as are you, in trying to figure out how to accomplish that.

I think it was important for us to have this hearing. If we have chosen a pathway of trying to resolve this problem that is meeting resistance by one of the partners, that is in this case the GSA, it is going to be a difficult road to travel down, even if the legislation passes. I think it is real important for us to try to figure out a way to get through this.

If the GSA did acquire the building, would you then be in a position of being able to use the resources of the GSA to explore the various options for the preservation of the building, or are you constrained in some way that you basically could not accomplish that end result that we all seek? It would seem to me that the GSA should be in a better position to do that and to work through that than perhaps the Postal Service. The resources you have, the ex-

pertise you have, it seems to me you are uniquely suited in trying to help resolve this particular issue.

If we made a decision legislatively that the building was going to be preserved and the building was going to be utilized, could you take that task on and attempt to resolve that in some way that would make sense?

Mr. WHITLOCK. I think we have been in that situation many times before. When the Postal Service and GSA separated inventories almost 30 years, it was basically whoever controlled the majority of the space in the building became the owner of the building. Here now in this time, we have a lot of buildings of this vintage facing the same circumstance. It is very difficult to find the continuing use that almost always becomes a money problem: Where do the funds come from to do the renovations or to do the maintenance? And it becomes then from an investment standpoint difficult to rationalize the amount of dollars it takes. It is just a difficult equation, and I absolutely agree that we need to find solutions for it. And GSA, of course, could do that.

We have simply two concerns. One is using the resources that we gather from rents around the country in the buildings we lease to our Federal tenants, directing them to be utilized for a specific project is not our preference. We usually do that through an economic analysis, and based on the tenant, expectations of the tenant base, we wouldn't see this coming up high on our economic analysis. That has been our concern. Of course, the second one would be a rent-free occupancy to a given agency that would simply be all cost and no income.

So this discussion from our perspective is strictly on the financial side of the business. It is not on the emotional side, it is not on the preservation, it is not on supporting the city, it is on the financial investment side.

Mr. TURNER. I think we all know is that your responsibility is to look at it in terms of the economics. Yet it is apparent, I think, to all of us that there are other, valid considerations such as historical preservation.

The Department of Agriculture has a plan to have one-stop shopping in all of our communities where you can go into one location and see the different agencies. It seems to me to be even a valid suggestion for all of our Federal agencies, that if there can be collocation, that that is helpful to the general public, because they know there is one place to go to to reach the Federal Government and its services.

Is this a policy of the government and of your agency, to value a collocation of Federal agencies?

Mr. WHITLOCK. Yes, and has been for as long as I can remember. Collocation would be desirable because of reducing costs and the usual discussions of why that would make sense.

The thing I have noticed, and perhaps the chairman has, too, in some of his investigations, is that the reform effort takes place, agencies are making more and more decisions to deal with technology and the cost of technology and how they deliver their services. It has occurred to us that the cost of technology per person exceeds the cost of space. It changes the equation in how we have to look at these things. So it becomes more difficult for us to simply

drive decisions based on space costs when personnel and technology costs are rising. So it makes them behave differently now compared to how they used to in the past.

Mr. TURNER. Thank you.

Thank you, Mr. Chairman.

Mr. HORN [presiding]. I notice the ranking member of the full committee is here, and I would be delighted to yield you time now if you have other things to do, or I can go to Mr. Ose and then to you; but if you need to go, you can go right now.

Mr. WAXMAN. I appreciate it. I will take advantage of this opportunity. I will try not to take the full 10 minutes.

I am trying to think this thing through. We all want to help out a colleague who wants to accomplish something worthwhile in his district, but on the other hand, as I understand it, this is a building where there is a lot of vacancy, and it would be transferred over to the GSA that doesn't want it, and we would tell the GSA, you have to take it, and then we would spend $5 million of taxpayers' funds to fix it up. And then after you rent it for a while, I gather you still believe there would be a lot of vacancy in the building. Is that an accurate statement of where things are?

Mr. WHITLOCK. Pretty much. I mean, from the standpoint of the potential clients we see coming back into the building are quite limited.

Mr. WAXMAN. So are people that always say, let's run government like a business. I can't imagine a businessman undertaking such a transaction.

Now, one possibility, it seems to me, is directing the sale to a private entity using the historical or education use exceptions to a public sale, and then including in the contract that the private entity give USPA a 30-year lease option. Wouldn't that accomplish the goal? Isn't this what we would want to do, privatize things rather than have government run something that is a money-loser? And if we can privatize it, you would still have the building, and you have an entrepreneur who has a reason to want to fill it up. I just think the private sector could do this better than GSA, if you will forgive me, because it doesn't sound like it makes a lot of sense for GSA to take this on. Mr. Pease or others, what are your views on that?

Mr. CREED. There are many other opportunities available for the redeployment of the property. In California, at Riverside County, the Riverside County Sheriff'S Department has submitted an application to acquire a portion of the former March Air Force Base to establish the Ben Clark Public Safety Training Center. With the proximity of this facility to the Indiana State University, and the Indiana State Police's intent in acquiring classrooms, this structure could be redeployed as a successful law enforcement/educational-type facility where you have shared accredited classes for law enforcement. This is something that Riverside County is pioneering. A successful redeployment is possible, I believe, in fact, there is a courtroom that could potentially be deployed on a part-time basis for law enforcement training—giving evidence, prosecuting cases, cross-examining witnesses. There are those types of connections, away to connect the dots to find a successful redeployment.

We talked to the Department of Education yesterday and asked if a program of use for education were presented to the Department of Education for this facility, could a Post Office operation be consistent with an educational use of the building? Education says, yes, we think so. And the reason for that is because—and from what we heard earlier—is that students have mailboxes, mailing needs, packages, and those activities could be reviewed as supporting an educational-type use.

Mr. WAXMAN. So you think this idea makes sense.

What would be the timeframe for doing such a sale? Could this be done rapidly?

Mr. CREED. Things like this can be expedited, yes.

Mr. WAXMAN. Let me get the reactions from others, because this seems to me like a good solution to the problem. What troubles me is the solution that is being proposed, which is to take taxpayers' money, put $5 million into this building, force GSA to take a building they don't want, and run it with the expectation that it is going to lose money. That just doesn't add up to me, but this other one sounds like it accomplishes everybody's goals.

Could we have some further reaction to this?

Mr. JENKINS. Mr. Waxman, part of the problem we see here is the building has now been leased up due to its—the purpose of it and who owns the building is all up in the air. We just—people are hesitant, I think, to lease space or to try to utilize space in the building because they don't know what is going to happen to it. The city has taken on a project called Center City Project to construct a $6 million building right downtown, right across the alley from this Post Office building, in an effort to try to bring people downtown, to cause people to live downtown, those that choose to, and the private sector has taken up the task here of locating various businesses downtown, that kind of thing.

Mr. WAXMAN. Are you saying that you don't think the private sector would be interested in this?

Mr. JENKINS. I don't know that—I am sure it could be interested in it, but I would feel more comfortable with GSA managing, owning it, in that it is such a large building.

Mr. WAXMAN. What you are saying, it sounds to me, is if it is going to lose the money, the government should take it on and lose the money rather than let private enterprise try to make it work.

Mr. JENKINS. Well, here the government—it is our tax dollars that would be going——

Mr. WAXMAN. This bill is asking for my taxpayers to pay for your building.

Mr. JENKINS. That's right.

Mr. WAXMAN. It is hard for me to explain. This is a small thing, the people aren't going to notice it, but a billion here, a million here does add up. But if you take $5 million from everybody in the country, put it into this building to upgrade it, force GSA to take this building and then divert resources they would spend on other things to take on this enterprise, and with everybody's expectation that it is probably going to lose money——

Mr. JENKINS. Well, we would also like to see the centralization of services as discussed here also. The State of Indiana has done just that in a building one block away, centralized the State offices

in the Indiana State government center there, and it has been quite successful and met with a great deal of praise, because you can go to one building and receive all of the State services that are available. It would be nice, it would be very efficient, I think, to go to this building and receive the Federal services that are available in the city as opposed to going to Social Security.

Mr. WAXMAN. I don't disagree with that, and I think we can get the Federal agencies to locate there. That is all a plus.

I haven't been involved in this, but Mr. Ose from California has, and maybe I will even yield to him, to hear what he would have to say about this kind of a project. He has advised people and probably made some intervention, or, Mr. Pease, if you want to comment on it.

Mr. PEASE. Just one response, Henry. I am not certain that I agree, although I admit that I am not the expert, with the assertions made by GSA that the other Federal tenants would not move to this building. There is provided in the material distributed this morning information on the leases of other Federal agencies in the city of Terre Haute which exceed the square footage of available space in this building. Now, it is the other tenants that are in private facilities, obviously have chosen to be there because they are nicer quarters or for whatever reason, but we know from our conversations with, for instance, the Social Security Administration that they need more space than they have now in their private lease space.

Mr. WAXMAN. So you think they will relocate here.

Mr. PEASE. I think it is premature to say it will not happen and, therefore, you should not proceed with the bill.

Mr. WAXMAN. Well, we want it to happen, we want it to happen. But why not shift it over to somebody in the private sector to make sure that it is going to be more attractive than to force GSA to take funds away from other efforts to hope that they will do it?

You are supposed to be a conservative, and I am supposed to be a liberal. Now, wouldn't the conservative point of view be that government should not be throwing money and wasting it, and we ought to privatize; we have a historical building, we ought to preserve it. That is fine. The government could say, continue to do that. But if you think that it is going to be occupied, let's turn to the private sector to run it rather than have the taxpayers take the chance.

Mr. PEASE. I don't disagree with that. In fact, we have said from the beginning that we will explore every option to make this work. Our objective is to make it work for the city of Terre Haute.

Mr. WAXMAN. Do we need legislation if we are going to have a sale to private enterprise?

Mr. WHITLOCK. No, we do not need legislation for that.

Mr. PEASE. GSA needs to own the building for it to dispose of the building, though.

Mr. WHITLOCK. The property would need to be reported excess by the Postal Service to GSA, and what we do is we go and meet with the local authorities, the mayor, the county, the State government, those interested parties, prior to even going to the private sector to see if coalitions can't be made and opportunities can't be matched, to see first—because as a historic monument, the city

could acquire the property without cost and then lease out the facilities, maybe as a police substation or a precinct or campus police, to try to make those matches for the competing needs prior to the time that we would go ahead and take the property to the market.

Mr. WAXMAN. I sure would like to try that out before we take this other approach.

I wanted to yield to Mr. Ose, but I gather it will be his time anyway. He has had these experiences. If people came to him, what would you do?

Mr. HORN. Well, he will be next. The moderate progressive between the liberals and the conservatives just wants to get a question in here.

Mr. Creed, I think you are familiar with the Fort Mason situation, aren't you, in San Francisco and what happened on that property? As I remember, GSA briefly owned that property. Give us a little background on that.

Mr. WHITLOCK. I think we are speaking in San Francisco in the marina district it was a U.S. Army facility that was successfully redeployed and turned into a cultural center for the performing arts, and it has been a very much big success, being able to preserve it and to invite the community and to participate in it. So there are other activities that are available. Parks and Recreation has a performing arts center as a potential reuse for this property.

Mr. HORN. Let me just mention one more thing. I am not familiar with the Terre Haute Post Office, but I happen to have in my district a beautiful Post Office with wonderful materials in it, WPA, Works Progress Administration, paintings and murals all over, and this is in San Pedro in my district, and if this Post Office is something like that, built in the 1930's, it is probably a work of art that should be kept, because it personifies the solidity, shall we say, of government, just like the bank buildings in that era also. It looked like your money was safe. So if it was that kind of Post Office, I agree with you, I think it ought to be worth saving for a good purpose.

Mr. WAXMAN. I don't think anybody disagrees with that.

Mr. HORN. So I now yield 10 minutes to the gentleman from California Mr. Ose, and then we will recess for the vote, since we apparently have votes on the floor.

Mr. OSE. Thank you, Mr. Chairman. I appreciate the confidence my good friend from California vests in my opinion.

I am struck, as I am every day, by the realization that real estate remains an exceptionally local industry. I don't pretend to be able, having come from Sacramento, to understand the nuances of the Terre Haute market, for instance. I think the financial questions that you might deal with a 70,000-square-foot office building are pretty straightforward, but I am—I have a hard enough time understanding what is going on in Roseville 8 miles down the road as opposed to what is going on in Terre Haute. My inclination is to put great faith in the valuations provided by my good friend Mr. Pease and the mayor of Terre Haute in an effort to expedite a solution, because if there is anything that doesn't serve this property's—one truism, if you will, is that what doesn't serve the interest of this property is uncertainty. We need to come to a conclusion one way or the other.

I am going to put great stock in the testimony or the input that I take from folks who actually live in Terre Haute on this issue. I just don't have the wherewithal to understand the nuances of the Terre Haute market sufficiently that it would give me comfort to override their input.

Mr. WAXMAN. Will the gentleman yield?

Mr. OSE. Certainly.

Mr. WAXMAN. I can understand that point of view, and maybe we can ask Mr. Pease. Why not try this private sector option, and we could all together do whatever is necessary to push that forward. It would protect the historical site, and it wouldn't be calling on taxpayers to take on something that smells like a money-loser and force GSA to take on property they don't feel they can handle properly. It just doesn't add up to me. Do you think we can do something like that?

Mr. PEASE. I have been willing for the last 2 years of working with GSA, who has apparently communicated more with you than they have with me, to resolve this project, but I dispute the premise of your questions, which is that it could not be a viable facility and would be a drain on the taxpayers, because GSA is leasing more space in the city now than is available in this building, and the building is 75 percent occupied now.

I have been and will continue to be willing to talk about any possible option and to operate in good faith with those that I hope will do the same in return.

Mr. WAXMAN. Well, I thank you for that. I want to work with you to accomplish what you want. If this is a viable business option, it seems to me that it ought to be appealing to the private sector, and I think you have GSA's attention, if they haven't been as forthcoming as you would like. I think we ought to sit down and talk about this as we consider this legislation and see if we can try this option first before we move to a government solution with taxpayers at risk and the taxpayers at risk of losing more money, let alone the $5 million that the taxpayers are going to have to put up for this legislation to upgrade the building so that it does become, hopefully, a viable option.

I would urge that we pursue that together, and I want to work with you, and I hope we can accomplish what you want.

Mr. OSE. Mr. Chairman, reclaiming my time, I yield back.

Mr. HORN. We have a decision to make here. We have a rule vote, which is simple, followed by a 5-minute vote on the journal, which is idiotic, but we have to do these things. So we are going to be in recess, shall we say, for about 15 minutes. Maybe we can make both votes. So with that, we are in recess.

[Recess.]

Mr. HORN. I recognize the gentleman from Indiana for 5 minutes, and then we will move to Mr. Turner for 5 minutes, and then back to the gentleman from Indiana.

So please begin.

Mr. PEASE. Thank you, Mr. Chairman.

I am not sure which of the witnesses from the General Services Administration this would be best directed to, but I will let you decide that. Does the General Services Administration include factors other than the financial management of property in its decision re-

garding investment or utilization of buildings, such as downtown location, historic significance, those—well, are there other factors besides the finances that go into your decisions, and if so, what are they?

Mr. WHITLOCK. GSA is covered by 29 laws and 9 Executive orders, so we have a lot of factors.

Mr. HORN. You might get that mic a little closer.

Mr. WHITLOCK. We are covered by 29 laws and 9 Executive orders, so we factor in lots of things. A lot of that has to do with historic preservation, downtown locations, you know, keeping downtowns viable, but we try to wrap all of those together and take the values of those things and come up with an economic equation to make those decisions, as opposed to make them on one individual or singular factor. It is hard to do, because all of them are valuable. So in the final decision, we try to base it on, well, do the economics make sense, and that is how we try to keep all of that in balance.

Mr. PEASE. Do you want to talk about the Wilson Building in Washington, DC, what factors went into that decision?

Mr. WHITLOCK. Well, Congressman, I don't know about the Wilson Building in Washington, DC.

Mr. PEASE. Does somebody from GSA?

Mr. HORN. Is it Wilson or Reagan?

Mr. PEASE. No. The Wilson Building, a historic building that was acquired by GSA. I assume there were other factors that went into that decision besides the economics. I am just curious what they are.

Mr. WHITLOCK. I don't know. I don't know the decisional factors on that building, Congressman.

Mr. HORN. Perhaps Mr. Creed would be the one who would know, I would think.

Mr. RATCHFORD. Mr. Chairman, my name is Bill Ratchford, in charge of professional affairs at GSA.

The people who can respond to that are not at this table, and they were not asked to come to this hearing. We have the region representative; we have the disposal representative. We would be happy to provide that briefing in a timely fashion for other members of the committee.

Mr. HORN. I would be glad to hold a hearing.

Mr. PEASE. I don't need a hearing. My question is, which is what I wanted an answer to, your response was we do think about other things, but it is only economics. My understanding is that there is an example right in the city where there were other factors that drove that decision other than economics, and that is all I want to know.

OK.

Mr. HORN. Well, we will get an answer for that, and we will put it at this point in the record. Could we get it, Mr. Ratchford, in a week's time or 2 days' time, because I guess this is going to full committee for discussion.

Mr. RATCHFORD. Yes, Mr. Chairman.

Mr. HORN. Great.

Mr. PEASE. The bigger question is what are the factors, and that is really all I need to know. I just—that would be helpful to know.

Mr. HORN. Mr. Rynne, we have heard a number of discussions here about other alternatives or possibly looking at other alternatives, which the Postal Service has been very cooperative, I will say, for the record with our office in trying to find other options. Are you familiar with this project and whether there have been other efforts explored, including private ownership, or would you also need to get us an answer on that?

Mr. RYNNE. I think I can speak reasonably specifically to that. This building was from the 1997 time period; in fact, almost 2 years ago exactly. Obviously it became our problem within the asset management group at headquarters and passed from the greater Indiana district. We had engaged the services, put under contract a local reputable property management firm called Newlin & Johnson, who have tried to marshal up as effective a marketing effort as they could, certainly principally focused on leasing alternatives for the building, rather than on an outright sale, but I do know from speaking directly with Mr. Newlin that he is constantly searching for a private user, and if that came within his field of vision, he would certainly communicate that to us. But his activities are specifically basically weekly advertising for the space at rates that we think are competitive within the Terre Haute downtown area, which at this point is about $10 a square foot triple net, it would seem.

Mr. HORN. So it is $10 a square foot downtown; what is it outside?

Mr. RYNNE. It would presumably fall off. We are talking simply about the central business district, and admittedly it is not a thriving real estate market. That is one of the reasons we are all here today.

Mr. PEASE. If I could just ask one other question, Mr. Chairman.

Mr. HORN. Sure.

Mr. PEASE. For Mr. Nation. Todd, I know you are here representing STAMPS and have an active role with the downtown merchants, but have you worked with larger umbrella historic preservation groups on this issue, and if so, can you tell us what their feelings are; how much of a priority, if any, this project is in the historic preservation community in western Indiana and in the State of Indiana?

Mr. NATION. Sure. I have had contact with the Historic Landmarks Foundation of Indiana, which is a statewide historic preservation advocacy group, on this building. I am also—one of the many hats I wear is the vice president of a local historic preservation group called Terre Haute Landmarks. Terre Haute Landmarks has identified this as one of the 10 most endangered buildings in downtown Terre Haute.

They are all of the opinion that this is a very significant property and that it is infinitely reusable, and it would be fairly easy to accommodate the kinds of uses that we have been talking about today.

Mr. PEASE. Thank you.

Thank you, Mr. Chairman.

Mr. HORN. Thank you. I will yield 7 minutes to Mr. Turner for questioning.

Mr. TURNER. Thank you, Mr. Chairman.

In trying to seek a resolution to this problem, it seems that the GSA, even though right now you don't have the ball, that if you would be willing to go in and take a look at this building and give us some assessment of what options might be there, it would be very helpful to us. And I know you don't own the building, the Postal Service does. Could you assume that role for us and give us some analysis of options without first owning the building? Is that outside of your purview?

Mr. CREED. Mr. Congressman, I think we could pursue that approach and attempt a Herculean effort. We would ask that the Postal Service provide us some documentation, and I am sure—we have a good relationship with the Postal Service. They could give us that documentation in one letter that authorizes us to go ahead and to start making an outreach to see what potential reuse opportunities that may exist which we are presently unaware of.

Mr. TURNER. I think that would be very helpful to us. I commend Mr. Pease for trying to move forward with a solution, because it is very apparent, I think, to all of us here that we have different Federal agencies involved with different primary interests, and about the only way to kind of get everybody to come to the table at one time and talk is to put some legislative proposal out there.

You know, I feel very strongly that Federal Government collectively has a responsibility for this building. It needs to be a continued asset to the community, rather than a detraction. It seems to me that whether you find options for some private concern taking over the building or whether it is the government continuing to run it, manage it, that this is a building that deserves preservation, and it deserves to be run efficiently.

I noticed when the comments were made about the efforts that have been made locally through the leasing agency, Mr. Mayor, I am kind of in the position of Mr. Ose, I don't know anything about the Terre Haute real estate market, but it does seem pretty apparent to me that over the long term, there is not going to be too much success in leasing this building unless somebody goes in and makes some renovations and improvements. And the efforts that have been made by a leasing agent to lease the building as is seems to be somewhat of an uphill battle.

One question I would like to ask. When we talk about exploring various options, obviously the GSA is in the position of being able to do that, but ultimately if we choose to dispose of this building, transfer it at no cost to some third party, doesn't the GSA actually have the legal authority to do that kind of thing, as opposed to the Postal Service? Either of you, I welcome your comments on that.

Mr. CREED. GSA does have that authority in the Federal Property Act to convey the property without cost for historic monument purposes. And I believe the Postal Service has authority to sell and to lease, but I don't know about without cost. That seems to be a substantial factor for any grantee receiving the property, because in essence, it's capital coming to propel the project. We have seen in other parts of the country where custom houses have been conveyed and successfully leased out as historic monuments—maintaining the facade of the building. So, yes—there have been past practices and successes in that area.

Mr. TURNER. From the Postal Service, what is your authority?

Mr. RYNNE. Our general policy—and clearly this is an unusual circumstance—but our general policy would be to dispose of an excess facility in a way that would garner the best result for the Postal Service, sort of a prudent steward rule. Currently, I think in the current bill what we very much appreciate and what we realize has become somewhat of a challenge, one thing is—theoretically about trying to reposition the asset is the treatment of the postal space.

To take just a quick historical step back, when the Postal Service relocated its principal operations from this particular building at Seventh and Cherry to the West Margaret location, which is a new, approximately 150,000-square-foot processing and distribution facility, the plan was to move entirely out of the Federal building and to reposition a small retail station of about 3,000 or 4,000 square feet very proximate to that location, and clearly, because of subsequent events, we have decided to maintain the presence in the building. That raises—that brought us to the nub of the issue, where we are in more space than we would need to be in an exterior location.

One thing I think we would certainly attempt to do in a good faith way is to squeeze down the amount of space we would need for the retail station. That is purely a function of the configuration of the first floor of the Federal building at Seventh and Cherry. There is a historic lobby that is really a monumental public space. It is actually very nice space. The trick would be to try to renovate that in such a way that it was an appropriate historical treatment of the building and to narrow down the space that the Postal Service would actually need. But that is the side of the building that the loading docks are on, and they would need to be included.

I think that clearly a principal benefit we see from Congressman Pease's bill here is the right to remain there. It clearly wasn't our original intention, but recognizing the customer interest in that, I think the long-term goal would to be remain, but clearly under our disposal policy, I think that would be what we would figure would be the recompense for it.

Mr. TURNER. OK. I can understand why the bill is structured that way. You own the building, and, obviously, to transfer it to you, you see that as some remuneration. But I think you need to be flexible a little bit on that, if we ask the GSA to take a good hard look at really what are the options here.

How long, Mr. Whitlock and Mr. Creed, would it take the GSA to report back to this committee with a full display of possible options that would give us something that we could look at as this bill moves forward so that we will be sure at the end of the day that we have arrived at a satisfactory resolution that preserves this building?

Mr. CREED. Congressman, we would ask for the maximum allotted time to give us our best opportunities here, because we are abridging and shortening the process. Whatever time that we could be allotted we would ask for. So I don't wish to constrain our efforts here—I don't know what that period would be for your purposes.

Mr. TURNER. It just seems to me that it is appropriate that this bill move forward, because ultimately, it seems that placing title with the GSA is the best option, no matter where you end up at

the end of the road, because you have the legal authority to do things that the Postal Service does not. It does trouble me a little bit that the transfer as proposed is encumbered with the 20-year lease at no consideration. But then again, there obviously are considerations there. I think ultimately it is important for that postal outlet to remain in that building for the long term. It is important for the Postal Service, and it is important, I think, for the community.

But it would help us a little bit if you could give us some indication of what you would be comfortable with in terms of trying to give us some report, just as if the bill had already passed and you were now the owner of that building and you would have to make some assessment of what to do with it. That kind of information would be helpful to Mr. Pease and the committee in being sure that we resolve this successfully. This is our opportunity to have all of the agencies that have an interest here at the table and, in essence, craft a solution that is satisfactory to everyone.

Mr. WHITLOCK. At the break we were talking about trying to come to some solution. Everyone spent a lot of time trying to think through this not only today, but in the couple years past, and we were fashioning that thought process to say, let's assume we do the maximum effort to acquire whatever possibilities there are to use the building. That is almost a blitz on the part of Gordon's people and some of ours to find imaginative solutions that perhaps don't just fall in the category as we have already discussed this morning. And Gordon can outline all over the country some of those unique things that have happened, and you don't know what the answer is until you kind of do that. So we were going to commit to working hard to do that, and it would take a number of weeks. I picked some. We are not quite sure how many would be appropriate.

Mr. HORN. How many do you think would be appropriate?

Mr. WHITLOCK. Well, probably a month to get us well into it.

The other factor which occurs to me, because it becomes the basic problem, is the money, where does the money come from. And that almost inevitably is what makes a project work or not work. And a couple of contributions to an income stream make it a lot better when you are dealing with people who would be willing to take on this kind of a challenge, as the Postal Service calls it, a challenge. One is we would guarantee the rental from the courts; as long as the courts maintain occupancy, we will, of course, make rental payments to whomever the owner or the final disposition of the building would be to. We would make those payments. We were debating a little bit with the Postal Service about also making a contribution to the income stream for the space they occupy. I know that they consider it remuneration for ownership.

Our problem we deal with here is there is almost no value to a building that has no occupants. In spite of how beautiful it is, it still has little value.

So one of the things that we would try to do over this next month, if this is the right timeframe, is try to find possibilities, including as much income that we can contribute to it, so that whoever would have an interest would be able to depend on that as being part of covering their operational costs and things like that.

So that would be—and then maybe that is the right solution to approach at this point in time.

Mr. HORN. Let me just get a few things on the record in terms of the space and how it is utilized. As I look at this table I have been given, the total rented space is roughly 31,000 square feet, 75 percent occupied, which is pretty good. The Post Office has really half of that square footage now, and that is 15,314 square feet.

Could you tell me, Mr. Rynne, what that space allocation is? Is it mailboxes that people can come and get a lockbox there? Do you have clerks at the counter to process packages and help with stamps and all the rest? I would just be curious what is going on.

Mr. RYNNE. Yes. It is what we would refer to as a retail station, which is sort of the classic, over-the-counter stamp trade. There is also a very large post office box section. Because of the layout of the building on the first floor and the way the lobby penetrates that space, it is a long axis running the length of the building. Ideally, we would have tried to squeeze in something smaller. It is the nature of the architecture of the building that causes that occupancy to be so large for us at this point.

Mr. HORN. So you are saying you could do it in less space.

Mr. RYNNE. Yes. The challenge would be how to design that, and I think one of the brief discussions we had with our GSA colleagues was to see if perhaps—I think we were using a figure of about 8,000 square feet currently. We would certainly try to assist in reducing that if that could assist. Once again, clearly we find that occupancy provision of the bill attractive, but we realize that if that could be reduced, it is less of a burden on a repositioning of the asset, clearly, if that space could be used to produce income.

Mr. HORN. Now, that 15,000 plus square feet is all interior space.

Mr. RYNNE. That is correct. It is about 12,700 feet on the first floor; a small mezzanine space of about 2,500 or 2,600 square feet.

Mr. HORN. Now, when it was a full-blown Post Office for the city, you probably had space in back for the various office vehicles.

Mr. RYNNE. Right.

Mr. HORN. What has happened there now?

Mr. RYNNE. Currently we have—it is approximately 20 spaces that are actually attached to the Federal building. We also lease a slightly larger than 16,000-square-foot site that is immediately abutting the property to the building. There are 56 spaces in that. We have a lease on that that expires in 2002. There is a renewal option to kick that forward to 2007.

Mr. HORN. And that is a privately owned?

Mr. RYNNE. That is privately owned. I believe there are six postal vehicles there currently.

Mr. HORN. Do you run routes out of that Post Office?

Mr. RYNNE. No, we do not. Those 41 units moved to the new processing and distribution facility.

Mr. HORN. Because what I am thinking, since I see Social Security is in the building, obviously if people get there, some could walk.

Mr. RYNNE. Actually, Social Security isn't in the building currently. They had moved out. IRS and Social Security had moved out.

Mr. HORN. I see. Well, there are apparently a few people there, like the district court is still in.

Mr. RYNNE. Correct.

Mr. HORN. Bankruptcy trustee, marshal, the representative that is with us, and the Federal Bureau of Investigation, the GSA joint use, and then the U.S. Attorney and a private attorney.

Mr. RYNNE. Correct. And also a bankruptcy trustee.

Mr. HORN. How much of a problem was parking space to get access to the building by clients or whoever?

Mr. RYNNE. At this point I don't think there is a difficulty given the configuration of tenants in the building. Clearly, if this building were leased up, and depending on the nature of the use, parking starts to become—becomes a central issue, clearly.

Mr. HORN. Can they use some of those 20 spaces, or is that all government use?

Mr. RYNNE. No, government tenants are using those. I know that the FBI is utilizing those on the right side of the building, and the potpourri of users are currently using the remaining spaces.

Mr. HORN. And the 56 spaces, is that a parking lot that charges, essentially?

Mr. RYNNE. That is correct. We are currently leasing that space, and since the move-out, since we don't have a need for all of those spaces, we have been subleasing that, basically as a cost control item.

Mr. HORN. I wonder, Mayor Jenkins, what is the downtown situation in terms of parking so people can go to stores and lawyers' offices, whatever it is?

Mr. JENKINS. Generally people want to park right in front of the store and walk right in.

Mr. HORN. You don't have to worry about it.

Mr. JENKINS. We have a parking garage located just one block away.

Mr. HORN. Is that free parking then, or validated?

Mr. JENKINS. Darn near. It is 25 cents an hour.

Mr. HORN. Hey, I want to move there.

Mr. JENKINS. Come on down. We will be glad to have you. That is a city-owned facility, and it has adequate—there are a number of spaces still available, and there are plenty of spaces for day parking. We have also looked to a number of other options, including a cooperative effort with the university. They have a parking, plat, level ground parking on the northeast corner, directly across the street from the building, and we have discussed possibilities with the university there about another parking garage in this vision statement that we have prepared.

So the parking, although I guess you would say it is cramped according to some local residents, possibly, it is absolutely nothing like you have here in larger cities. There is adequate parking, and there are plans to increase the parking spaces.

Mr. HORN. I am curious, Mr. Creed. How does GSA determine what the cost per square foot ought to be, and is there flexibility for you to, if you wanted to attract people back into the downtown—like the Social Security lease expires in February 2001, and that is 6,143 square feet. Could you make a deal they couldn't refuse?

Mr. WHITLOCK. We determine the value of the space by an appraisal mechanism, comparing other rents in town. We do the whole inventory that way so it is the same in each location and so it is a local rate, based on local conditions.

Yes, we can make some concessions to attract tenants into the buildings. Their refusals are usually not driven by the dollars, but they are driven by the condition and technological improvements that are needed for the space. So we have the ability to do that, but that is often where we don't win that argument with those customer agencies.

I think one of the things that, if we are drawn into trying to do something here where GSA reenters the equation, we certainly can revisit with those two agencies, those two primary, IRS and SSA, and again ask them to consider such. I mean, that is a no-cost way to get back into the discussion. With as much attention that has been drawn to the building and to the location, maybe with the Congressman's help we can persuade them to rethink that.

Mr. HORN. What is the transit system like in Terre Haute? Is there a bus system?

Mr. JENKINS. Yes, there is. It is also a city-owned facility. The transfer station is located two blocks away, obviously, and then various bus stops around the building.

Generally, a lot of the traffic that we see there now is foot traffic, coming from the university, local businessmen, the downtown merchants, that is what we are seeing in that area; and then also from the Deming Center, which you referred to, which is an elderly housing development just a half block away at the corner of Sixth and Cherry. So it is very necessary for this neighborhood that we are trying to create, a mix of retail, commercial and residential.

Mr. HORN. The gentleman from Indiana Mr. Pease can have 7 minutes, 10 minutes, whatever.

Mr. PEASE. I won't use it all, Mr. Chairman. You have been more than generous.

I am just curious if any of the witnesses would have recommendations to us on the bill before us, if there are additions, amendments, or other actions you think should be included or changed in the legislation. I do understand that at least the GSA's preferred position would be not to have a bill at all, and I would not ask you to bid against yourself. But if there are things that any of you would suggest either now or later, we would appreciate having those suggestions.

Mr. CREED. We will take a look at it and comment back.

Mr. PEASE. I appreciate that.

Mr. Chairman, I just wanted to thank you and the ranking member. This is obviously a difficult situation for everybody, and it has been for some years, and the people in the Terre Haute community have worked very hard to try and find a resolution that accommodates everyone's needs, and we understand that that is not easy. I appreciate the local government and the local private sector involvement. We have had help from staff from the Transportation and Infrastructure Committee that have been very helpful on this.

I appreciate the Postal Service's time with us, and I know GSA has frustrations and concerns, but I am grateful for the opportunity for us to work together to try and find a way to solve this for the

benefit of the people that I represent. Nobody could have been more helpful and supportive than the chairman and the ranking member have been, and I am very grateful for that. Thank you, Mr. Chairman.

Mr. HORN. Well, I thank you. Let me just ask a few for the record that we feel we have to ask.

Mr. Whitlock, I guess this really would be to you. Could you tell us how GSA reached the conclusion that there is not enough interest to sustain this building? Was that strictly in the Federal market because they wanted to move out into other areas, or does GSA look at a potential private market in any way? There is a private lawyer in there now, and I guess that is the only private use, is that correct, in the building?

Mr. WHITLOCK. From the information we had, yes.

Mr. HORN. It looks like it. All the rest are government services of one sort or the other.

Mr. WHITLOCK. The analysis we did, which was based on the cost assumptions of similar buildings, our conclusions were that the income stream that was in the building, what we could expect to move back to the building, the income stream was less than the operating costs. That has, of course, been debated a number of times based on what assumptions one uses, but clearly, if it is not fully occupied at the rental rates in this community, it is hard for us to say this is a good economic investment.

I don't want to keep saying this is just an economic equation, but investing $5 million in the building and then trying to make it pay out has been difficult. It is perhaps why we were encouraging the use of trying to find a private or third party that would wish to take over the building.

There is a unique thing that happens to us when we acquire a building. I mentioned the 29 laws. All of a sudden they all apply. They own it, we are obligated to remove the asbestos and handicap the rest rooms and all of those kind of things.

Mr. HORN. Is there asbestos in this building?

Mr. WHITLOCK. The asbestos is mostly in the floor tile, which is not terribly dangerous, but remains an issue. So when we take over a building, we find ourselves having to do these things to accommodate most of that legislation. Sometimes when it goes to a third party, they don't have to do some of those things, so their investment level is going to be less.

What I am trying to communicate is that we know where we need to be, we know what would be the right answer, but there is holes in getting there, and we haven't quite found a way to do that.

Mr. HORN. Mayor Jenkins, let me ask you, having heard what Mr. Whitlock has to say and the thought we are exchanging here on the attraction of private people to that building as well as public service people, would there be a real rebellion downtown in other office buildings: What are you doing taking away my customers, et cetera? How much of a problem would that be if they found 1 of those 23 laws said they could move the square footage up and down?

Mr. JENKINS. I am sure there would be some individuals who would have objection to that, especially if any of the other Federal agencies were to return to this building, obviously someone is going

to be harmed, because they are paying rent to a private individual there. But for the greater good, the community wants the downtown revitalized. They want activity there; they don't want holes, they want buildings, they want people, they want activity. The local merchants want activity. They want customers. We also want a good mix of university and citizenry, a good marriage there, and this speaks to that.

I try to look at this as basically this way. It is a Federal building. It has housed a Federal agency. It is owned by the Federal Government and maintained by the Federal Government. I would hate to see it change. It just causes—as Mr. Whitlock pointed out, change does cause problems at times, and in this particular instance I don't think change is necessarily that useful. I think we should do everything we can to bring the building up to snuff and then have all of these agencies return if at all possible and truly make it a Federal building with Federal services available to the local residents. It seems to be the most logical to me, and we would have all of this income stream from these agencies that are paying out rent to other places.

Mr. HORN. Mr. Rynne, just for the Post Office, for the record, I am curious. Does the Post Office and the facilities it operates around the country try to get in private tenants to make up some of the space, or is that considered a no-no in the new postal corporation?

Mr. RYNNE. No. Actually, very definitely, we try to do that. In fact, it is our particular group, the Asset Management Group, that has that particular responsibility.

Mr. HORN. How has that worked out? I mean, have you had customers ready that can use some of that space?

Mr. RYNNE. Oh, sure, sure.

Mr. HORN. I would think, depending on the type of business, that they would love to be inside a Post Office.

Mr. RYNNE. Yes. There are occasions when it is a very, very nice fit.

Mr. HORN. So how difficult is that in Indiana, in the Midwest, and what do you find there? Is there not that much movement or what?

Mr. RYNNE. My knowledge is, I think, fairly specific to the Terre Haute area and this particular facility. Generally—and it has clearly been a challenge. I think the most recent efforts, we have sort of detected a slight heartbeat over the last month or two, and it appears that there is a State agency, the Western Indian Community Action Agency, that appears to be interested in leasing a little under 2,000 square feet of space, and the bankruptcy trustee, who I think is actually listed as the U.S. Bankruptcy Trustee, I believe it is a private tenant, leases at 1,400 or 1,500 square feet and is interested in expanding that by about 500 or 600 square feet. The FBI also wants to add a little space. So without overstating that, there seems to be at least a heartbeat.

If I could interject for a moment on the cost of the building, it currently—I think over the last year our extrapolated costs for running the building are a little over $200,000. Those are 1999 figures. I think the lease revenue, the projected rent stream for the building at this point is about $258,000, to the best of our calculations.

So it doesn't seem—it is not a horror show, but it is clearly—but clearly, there is not a huge surplus there. It would be very helpful to pack some more tenants into that building.

Mr. HORN. As I understand it now, if the Postal Service has excess space there, you could turn that over to GSA and just carve out, say—among that 15,314 square feet, you could carve out an area, could you, and then give the rest of the building to them? How does it work?

Mr. RYNNE. You mean and condominiumize the building in a sense?

Mr. HORN. No. I am thinking if you have a situation where you have this facility outside in the suburbs, what—and you say maybe 8,000 feet is all you need, not 15,000 feet downtown, depending on how you do the internal architecture.

Mr. RYNNE. And we would hope even perhaps to squeeze it down from the 8,000 if it is possible.

Mr. HORN. So if you turned that building over to GSA, how does that that work? Do you simply do a transfer to GSA, where you say, we don't need all of that space, but we would like to have 8,000 or 10,000?

Mr. RYNNE. Under normal circumstances, if we were simply to excess the building, which, once again, had been the original plan since there had not been under that scenario a postal retail station remaining in the building, under the interagency agreement that exists between the Postal Service and the General Services Administration, they would get first crack at the building, and then we would go through the normal triage of State and local agencies to see if there were public interest. Failing that, then we would try to market it publicly to the private sector.

Mr. HORN. So it would be the routine Federal system, where it goes through HUD and HHS and Justice and so forth?

Mr. RYNNE. Right. That's right.

Mr. HORN. Now, as I understand it, the Postal Service has the authority to enter into arrangements such as what was talked about earlier, public-private partnerships to leverage private sector financing to restore aging buildings, and I wonder, has the Postal Service explored this type of option to restore and outlease the building, and if not, why not? Have you done that in other cities?

Mr. RYNNE. We have certainly done that in other cities, but once again, that is principally a function of the market. I think the greatest successes have been in the various cities around the country; New York City, San Francisco. I think on a grander scale we have a very large building in Chicago, in fact it is the largest postal building in the world, almost 3 million square feet, which we are attempting to excess through that type of method, but it is located near the Loop, and so the financial projections on a property like that are clearly vastly different from the current situation.

Mr. HORN. So you think you would have a lot of customers in Chicago in that area?

Mr. RYNNE. We are hoping to. That project is currently under way.

Mr. HORN. Well, we wish you well.

How about projects more similar to the situation in Terre Haute and throughout the Midwest?

Mr. RYNNE. Not that I can think of in that area of the country. I think the most local example which conceptually has some similarities to what exists in Terre Haute is the building on Massachusetts Avenue, the so-called Postal Square Development, which is catty-corner from Union Station, which was clearly a success story for us, and in which there are many, many Federal tenants.

Mr. HORN. That is the one where the postal museum is.

Mr. RYNNE. That is correct.

Mr. HORN. That is a wonderful museum.

Mr. RYNNE. That is probably the apex of that kind of reuse.

Mr. HORN. Is that pretty well occupied?

Mr. RYNNE. Yes.

Mr. HORN. Probably filled with lobbyists, right?

What is the general services organization's strategy, Mr. Creed, with regard to investing resources to upgrade or renovate historic properties, and when making investments decisions, does GSA treat historic properties any differently than other properties?

Mr. WHITLOCK. I can probably answer that. GSA's funding for renovation, construction, and including historic properties comes from the collection of rents that we collect from each of our tenant agencies. We do not have the outside funding sources to capitalize our projects, so there is tremendous competition for the income we collect each year to aid the courthouses, renovate existing buildings, and it is just simply a matter of having no capital access. So it becomes a constant problem for us to accrue that capital, to find that capital.

Mr. HORN. Now, you were a creation of the Hoover Commission, as I remember, in 1949, in 1952; there were two of them. You are not putting that money that you get from your tenants—let's say they are all Federal tenants, might be some private—into a revolving fund that you can use?

Mr. WHITLOCK. It is a revolving fund. I mean, it is similar to a revolving.

Mr. HORN. So how does it work? Does each region of GSA put in a plan that says, look, this is what we need to do the renovation, this is what we need for maintenance, this is what we need to maybe build new buildings or an extension of existing buildings?

Mr. WHITLOCK. Yes. Precisely.

Mr. HORN. How does that system work?

Mr. WHITLOCK. The income stream is in the neighborhood of $5 billion. Off the top comes government contracts to lessors. That takes about $2 billion of it. Then the basic operation of our own inventory, which is roughly the other half of the space we control, takes another $2 billion. Those are the contracts to heat and maintain and operate. The last $1 billion becomes, in effect, the competition part for, A, construction, and, B, for renovation of buildings. It works, but like a lot of other public enterprises, it has probably over the years been underfunded. At least that is our opinion.

Mr. HORN. So you have not tried to endow the system then, I take it?

Mr. WHITLOCK. We have asked for endowments in either direct appropriations or some kind of financing authority. It has been discussed a number of times.

Mr. HORN. How about OMB on this? Are they favorable to back you up on that?

Mr. WHITLOCK. They normally fall back into the scoring rules and to the budgetary caps and find themselves limited in supporting us on that.

Mr. HORN. How about the various appropriations subcommittees, have they been supportive or not supportive?

Mr. WHITLOCK. Both. I mean, we have had appropriations before. Right now we seem to be in kind of a tight crunch. I know you all are, and so are we; so are most of the agencies. Our discussion with most agencies is they are severely looking at their costs, and it is causing changes in how they behave.

Mr. HORN. Well, are they, despite the cap bit, is GSA going to push for that type of authority in the future? What is your thinking on that? Maybe, Mr. Creed, you should answer that one.

Mr. CREED. I think we could look into that and get back to you later—that would be appropriate for us at this point.

Mr. HORN. Yeah. Well, I would be interested in that just in general, since we are your oversight agency, what makes sense and what would give you flexibility to do your job better. I would think we would all be on the same side on that one.

Mr. WHITLOCK. I think you would probably want to have an in-depth discussion of those issues, because it plays out in a lot of areas. From strictly a real estate standpoint, without trying to deal with all of the other influencing factors, having a capital source becomes very critical in making it all work out. So it is—especially with the amount of Federal construction being requested. We have taken the position that constructing courthouses, which are very complex, is probably in the long term better than leasing them, so it becomes a capital demand on us.

Mr. HORN. You mentioned maybe 4 weeks would give you enough time to look at some of the options on this?

Mr. CREED. Yes, Congressman. With a 4-week period of time, we will go ahead and mobilize immediately outreach and see what we can come up with.

Mr. HORN. Well, today is the 29th. We are going to be here on the next 29th, so what date would you like to pick? It is wide open.

Mr. CREED. Well, the 29th.

Mr. HORN. OK, fine. The Speaker hopes we will get out of here on the 29th, and we will hold a hearing. I have one already that morning to the Y2K stuff and contingency plans. We will just work in another. So let's shoot for that and try to get it up here so that we at least can read it before the hearing starts. We would appreciate that.

Are there any comments that the gentleman from Texas would like to make, or any questions you would like to ask, or are you going to round this up?

Mr. TURNER. Just maybe two or three. One, I would like to ask where did the $5 million estimated renovation cost come from? Who came up with that number?

Mr. PEASE. It came from a conversation in my office when we asked the Postal Service and the GSA what it would cost to bring this building up to—what the expectations were, and one of them

said, we don't know, probably $3 million. So we thought we were being generous in authorizing $5 million.

Mr. TURNER. OK. I think that is important, and I am sure as you do your study here over the next month, you can take a look at that. You know, even $100-a-square-foot renovation costs—I believe somebody said the building was 31,000 square feet; is that correct?

Mr. WHITLOCK. It depends how you wish to measure it. It has roughly 70,000 of gross square footage, the only number that probably everybody can agree to.

Mr. TURNER. Well, obviously, that is important to understand that number, where it came from.

Mr. HORN. Just for the record, total square feet is 75,202. Rentable square feet is 41,318. The basement currently used for storage is 18,800, and total rented space now is 30,899 square feet, that was 75 percent occupied, and total vacant space is 10,419 square feet.

Mr. TURNER. And the Postal Service currently uses 15,000?

Mr. RYNNE. Approximately 15,000.

Not to confuse the issue, but the 75,000 square feet was what we would refer to as the net interior measurement. The gross square footage, which I believe we had communicated to your staff, was approximatley 85,000 square feet.

Mr. HORN. Does GSA and the Post Office have the same square footage?

Mr. RYNNE. We have had a number of discussions, and I think we are pretty close on the inside. The gross square footage is simply from building wall to building wall.

Mr. TURNER. Again, I commend Mr. Pease for bringing this forward. I don't look at this as just an issue that pertains to Terre Haute and Mr. Pease. This kind of problem occurs all over this country, and Federal agencies end up in buildings they no longer need, or tenants start moving out. There is a tendency when you are not motivated by the profit incentive and capitalistic drive to do something with the building to just sort of let it drift along, and it goes further down and further down and further down, and I think we have a responsibility to realize that different agencies have different primary interests, and those sometimes don't work together very well to accomplish the goal of being a responsible property owner at the Federal level.

So this is our test case, I guess, Mr. Chairman, and hopefully these agencies will get together.

One thing I want to say to the Postal Service. I really believe that you have to be a part of the solution here. It sounded real good to say where you are going to get a lease for 20 years at no cost, but you are in the prime rental area on the first floor of this building, and if we are going to structure something here that is economically appropriate and fair to the taxpayers, it is probably going to require the Postal Service to take some responsibility here.

When we talk about, as Mr. Waxman did, trying to alleviate the burden on the taxpayer, the last time I took note of the Postal Service, I was proud to see that you are running your business off of your own revenues now, and I commend you for that. The taxpayers don't pay 1 dime to run the Postal Service, and we may

need just a little bit of that little profit you are making to make this a viable project.

And to the mayor, one question I have for you is would the city be willing to give GSA access to or the right to use for perhaps an unlimited term some of the spaces in that city parking garage about a block away, because obviously there is a shortage of parking space to make this a viable rentable building. I think if the city would step forward and negotiate with the GSA in this discussion over the next month and perhaps pledge to set aside some parking spaces that then could be controlled by the GSA and leased, that would be a perfect parking place for a lot of employees who could walk a block to work and leave those closer spaces available to the customers. Would the city perhaps be willing to chip in at that level?

Mr. JENKINS. Certainly, Mr. Turner. Thank you.

Mr. TURNER. I think that would help in the mix of the discussion here.

I appreciate the GSA being willing to take a lead here for us. It wasn't your problem, you didn't ask for it. So we are grateful that you are willing to step in and help us work through this. Again, I commend Mr. Pease for his leadership on a very difficult issue.

Mr. HORN. Well, I agree with the gentleman from Texas. I think it was well said, how he summed this up.

Would the gentleman from Indiana have any comments or questions?

Mr. PEASE. My thanks to the chairman and the ranking member. You have been very supportive, and I am very grateful.

Mr. HORN. Well, thank you.

Let me just ask you, Mr. Rynne, I have never had a problem with the Post Office in my 68 years. Do you cover the North Topeka Post Office in Kansas at all, I am curious?

Mr. RYNNE. The asset management group of which I am a member actually has a national charter, but our focus is on trying to serve as a profit center for the Postal Service.

Mr. HORN. You are based here in Washington.

Mr. RYNNE. Based in Washington, correct.

Mr. HORN. Well, if you could tell me who I should file a complaint with. When I was at a hearing in Topeka, I sent 20 volumes bought by me to California in my district office, and only one arrived, and the box looked like a Caterpillar tractor had gone over it. But if you can tell me who I deal with, I would appreciate it.

Mr. RYNNE. I will try to do that.

Mr. HORN. Thank you very much. This has been a very worthwhile hearing, I can assure you.

With that, we thank you all for coming. Each of you gave very useful testimony for us. We look forward to your options papers in 4 weeks.

Thank you.

[Whereupon, at 12:40 p.m., the subcommittee was adjourned.]

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