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SITTING ON OUR ASSETS: THE COTTON ANNEX

(112–77)

HEARING

BEFORE THE

SUBCOMMITTEE ON
ECONOMIC DEVELOPMENT, PUBLIC BUILDINGS, AND
EMERGENCY MANAGEMENT

OF THE

COMMITTEE ON
TRANSPORTATION AND
INFRASTRUCTURE
HOUSE OF REPRESENTATIVES

ONE HUNDRED TWELFTH CONGRESS

SECOND SESSION

MARCH 22, 2012

Printed for the use of the
Committee on Transportation and Infrastructure

Available online at: http://www.gpo.gov/fdsys/browse/
committee.action?chamber=house&committee=transportation

U.S. GOVERNMENT PRINTING OFFICE

73–471 PDF WASHINGTON : 2012

For sale by the Superintendent of Documents, U.S. Government Printing Office
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Washington, DC 20515

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March 16, 2012

BRIEFING MEMORANDUM

TO: Members of the Subcommittee on Economic Development, Public Buildings and Emergency Management
FROM: Subcommittee on Economic Development, Public Buildings and Emergency Management Staff
SUBJECT: Oversight Hearing on "Sitting on Our Assets: The Cotton Annex"

PURPOSE

The Subcommittee on Economic Development, Public Buildings and Emergency Management will meet on Thursday, March 22, 2012, at 10:00 a.m., at the Cotton Annex Building located at 300 12th Street, SW, Washington D.C. to receive testimony from Senator Scott Brown and the General Services Administration (GSA). The hearing will focus on the costs to the taxpayer of underperforming or vacant assets, models for their redevelopment or reuse, and how spending can be reduced through private redevelopment of underperforming assets.

BACKGROUND

In February, the Subcommittee held its second hearing at the vacant Old Post Office Annex to highlight the problems of vacant and underutilized space. As a result, H.R. 1734 was introduced and passed the House in February of this year. H.R. 1734 would create a civilian BRAC-like process to create savings by shrinking the Federal footprint and selling or redeveloping under-used buildings. Senator Brown introduced similar legislation.

General Services Administration

The Subcommittee has jurisdiction over all of GSA's real property activity through the Property Act of 1949, the Public Buildings Act of 1959, and the Cooperative Use Act of 1976. These three Acts are now codified as title 40 of the United States Code. The Public Buildings Service (PBS) is responsible for the construction, repair, maintenance, alteration, and operation of United States courthouses and public buildings of the Federal Government. Additionally, PBS leases privately owned space for Federal use. GSA owns or leases 9,600 assets and maintains an inventory of more than 362 million square feet of workspace. GSA acts as the "landlord" for the Federal government, obtaining and managing space to meet the space needs of other Federal agencies. GSA, however, is just one of nine[1] Federal agencies that, in total, own or manage 93% of Federal real property.

Management Issues

Given the vast real estate holdings of the Federal Government, poor asset management and missed market opportunities cost taxpayers significant sums of money. For this reason, in 2003, the Government Accountability Office (GAO) placed real property management on its list of "high risk" government activities where it remains today. GAO conducts biennial reviews on high-risk areas within the Federal Government to bring focus to specific areas needing added attention and oversight. Areas are identified as "high" risk due to their greater vulnerabilities to fraud, waste, abuse, and mismanagement or areas that need broad-based transformation to address major economy, efficiency, or effectiveness challenges.

The key reasons the GAO identified Federal real property as high risk are:

- excess and underutilized real property,
- deteriorating and aging facilities,
- unreliable property data, and
- the over reliance on costly leasing.[2]

Unfortunately, despite executive orders and memoranda issued during two administrations and acts of Congress intended to improve the management of Federal real property, these problems persist.[3] The high risk activities of Federal real property are

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[1] The other major land-holding departments and agencies include the Department of Defense, Veterans Affairs, Department of Energy, Department of Homeland Security, Department of the Interior, Department of State, National Aeronautics and Space Administration, and the U.S. Postal Service.

[2] *See* High Risk Series: Federal Real Property, U.S. General Accountability Office, GAO-03-122, January 2003.

[3] *See,* for example, Executive Order 13327, Federal Real Property Asset Management, signed by President George W. Bush, February 4, 2004; Presidential Memorandum, Disposing of Unneeded Federal Real Estate, signed by President Barack Obama, June 10, 2010; Public Buildings Cooperative Use Act of 1976; Public Law 108-447, Division H, Title IV, Section 412, December 8, 2004 (providing enhanced flexibility to GSA in real property management).

significant. Considerable amounts of vacant or underperforming assets can translate into significant costs associated with their operation, maintenance, and security. For example, in fiscal year 2009, the Federal Government spent $1.7 billion in annual operating costs for under-utilized buildings and $134 million, annually, for excess buildings.[4]

GSA's Authorities

The Committee has long advanced reforms to ensure GSA would have appropriate authorities to better manage Federal real estate. For example, the Committee approved two pieces of legislation in 2003 -- the Federal Property Asset Management Reform Act of 2003 and the Federal Property Asset Management Reform Act of 2003 -- although the legislation was not enacted into law. Those pieces of legislation would have provided GSA authority to enter into public-private partnerships and lease back arrangements with private developers and retain the proceeds from sales. The core authorities proposed in the bills were similar to those enacted as part of the Southeast Federal Center Public-Private Development Act of 2000, which provided for the redevelopment of the Southeast Federal Center in Washington, D.C.

Permanent authorities were not enacted due in large part to changes in how public private partnerships were scored by the Congressional Budget Office (CBO) by requiring an accounting of liabilities of any future government leasing. The scoring changes disadvantaged actions that could be taken to minimize upfront costs to the taxpayer and leverage the government's interest in property. Those scoring changes also failed to take into account the costs avoided in having to construct new office space with taxpayer dollars.

However, the core authorities included in the reform legislation in 2003 were eventually enacted into law through section 412 of the FY 2005 Consolidated Appropriations Act, which allows GSA to retain net proceeds from dispositions of its real property through sale, lease, exchange, or otherwise, including leaseback arrangements. GSA also has authority under Section 585 of title 40 of the U.S. Code to enter into 30 year ground leases with a private entity such as a developer and lease back the space.

The authorities contained in Sections 412 and 585 provide GSA with significant authority to sell or redevelop underutilizes properties and enter into public private partnerships to offset costs associated with renovating or creating Federal space.

The Cotton Annex Building

The Cotton Annex was built in the 1930s and is approximately 89,000 square feet of space located on prime, underdeveloped property near the National Mall in Washington, D.C. The CBO has estimated that the sale value of the building and surrounding vacant land to be $150 million. The most recent Federal tenant of the building was the Agriculture Department; however, the building has sat vacant for the

[4] FY2009 Federal Real Property Report, Federal Real Property Council, September 2010, p. 5.

last 5 years without a tenant while the U.S. taxpayer has been responsible for maintaining this underutilized property.

Over the years, proposals for the redevelopment of the site demonstrate the current underutilization of the property and the potential for creating a financial return to the taxpayer and reducing taxpayer costs. For example, in 2004, the National Health Museum proposed purchasing the site, redeveloping a portion with private funding, and leasing the new office space to the private sector or government tenants at significant short and long term savings to the taxpayer. More recently, the National Women's History Museum has proposed purchasing a portion of the site at fair market value, excluding the Cotton Annex Building, to build a museum with private dollars. In addition to these, developers in the area have indicated the high development potential of the site that would increase its value if sold or redeveloped to its highest use. The National Capital Planning Commission (NCPC), the Federal planning agency in D.C., has also envisioned this site redeveloped to improve access to the waterfront.

However, despite all of these proposals for reuse of this valuable property, GSA has failed to develop a plan for the property or use its existing authorities to sell, renovate or redevelop it.

The Cotton Annex is an example of an underperforming building that if redeveloped to better use could provide a positive return on the investment. The GSA has had previous experience working with the private sector to turn historic buildings to profitable use. Since the first subcommittee hearing at the Old Post Office, GSA announced its selection of the Trump Organization to redevelop that site as a hotel. Another recent example is the highly regarded renovation of the historic Tariff Building in Washington, D.C., not far from the Old Post Office, which has been converted from a money losing asset of the Federal Government to the Monaco Hotel, which is generating revenue for the Federal Government. The redevelopment of the Tariff Building is an illustration of what can be achieved when the Federal Government works with the private sector to produce a site that brings a return to the government, provides a safe and necessary facility for the city, and preserves a unique historic treasure.

WITNESSES

The Honorable Scott P. Brown (R-MA)
United States Senator

Mr. Robert Peck
U.S. General Services Administration

SITTING ON OUR ASSETS: THE COTTON ANNEX

THURSDAY, MARCH 22, 2012

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

The subcommittee met, pursuant to notice, at 10:07 a.m. in the Cotton Annex, 300 12th Street, SW., Washington, DC, Hon. Jeff Denham (Chairman of the subcommittee) presiding.

Mr. DENHAM. Ladies and gentlemen, if you can take your seats, the subcommittee will come to order.

Before we get started this morning, I understand that the mother of Elliot Doomes, a very fine Democrat staffer here, is here in the audience. Just wanted to welcome her and tell her what a fine job we think her son is doing. So thanks for joining us.

Let me first welcome and thank Senator Brown for joining us here today. He has been a leader on this issue in the Senate, and certainly in his region, as well. I also want to thank Chairman Mica—he is on his way, as well as Congresswoman Norton—the ranking member, for their leadership on this issue, as well.

Last month we stood in the vacant annex of the Old Post Office, not far from where we are today. It has been 1 year since our first hearing in that annex. And it took quite a bit of time for GSA to finally select a developer to redevelop that site. That site has been vacant for more than a decade, and it took 5 years after Congress directed GSA to redevelop it before a developer was actually chosen.

Today we are in yet another vacant building, the Cotton Annex. This building has been vacant for 5 years, sitting on prime real estate in our Nation's capital. The Cotton Annex and surrounding vacant property are worth at least $150 million if sold, according to the Congressional Budget Office, yet here it sits vacant, deteriorating, and costing the taxpayers to maintain.

In the so-called Stimulus Bill, the GSA received $5.5 billion. Why weren't any of those funds used to prepare this building for reuse, if GSA intends to keep it in its inventory? And if not going to reuse the building, why hasn't GSA made steps to sell or redevelop it? Whether GSA uses this site to move Federal agencies out of leased space, redevelops the site, or just sells it, GSA can't keep sitting on prime real estate like this.

We know that there have been a number of proposals for the redevelopment of this site, yet GSA has acted on none of them. This

is exactly why I have introduced the Civilian Property Realignment Act, to get agencies like GSA to get rid of unneeded and undeveloped properties. Even without enactment of specific legislation, GSA has—already has broad authority to reuse, redevelop, and sell sites like this, but has chosen not to.

And what makes matters even worse is, instead of getting rid of unneeded properties, GSA seems to actively compound the problem of unused and underused space. GSA is slow to vacate properties, but chooses to build an unneeded $340 million courthouse in Los Angeles, which we have had great differences and discussions on. That will actually add empty space in our inventory. We see GSA condemning private property in Norfolk, Virginia, for a courthouse that will never be built. We still see the old Dyer Courthouse in Miami sitting vacant and abandoned, with no plan to reuse or sell it. Despite our budget deficit and despite even the direction of President Obama's own real property directive in 2010, GSA continues to operate business as usual.

It is unacceptable, it is costly, it is costly for the taxpayer. And we hope today to hear that GSA has plans to do redevelopment or reuse with this building and others like it.

Again, I want to thank our witnesses here today for joining us, and thank the Honorable Scott Brown for joining us, as well. Thank you.

STATEMENT OF THE HONORABLE SCOTT P. BROWN, A UNITED STATES SENATOR FROM THE STATE OF MASSACHUSETTS

Senator BROWN. Thank you, Mr. Chairman. I want to thank you also and the ranking member, and Members of the House that are taking this very important issue up. It has been a pleasure working with you and addressing CPRA, and I want to congratulate your passage of it out of the House last month.

As the committee knows, the Federal Government owns over 45,000 excess and underutilized properties. And, according to GAO, these properties cost American taxpayers over $1.7 billion per year. And that, as we know, is unacceptable, especially in this tough economic climate. It is one of the main reason that GAO has put the Federal property management on its High Risk List. Despite the high-risk status, as you referenced, little has been done to successfully address this problem, and the current disposal process led by the Federal Real Property Council is mired in bureaucratic red tape, politics, competing stakeholder interests, and other inefficiencies.

And, as you know, Mr. Chairman, the current process is broken. The President has acknowledged that the process is broken. So simply accepting the status quo and codifying the FRPC with some modest changes, as alternative proposals suggest, will do little to guarantee that the properties are properly disposed of.

I mean you just look at the building we are in here today, 90,000 square-foot building sitting on prime real estate, as you referenced also, worth upwards of $150 million. It would go a long way to helping not only pay down our debt or deficit, or—obviously helping with programs that may be needed by those who need it most. Yet it has been sitting empty for over 5 years, which is completely unacceptable, while taxpayers foot the bill, once again, for its mainte-

nance. And this building, which is down the street from Congress, serves as a symbol of the culture of complacency our Government has towards wasting taxpayer dollars. With us being over $15 trillion in debt, taxpayers cannot afford for Washington to continue business as usual.

And in today's political environment, it seems that everything is turned into a partisan fight, with little accomplished. Even commonsense legislation like the Stock Act has struggled to make it through Congress. We are finally taking it up today, I am happy to say. But fighting waste, fraud, and abuse in the Federal Government is not a partisan issue. It is something Senator Carper and I have been working on, almost from the get-go. And saving tax dollars is not a partisan objective.

So, I am pleased to announce that today, in a bipartisan effort, Senator Mark Warner and I are introducing the Civilian Property Realignment Act of 2012. Senator Warner and I have been working to improve the CPRA legislation I introduced last August. And our bipartisan legislation takes the necessary steps to ensure the best of the—best use of Federal property for taxpayers, because it is time that the Government put the best interests of taxpayers first. And our improvements also strengthen the legislation's deficit reduction goal by requiring a minimum of 80 percent of the proceeds and savings to go into the treasury for deficit reduction, rather than being used to pad the Federal agencies' budgets, and that is a good thing.

I strongly believe that the independent commission, like the one established through CPRA, is the only viable way to overcome the hurdles in the disposal process created by competing stakeholder interests. And I also believe that the streamline process created by CPRA is the best way to break through the red tape and ensure that the properties are actually disposed of properly.

President Obama proposed CPRA last year. And under your leadership, Mr. Chairman, it was successfully passed out of the House. So at two-thirds of the way of having this critical legislation signed into law, Senator Warner and I are looking forward to working with Chairman Boxer on the Environment and Public Works Committee, and our other colleagues in the Senate, to ensure its passage in the Senate.

I appreciate the opportunity to come and speak. I know you have other witnesses that have a lot to say, so thank you for your courtesy, and I look forward to working with you on this.

Mr. DENHAM. Thank you. Thank you, Mr. Brown. At this time opening comments from Chairman Mica.

Mr. MICA. Well, thank you. And before you leave, Senator Brown, we want to thank you for coming out, for participating, and being such an aggressive advocate for trying to get these vacant and underutilized buildings not only in Washington, but across the country, moving.

At our last hearing—well, our last couple of hearings—we started this last February. It was 32 degrees outside, and we took everyone to the annex. It was 38 degrees inside. So this is—then we were back there a few weeks ago. But this is one of our most comfortable settings in a vacant building.

But the other thing is, as you know, we have 14,000 of these. And we are on a jihad, a national jihad, to take them, if we have to, one at a time. So we are at 13,998, and we appreciate your help. And we have got a few more to go. Thank you.

Senator BROWN. Thank you.

Mr. MICA. Well, thank you for recognizing me, and welcome this morning. And I am sorry I am a couple of minutes late. Somebody should do something about traffic and transportation.

[Laughter.]

Mr. MICA. But that being said, good to be here, appreciate your leadership, Chairman Denham, Ranking Member Norton. I am pleased that—they told me, too, that Elliot Doomes has his mom here. Welcome, too, from all sides of the aisle. We are pleased to have you and your family's leadership on this panel. Now if you can help me get those 13,998 others occupied to the maximum use of the taxpayer, we will really be proud of him. And I appreciate your being here.

I think that sort of says it all, but this building is another example, unfortunately, and we need to have a plan. We have to take these buildings one at a time. We are going to demonstrate that we should not have these vacancies. This has been vacant, I guess, for 5 years. Not only this building itself, which is a valuable asset that we are sitting on, but also the adjoining land and property. And we would like to move forward with plans and work with GSA, work with both sides of the aisle.

So, that is our goal, is trying to be constructive and productive. The average citizen across the country I think who is, in fact, the largest property owner—it is not the Federal Government, it is not GSA, it is not the Congress, but the people own these assets, and we have been sitting on them for too long, as our report pointed out nearly 2 years ago.

So, I want to hear GSA's plan today. It is great that we have bipartisan and bicameral support for these measures. The Old Post Office and the annex are great examples. We are very proud of what we were able to accomplish together there. And a salute to GSA for moving forward.

I am looking forward to actually a better response on our resolution, Mr. Peck, on the FTC request that we passed last week. What was passed along to us is totally inadequate, but I want to see a good and better utilization proposal so we can get FTC consolidated and save, I predict, a half-a-billion dollars on that one transaction, better coordination for an agency, an important agency's activity, rather than having it scattered, and saving money, providing space for other important activities that are sponsored by the United States Government.

So, with those remarks, Mr. Chairman, great to be with you. It is not as chilly as—we need to find some chillier vacant buildings to liven things up. But I salute you and Ms. Norton, and we are going to get it done. Yield back.

Mr. DENHAM. Thank you. Now recognize Ranking Member Norton for any opening comments she may have.

Ms. NORTON. Well, thank you, Mr. Chairman and Mr. Chairman. Thank you for being here. I do note for the record that Senator Brown testified that he was introducing a bill, but did not note that

the House has passed two BRAC bills that I suppose are in the Senate right now. I know they had two that were already introduced, so maybe we can get all those bills consolidated, and something can happen.

Today we are meeting at a virtual palace, compared to the Old Post Office building: the Cotton Annex building, a greatly underused General Services Administration building located on prime land near the National Mall, here in the Nation's capital. Built in the 1930s, the Cotton Annex is approximately 79,000 square feet of incredibly valuable rental property. The building has been mostly vacant since 2007, when the U.S. Department of Agriculture left, and has remained unutilized with no clear plan for full utilization.

Over the past 5 years there have been a number of opportunities for development of this building, including the $5.5 billion in American Recovery and Reinvestment Act renovation funds to GSA for renovation of Federal buildings, and several legislative proposals for the redevelopment of this site, including a national women's history museum, a national health museum, and several proposals from private developers. The strong interest and possibilities demonstrate the Cotton Annex's significant potential for delivering a financial return to the U.S. taxpayer, or for housing Federal agencies and federally owned space with savings to the Government, which leases space throughout the national capital region.

Despite the various proposals for reuse of this valuable property, GSA has failed to develop a plan for the property, or to use its existing authorities to renovate or redevelop the site with a private partner. The Cotton Annex is adjacent to the National Mall, and therefore, will probably have uses in keeping with its monumental location. But, if anything, its location makes the Cotton Annex particularly attractive to developers. If GSA chose not to renovate the building, why did it not use its previous experience working with the private sector to turn underutilized buildings to profitable use, including the highly regarded renovation of the historic Tariff Building in Washington, DC?

More recently, in February, GSA, of course, announced its selection of the Trump Organization to redevelop the historic Old Post Office building as a hotel. Of course, this announcement was the culmination of nearly a decade of dogged bipartisan work of this committee for redevelopment of that site for the benefit of U.S. taxpayers. We do not intend to allow the same delay to get full use of the Cotton Annex.

Among other precedents for—in GSA's portfolio is the public-private partnership for the redevelopment of the Southeast Federal Center into The Yards, one of the largest public-private mixed-use projects in the United States. This project resulted from my Southeast Federal Center Public-Private Development Act of 2000, which allowed the private sector development of a large tract of fallow, but very valuable, federally owned waterfront property in the District of Columbia. I wrote this legislation in the hope that it would not only develop the parcel here, but might launch a new direction in Federal land use by leveraging private sector development expertise and capital to extract the maximum value from valuable Federal land.

This has not happened, despite the bill's dramatic effects in the Nation's capital, converting a 57-acre eyesore of dilapidated Navy Yard structures into a mixed-use community that will generate millions of dollars for the Federal Government and contribute to the tax base of this city. Having worked with GSA on successful Federal public-private partnerships, this committee must continue to ask why GSA is not reaching out for similar partnerships, especially today, when development costs are at record lows.

It cannot be for lack of authority. In 2003, Congress granted GSA what is known as 412 authority. Section 412 authority gave GSA permanent authority to engage in public-private partnerships like the Old Post Office building and the Southeast Federal Center. This valuable authority allows GSA to offset costs associated with renovating or creating Federal space without the need for Federal appropriations.

There are, as yet, no signs of the GSA's at least investigating whether to use its authority to continue the agency's largest current development project, the consolidation of the Department of Homeland Security at the St. Elizabeths Campus, which has been significantly slowed, due to diminished appropriations. While the least expensive and, therefore, most fiscally responsible way to complete the redevelopment of the St. Elizabeths DHS site, and augment the billions of dollars that have already been spent on the infrastructure, would be to appropriate Federal dollars, GSA knows that it will not get funding at the rate necessary to complete this facility for the security of our country, except over several years beyond the plan date.

Yet GSA's existing authority provides a way, in plain view, to complete this project now. For every day that passes, construction costs for the DHS headquarters increases, and Federal agencies remain in expensive leased space instead of the Government-owned DHS space planned. I have requested that GSA provide an analysis of how 412 authority can be used to complete this project, and expect to hear from GSA without delay.

The time is overdue for GSA to use its considerable footprint in the marketplace, and all of its authority to develop the Government's assets and provide the maximum return to U.S. taxpayers. I look forward to hearing from GSA today about its asset management strategy for the Cotton Annex, and how GSA plans to address other underutilized properties.

And I thank you, Mr. Chairman, for calling today's hearing.

Mr. DENHAM. On our second panel we have Mr. Robert Peck, commissioner, public building services, the General Services Administration. I would like to welcome Mr. Peck and thank him for being here today and making this space available for the hearing.

I ask unanimous consent that our witness's full statement be included in the record.

[No response.]

Mr. DENHAM. Without objection, so ordered. Since your testimony has been part of the record, the subcommittee will request that you would limit your oral testimony to 5 minutes. And you may proceed.

And just as we are told—are going to be calling votes in about—just over a half an hour, so probably 11:10 or so.

STATEMENT OF ROBERT A. PECK, COMMISSIONER, PUBLIC BUILDINGS SERVICE, U.S. GENERAL SERVICES ADMINISTRATION

Mr. PECK. All right. Thank you, Mr.—Chairman Denham, Chairman Mica, Ranking Member Norton. Thank you for the opportunity to be here. I thank you for picking a lovely spring day. I wish we had windows, so we could see the cherry blossoms outside. But perhaps we can find a building in the heat of a Washington summer, and really put ourselves at some pain——

Mr. MICA. Oh, that is a great idea.

[Laughter.]

Mr. PECK. So thank you. I am sorry I said that, already.

[Laughter.]

Mr. PECK. We are at the annex, the Cotton Annex, a property that we are actively assessing for productive reuse, and I will talk about that a little bit later. GSA is a leader in Government asset management, and we take pride in effectively utilizing our owned and leased building portfolio. We are building on our successes with aggressive efforts to further improve utilization in the Government.

We continue to make progress on the targets put in place by President Obama in his June 2010 memorandum on disposal of unneeded Federal real estate. Federal agencies are on target to exceed the $3 billion goal of cost savings by the end of fiscal year 2012. To date, GSA has saved more than $300 million toward our goal—within that $3 billion—of $450 million. As part of this effort, we are assisting other agencies in meeting their targets, and will continue to aggressively identify underutilized assets for disposal. And we are almost finding new ones every month, I have to say. It is interesting.

Over the last decade, GSA has successfully implemented a major restructuring aimed at right-sizing our real estate portfolio. Since GSA gained the authority to retain sales proceeds in 2005, GSA's disposal actions have returned almost $244 million to the Federal Buildings Fund. At the end of fiscal year 2011, GSA's national vacancy rate for all owned and leased assets was 3.4 percent, and was even lower in the District, at 1.96 percent, much lower than the private sector's rate.

In fiscal years 2010 and 2011, we disposed of 88 vacant or underutilized properties from the inventory, totaling more than 4 million square feet. For example, we disposed of a surplus Federal building in Brooklyn, New York. We got about $10 million for that. And we are in the process of disposing the West Heating Plant in Georgetown, in Washington, DC. We also recently began disposing of a GSA-owned warehouse in Gaithersburg that currently houses testing facilities for the Consumer Products Safety Commission.

These disposals will allow GSA to avoid $73 million in anticipated repair needs, and operations and maintenance costs.

Since our restructuring initiative began, we have delivered a number of critical consolidation projects, and completed more than 140 major modernization projects. We are modernizing our own headquarters at 1800 F Street, NW., and will move in our Federal Acquisition Service currently housed in leased space in northern Virginia, saving millions of dollars in annual leased costs. We are

also redeveloping the Department of Homeland Security headquarters campus at St. Elizabeths, which will consolidate more than 20 DHS locations in the DC area. This move will allow GSA to transition Federal employees from 1 million square feet of leased space to federally owned space.

We have successfully used our out-leasing authorities to improve the use of our properties. Most recently we selected, as you noted, the Trump Organization to begin redeveloping the Old Post Office. We are now negotiating an agreement for the building's redevelopment, with occupancy potentially in 2016. This is a significant step in putting this notable asset to its highest and best use, while preserving its historic integrity.

I will also note that, of course, however, we will not be using it for Federal office space. The higher and better use is as a hotel, apparently.

Additionally, GSA is leading the way to use space more effectively by breaking out of traditional office space configurations, and providing tools and solutions that support a truly mobile and flexible work space for ourselves and other Federal agencies.

Mr. Chairman, I also want to note that I am glad that the committee moved some of our pending lease prospectuses early this month. However, 10 leases from GSA's fiscal year 2011 leasing program still require action. Most of these leases represent replacements for already-existing space, but nearly all will result in reductions in the amount of space that Federal tenants occupy. If the prospectuses are left on hold and fall into hold-over, it will cost taxpayers far more money than approving them and letting us go forward with those, as I say, reduced-space leases. I am hopeful we can work with the committee to remove the remaining prospectuses.

Today the committee is hosting this hearing here at the Cotton Annex, which formerly housed components of the Department of Agriculture until 2007. It represents one of GSA's few remaining developable parcels in DC. We have held on to this property so far, because studies that we conducted that concluded in 2008 showed that Federal construction represented the highest and best use of the property. While the Cotton Annex is not yet currently meeting its full potential, by a long shot, it is generating small, positive revenue, because we do lease some of the space to the Federal Protective Service. We are considering a number of options for it.

I would also note that Congress has considered legislation that would direct us to dispose of the property to specific users—and that is one factor—while we have not yet made a decision on what to do with the annex. Currently, we are considering some public-private proposals to modernize the central heating and refrigeration plant right across the street. There is a potential need for this property in that modernization. We believe in a very few months we will know whether that is necessary, and then we will make a decision about the disposition of this asset.

In conclusion, GSA is a leader in asset management, aggressively moving out unneeded properties from our inventory, effectively utilizing space, and pursuing new strategies that meet our obligation to taxpayers to house Government functions as efficiently and economically as possible.

We are also taking advantage of our position in the Federal Government to help drive better decisionmaking across partner agencies that will result in a sustainable and efficient Government.

We appreciate your interest in this initiative, in the Civilian Property Realignment Act. And again, I want to congratulate you for getting that through the House. You know we have some reservations about it, but it has been a very good bipartisan effort. And I am, obviously, happy to answer any questions.

Mr. DENHAM. Thank you. And we look forward to moving the bill out of the Senate and getting it to a position where the President looks forward to signing it. So we—certainly if there are other amendments—you and I have continued to talk, and if there are other amendments, we certainly want to work with you on that. But we certainly need to make sure we continue to take politics out of it, and focus on the policy of the issue.

On the leases, you know, we were glad to pass a number of those out. We look forward to continuing to work with you. We want to make sure that each of the leases, as we did in the last 10, continue to reduce the footprint and the leased space, and make sure we are using the best usage rates as possible.

You have a very daunting task, with consolidating the Federal footprint, redeveloping many of these different buildings, certainly selling off the things that we don't need. Just looking at your current portfolio, I can see the challenges. Some we feel, obviously, have sat way too long, and we need to expedite moving forward on those.

But you said something that I found interesting. You said that you are finding other properties every day. And when the bill, the new bill that just passed the House dealing with properties—a lot of reporters ask me, you know, what is the difference between the two bills. And I just wanted to emphasize, with the Civilian Property Realignment Act, one of the big challenges that I see that you have is not only redeveloping and selling off the things that we have today that have outlived their usefulness, but all of these properties that you don't know what the lists are, or what the proper usage is.

And I think one of the big differences in the current proposal is—with Civilian Property Realignment Act—will actually give you the ability to take a look at all of the different agencies, and see where our best use is, what can be sold off, what can be combined, and really start making some large-scale differences in how GSA runs the overall asset portfolio.

Mr. PECK. Yes, sir. And, as you know, we agree with that, that the opportunity to have a commission that could look across the board in the Federal Government at as many agencies as possible, take a look at all the properties and see where there are underutilized assets that we could consolidate, get rid of, is important.

I will just note there is—and this is getting in the weeds, and I can bore everybody to death, but we run—as you know, the Government does have an inventory of real property. And one of the things we have discovered in looking at this—and our colleagues, led by Danny Werfel at the Office of Management and Budget have looked at this, too—the way in which we categorize properties—un-

derutilized, excess—in that inventory is not totally helpful for determining where we actually have underutilized space.

Give you an example. There are some properties that we are discovering in which the property looks like it is fully utilized. And yet, if you really go visit it, you will see that you could consolidate people into one part of the property and dispose of the other. That is something that some of these inventories don't show us yet.

Mr. DENHAM. Like the current LA courthouse.

Mr. PECK. The current LA courthouse has other problems, as you know, security issues are the—being among the biggest of them.

But there are other properties in which we have seen some things that are utilized in a way that probably the private sector would be more interested in developing in a different way, and we could still use the property for Federal uses.

Mr. DENHAM. And we also have buildings like the courthouse in Miami that is not on the current excess or unneeded list, even though it is clearly, clearly sitting vacant.

Mr. PECK. It is completely vacant. It is the—you know, there is—what is that old line? There are, you know, 8 million stories in the Naked City—I guess we should call it the Big Apple now. Everyone has a story.

I went to visit the Dyer Building in Miami, because I am concerned, too, that it is sitting there, vacant. And the hurdle we have to get over is that there is a three-building court complex there. The vacant building happens to have all of the heating and air conditioning for the three buildings. Wish it hadn't been developed that way. And so, to move that building out of the inventory, we need to figure out whether anyone would pay us enough money to move—to severe the building. It also has a tunnel that we would have to seal.

So, there are issues, and—but we are actively looking at it, including the possibility of some form of public-private partnership that could actually help us move that one out. We have a team in our Atlanta regional office that is working really aggressively on that.

Mr. DENHAM. Thank you. On this building in particular, you said 2007 this became vacant?

Mr. PECK. Yes, sir.

Mr. DENHAM. And they moved out prior to 2007?

Mr. PECK. I think in 2007 is—at least 2007 is when the Agriculture Department gave it back to us.

Mr. DENHAM. In 2008 GSA determined it would not declare this property excess, and that Federal construction was better—the best course of action to meet GSA's long-term mission.

So, my question is, after receiving $5.5 billion, stimulus dollars, why is this building still vacant? Why at that time wasn't the decision made—you had money available, stimulus dollars, to redevelop and put people in here.

Mr. PECK. It is a good question. As the—as you know, the filter through which we made decisions on where to spend the $5.5 billion of stimulus money in GSA had a couple criteria. We looked first for projects that were ready to go, that we could get out, contract as fast as possible and create jobs as fast as possible.

On this one we did not have plans for the site, and it would have taken a while to develop them. Because, be honest, if you look at this building, it is unlikely that it would make great sense just to rehabilitate the Cotton Annex by itself and not combine—use the other vacant property here, this just plain land, and do something with it. It would have taken a long time to figure out those plans. You would have to go through all kinds of review procedures. And it just didn't look like that was going to get done fast enough to responsibly spend that money.

I have to say you could ask the question another way, which was that we made a decision in 2008 that however we came up with the money, somehow GSA, in the course of the work that we do in the public buildings service, would have money at some point in the relatively near future to build a building. And the way the Federal Buildings Fund works, that looked—that, I think, was a reasonable judgment at the time. However, in the last 3 years we have not been able to spend the money that accumulates in the Federal Buildings Fund to do those kind of renovations or new construction.

And so, it is looking less and less like there is a time when we are going to get Federal—get dollars generated by the Federal Buildings Fund to renovate this building, which I think means that we go back and take another look at it.

One other thing I alluded to in my testimony, I want to—I am not sure all of you are aware this is going on. Across the street there is a very large structure that houses the central heating and refrigeration plant. It provides steam and chilled water for Federal buildings, the entire Federal Triangle, some other buildings on or near the Mall. It needs to be redeveloped.

Last Friday we accepted offers or initial indications of interest from private sector utility firms to see if they would be interested in investing their dollars to rehab that plant. One of the things that we had been told was that they might decide, rather than rehabbing a plant—or in addition to—they might need part of this site to do a modernization of that plant.

There is an opportunity to save a lot of money for the Federal Government here. We believe that—we are just now evaluating what they came in with, and we believe we will know in a few months whether anybody thinks that this site is critical to that proposal. When we make that determination, if there is a determination that they need part of this site, we will deal with it then. If they don't, we are going to move forward and make an aggressive decision about what to do with this particular parcel.

One other thing I will—just to put in context, we are taking a look—there are some other vacant slivers of land down Maryland Avenue toward the Capitol that the Federal Government owns. And we have—in 2008 we took a look at how we might reposition those. We are looking at that again, and we have had some indications of interest from some private developers. And we might be able to do a bundled package deal for a number of surplus properties here that would get them—either have them used for Federal uses or for private uses, but would make terrific use of them, and be a form of public-private partnership.

Mr. DENHAM. How big are "slivers"?

Mr. PECK. They—well, there are different pieces of leftover triangles. But some of them are three-quarters of an acre, half-an-acre. However, half-an-acre is 22,000 or so square feet, and you can build something on those. Some very interesting ideas coming up.

Mr. DENHAM. And just finally, just to sum things up, so you don't agree with the 2009 assessment on redeveloping this building. You are going to take this back and look at making a new decision. And if you are going to do that, what is your timeline?

Mr. PECK. I have told my folks that we are going to make some kind of a call on this site within the next 6 months. And I am hoping sooner than that. I just don't know how long it is going to take us to evaluate the proposals for the heating plant.

Mr. DENHAM. And is there still interest in the sale of this property? Do you still have interested buyers?

Mr. PECK. Yes, sir.

Mr. DENHAM. Thank you. Ms. Norton?

Ms. NORTON. Thank you very much, Mr. Chairman. Now, Mr. Peck, you and I have had discussions over the years about the chronic shortage of space in the Nation's capital for agencies that want to remain here. Agencies really don't want to move out of the Nation's capital, but we have to lease space throughout the region, because there would never be enough space in the Nation's capital.

You know, it—let me ask you. Who owns most of the land around this particular building?

Mr. PECK. The Federal Government.

Ms. NORTON. Isn't that amazing, that so close to the Mall you will not find more valuable property in the District of Columbia than this property and, as you say, the properties surrounding it, owned by the Federal Government. It is inconceivable that any private owner would have left this land vacant for decades. I just think it is emblematic of how GSA doesn't have plans for even what is right in its face, as it goes around leasing here and there, complaining that there is not enough space.

You indicate some of the limitations of this building, and that wouldn't it be great to use all of this land around it. Where is the plan, Mr. Peck? Where is the plan for development, not just of the Cotton Annex, but for development of this extraordinary parcel of land that surrounds it, including the Cotton Annex, which means that the Federal Government is sitting on just millions, billions—I don't know what it is.

Mr. PECK. Well, Ms. Norton, can I just say that one reason—I mean I can only account for the last 2 years at GSA——

Ms. NORTON. No, no, don't give me that.

Mr. PECK. Well, I——

Ms. NORTON. Since you have been here, you know, you—first of all, you have been here before, and you have come back again.

Mr. PECK. Correct. And when I was——

Ms. NORTON. And what I want to know is, with land that is perhaps—and I would wager to say the most valuable plot of land that is vacant in the District of Columbia, with this agency having triggered the notion that, "Hey, wait a minute, we own this land, why don't we do something about it" in 2007, how could it possibly be that there is no plan on paper to do something about this entire

parcel of land, valuable land owned by the United States taxpayers?

Mr. PECK. Ms. Norton, I—our portfolio management group, our planning group in this region, happens to be a terrific group. And I think that they did not make this a high-priority for planning because there were some congressional proposals, one for a national health museum, one for the national women's history museum for the proposal. So I believe that people were waiting to see if those were going to go through——

Ms. NORTON. No, I am talking about——

Mr. PECK [continuing]. Because, actually——

Ms. NORTON. I am talking about the land that the Federal Government continues to own, not the land that the women's health—the health museum has been gone forever. The only possible land that is outstanding is the women's history museum does want some land in the back of this.

Mr. PECK. Right, right, right.

Ms. NORTON. I am talking about——

Mr. PECK. And——

Ms. NORTON [continuing]. The majority of the land owned by the United States of America.

Mr. PECK. Well, as I said, there are some slivers of land along Maryland Avenue that the Federal Government has not developed. Each of them, they have issues. They back up to a railroad right-of-way, rather than——

Ms. NORTON. So?

Mr. PECK [continuing]. To a street. It makes them difficult to develop in some cases. And there has been a question of just how much money does GSA have, and where does it get allocated. And so it has——

Ms. NORTON. Mr. Peck——

Mr. PECK. Quite honestly, I believe——

Ms. NORTON. Listen, I am going to stop you there——

Mr. PECK [continuing]. Quite honestly—may I finish?

Ms. NORTON [continuing]. Because I have been talking about—in my own opening statement I talked about public-private partnerships. I am not asking you to pull money out of a hat. But I am saying that it is inconceivable that any but the Federal Government would have said, "Well, we can't do anything on this because we don't have any money," or because somebody else may want a piece of it.

And my impatience with seeing this grows, as you see where the private sector could develop down here. Mandarin Hotel, they have seen how valuable the land is. The notion that anybody would be sitting on as valuable a property as this and can't figure out what to do with it, even though the private sector—and even though in your own portfolio are private sector precedents, you know, is not an answer, sir.

Mr. PECK. Ms. Norton, you and I have violently agreed for years on the benefits that there would be if GSA had routine access to public-private partnerships. And we are grateful that—both for your legislation on the Southeast Federal Center, and for the section 412 authority. We also have section 585, it is called property exchange authority.

And as you know, we have tried in the past previous administrations—our own in the Clinton—at least the GSA, our previous administrators, I and other folks have tried—have made proposals for that in various places, meeting with mixed success when it goes through all of the Government reviews. We are trying again. We have a team inside GSA looking at various ways we might use the section 412 authority on this and other properties around the country. And we are going to see, again, if we can get up a head of steam and make this work within the Federal——

Ms. NORTON. All right, Mr. Peck. Mr. Peck, you know, the notion that you can't convince OMB that it is wasting money by letting this land lie fallow, it really is—and I can understand how difficult OMB is. But passing the hat continually to OMB is not going to—particularly when legislation could—I mean if you need help—and, by the way, the notion of the Southeast Federal Center didn't come from the GSA, it came from us. And so we passed a piece of legislation. And, you know, the GSA can't do anything about that.

Mr. Chairman, I just have one more question before—I know I am over my time.

But I want to ask you, Mr. Peck. You—at the DHS construction, you have now spent over $1 billion, and that has gone with the assumption that there would be a set of buildings. And we know that that can't happen very quickly. We also know that the infrastructure is in place, because that had to be built first. And we know the waste of just letting that kind of lie there with nothing over top of it, you know that the Coast Guard is going to be there, beginning in 2013.

Now, if I am talking about this as a matter of urgency because it is in your face, that is a piece of property that will go to waste if we don't do something about it. It does seem to me that if you could not convince OMB of what to do about this property, you might have better luck with DHS if you went and asked for 412 authority to continue to build the buildings that are buildings necessary for the security of the United States of America. Have you done so? How do you intend to complete the Department of Homeland Security?

Mr. DENHAM. Brief response.

Mr. PECK. OK. That has occurred to us as well, and we are having conversations about that inside with OMB, about how—so that we could accelerate what is now looking like a stretched out project at St. Elizabeths. We have raised that possibility with them on a number of the specific projects within the St. Elizabeths consolidation.

Mr. DENHAM. Chairman Mica?

Mr. MICA. Well, don't work too hard, because I want to put all of that on hold, except for the Coast Guard building, until I get some resolution, you know, on the FTC project. Not only that project, but a lot of the resolutions. We did let some go, we are trying to work with you, and we certainly don't want any cost to the taxpayers. But when you have a project that can save a half-a-billion dollars, in my evaluation—and I think it is fairly conservative—I want to move forward with it. So that and other initiatives, until I get a response, I am not going to be—and I will con-

tinue with this, I can assure you. And I can also assure you that help is on the way. So we will get it done.

The FTC, let's move to that, and the resolution that we passed. I have—and we asked for housing and floor plans that incorporate and reflect two separate alternatives. This is what I have gotten so far. Am I getting the balance?

Mr. PECK. Well, this was not in response to the resolution that the committee passed.

Mr. MICA. OK. It is not.

Mr. PECK. This is in response to your previous request.

Mr. MICA. OK. But we are getting what we are——

Mr. PECK. Mr. Chairman, I want to express a significant concern about the resolution, and just to put it on the record. The resolution would direct GSA to investigate a sole-source lease on a building in Washington, DC. And, as a matter of policy, as a matter of getting the best deal for the taxpayers, that is a bad way for us to operate.

We are not allowed to go out on the market with a requirement and just go to one property owner.

Mr. MICA. Well, unfortunately, the taxpayer was already shafted, and we already have the space. And I am looking at the best utilization of the space, and you didn't have anything to do with the——

Mr. PECK. That's right. No, I——

Mr. MICA [continuing]. Shafting of the taxpayers in that. I guess it was the Securities and Exchange Commission.

Now, what I want is a plan that does incorporate—and the information we have gotten from before, the utilization of that space, there is 379,000 rentable square feet that has been leased by the Securities and Exchange Commission, plus another 40,000 square feet that has special use.

So, what we are looking at, and the plan—well, the—this is a housing plan for FTC that you—by title. It shows they need 240,000 square feet of office space, and 125,000. Now I went to the University of Florida, I am not the best at math. But—and it wasn't my degree specialty—but I add those up and I get 365. Now, somehow, 365 will fit in to 397 without a plan to realize some efficiencies of scale.

In addition to that, we have another 40,000 square feet, according to the information we got from the Securities and Exchange Commission on that same property that is available for special use common to the building occupants, all of which is listed here, some of those common-use offices. There could be—my God, we could have some consolidation and do some things together that would save the taxpayers money.

So, all I am looking for is, again—and we have New Jersey Avenue, that lease coming up. We have—I have—what is the current total square footage in the FTC Apex Building, 302? Staff? Somebody?

Mr. PECK. Usable is——

Mr. MICA. 325 gross, and we are using 160, approximately, just for argument's sake here.

But again, I want to see this project completed. And I know, you know, you said you had some disagreements with Ms. Norton. I

have some disagreements with Ms. Norton on that particular issue, too, and I have some disagreements with you. But we are going to do this, one way or the other. We have support in the Senate, and we are going to move legislation forward there, if we have to, directive legislation. And it will appear in legislation, and we will get it done.

So, I want the plan. And we are putting them on notice. We are trying to work with them, because again, it is an important agency. They have an important responsibility. But when I have 400,000 square feet, approximately, of leased space that the Federal Government has committed to pay, and I have leases expiring with FTC, I have a building that is 80 years old, of which we are using 160 out of 320—about half the square footage, even a simple analysis says that it could be combined.

So, I appreciate your cooperation to date. I would like to see, again, a utilization. The longer we stall—I know the game is trying to shove a couple of folks in there and then say it can't be used. Mr. Moran came to me, expressed his concern about what he'd heard might happen. And I don't want that to happen. Mr. Moran—and last time I checked he was on the other side of the aisle. Isn't he an appropriator, too, over some of these matters? Yes? So he came to me. I didn't initiate it. So he is concerned about this, too.

So, again, I appreciate your being here. Look forward to working with you. We want an amicable resolution, and move forward. Thank you.

Mr. PECK. Mr. Chair, can I just——

Mr. MICA. Just a comment, you don't have to respond.

Mr. PECK. Let me just—I know. Let me just put one issue on the record, just because it is important in an ongoing negotiation.

The amount of space that the SEC actually can convey to us as excess is—it is hard to know, because they did this proposed lease action in a unique way. It is about 279,000 square feet. I know there is other space available in the Constitution Center. I just want to put that on the record. It is important for us in our ongoing conversations with the owner of the building.

Mr. MICA. And again, what you provided me was to have 279 available. You produced 240 is what they need, an office space and then other space.

So, what—and no one is trying to give anybody a sole-source lease. I think everyone knows that. And I would not support that. But a consolidation where there is that space available, we just want to see a proposal. Haven't said give it to them. I want to see a proposal.

We had this conversation, as I recall, before Christmas. And now this is—we are getting to Easter. Now I don't mind Christmas, I don't mind Easter. But, you know, I am not celebrating the Fourth of July still discussing this. Thank you.

Mr. DENHAM. Ms. Norton?

Ms. NORTON. I just have a couple of questions more. Mr. Peck, this committee needs to know. Are there any other buildings like the Cotton Annex in the District of Columbia sitting vacant or underutilized?

Mr. PECK. You know, Ms. Norton, I have learned enough now in this business that I would like to say I am unaware of any. We have looked around. In the GSA inventory I can tell you the answer is none that we are not already working on. Whether there are other agencies that might turn up and say, "I have got something I don't need or that you didn't know about," that may be something else. But that is——

Ms. NORTON. I just want to make sure that we won't have——

Mr. PECK. We are——

Ms. NORTON [continuing]. That we won't find another GSA building looking like this building looks, or I say, greatly underutilized.

Mr. PECK. Right.

Mr. DENHAM. If the CPRA were in place today, though, you could definitely tell which buildings were underutilized and which ones were vacant.

Mr. PECK. After a few months of them working, right, through the inventory, we believe that is the case.

Ms. NORTON. Are there such buildings in the national capital region that are underutilized or vacant the way this one is?

Mr. PECK. There probably are.

Ms. NORTON. The reason I ask——

Mr. PECK. I mean I am not thinking of anything specifically, but I——

Ms. NORTON. The reason I ask is because of the—this is the region that has the largest amount of leased space. Would you provide the chairman within 2 weeks a list of all properties that are either vacant or underutilized owned by GSA——

Mr. PECK. Of course.

Ms. NORTON [continuing]. In the national capital region?

Mr. PECK. Yes.

Ms. NORTON. One last question. I have not been able to figure out how the Veterans' Administration has been able to use authorities that GSA claims it does not—cannot use, even though, of course, we have given you the authority.

For example, the Veterans' Administration avoids the whole notion of appropriations, that you are locked in, by its enhanced use lease authority, where the property is developed and then they lease back the property. Have you ever considered doing that? And why is the Veterans' Administration able to do that, and GSA is not able to do that?

Mr. PECK. A really good question. We have talked to the Veterans' Administration. They have some legislative authority that gave them the right on their reservations to lease property for a very long time, to use some of it, to allow the private sector to share in the use so they could have a——

Ms. NORTON. On their reservations? I don't know what you mean——

Mr. PECK. I mean—I am sorry. VA refers to their hospital campuses with a lot of land around it as a VA Reservation. And so they have been able to build things there.

I am sorry to tell you that I have learned recently, however, that their authority to use the enhanced use lease has been cut back. I am not quite sure what the origin of that is, but they have told us that they don't have the access to——

Ms. NORTON. Do they have the authority or not?

Mr. PECK. I think they have the authority on the—I believe on the books they still have it. Can anyone—I don't think it has been repealed legislatively, but I believe they are running into some policy issues with using the authority.

Ms. NORTON. Well, again, it—I think the way they got it——

Mr. PECK. But we have been talking to them about health——

Ms. NORTON. You know, I think the way they got it is that they had leadership that was able to convince the Congress they should have it. You—we did this on our own, the 412 authority. We certainly didn't use it because GSA came and explained how much they needed this. We did it because we felt pushed to do it because GSA kept saying it just couldn't do anything.

So, Mr. Chairman, I appreciate your keeping with this agency. And I think if Mr. Peck finds some more authorities—some more buildings like this, we should go out into the region to have hearings just like the hearings you are having here that point up the need for GSA or the Congress, if we are going to get our BRAC bill through, to quickly move on this horrific waste. This is the worst, perhaps second only to the Old Post Office. It is the worst, because it is so visible and because it is so valuable, and because there is so much land. Thank you very much, Mr. Chairman.

Mr. DENHAM. Thank you. Mr. Peck, how much space does the Federal Government lease in DC?

Mr. PECK. The General Services Administration leases about 24 million square feet in the District itself, and about 44 million square feet—hope I have that number right—in the region, as a whole. Is it 44 or 55—50 million square feet in the region, as a whole.

Mr. DENHAM. So 74, combined?

Mr. PECK. No, I am sorry, 50 million square feet of leased space in the region, as a whole, and about another 50 million square feet of Government-owned space in this region. So about 100 million square feet, overall, for GSA alone. That excludes properties that are controlled by other agencies like the Pentagon, which is not one of our properties. The military installations are separate.

Mr. DENHAM. But the 24 million in DC is combined in the 50 million——

Mr. PECK. Yes, sir.

Mr. DENHAM [continuing]. DC area.

Mr. PECK. Yes, sir.

Mr. DENHAM. So if we have got 50 million square feet in the DC area of leased space, why wouldn't you have filled office buildings like this over the last 5 years?

Mr. PECK. Well, this building, because it is not exactly—it is pretty close to usable right now, but I think because we have asked ourselves whether we were going to dispose of it, we wouldn't want to move somebody in here who would have a long-term use, thinking that we are just going to move them in and then move them out to redevelop the site. So, I suspect that is the reason why, when it first came back in the inventory, we didn't put anybody in it.

Mr. DENHAM. And——

Mr. PECK. But I will—can I just say—one of the successes we are having is that we are where we can get the money—and I have to say, you know, in the interest of all candor, I have to tell you we are trying very hard to use less space in the Government. And, unfortunately, that requires some upfront investment to move people around. And at the moment we are having—we have not been allowed within our budget to use the profit that we generate in the Federal Buildings Fund to do that.

So, that is another—one of the impediments. We think we could relinquish some leased space. We are going to relinquish a couple hundred thousand square feet of leased space for part of GSA when we move back into our renovated office building.

Mr. DENHAM. What about the Prettyman Courthouse?

Mr. PECK. Pardon?

Mr. DENHAM. The Prettyman Courthouse, 600,000 square feet. Remember, Ms. Norton asked which office spaces are vacant right now? There is only 400 people in there is my understanding.

Mr. PECK. Mr. Chairman, the Prettyman Courthouse, you know, the court sent you and us a letter saying that—and I have been in there, and the parts of it that are occupied by—that are supposed to be occupied by the courts are fully utilized. We have—if I remember correctly, the only part of the building that is not utilized is some part of it in which we are doing some work.

And that is—you know, whether—what do you consider full utilization? How many people need to be in a given corridor in a given time is certainly open to question.

Mr. DENHAM. We can further debate that one in the future. But let me just ask you a couple questions about this complex here. I know this is hard to see, but we are——

Mr. PECK. Yes.

Mr. DENHAM [continuing]. The building here is the Cotton Annex that we are talking about. You have got a vacant piece of open ground, just north of this.

Mr. PECK. Right.

Mr. DENHAM. My question is, you have got the Department of Energy building that was built over a road. Are we ever going to build any more buildings over a road again?

Mr. PECK. No, sir.

Mr. DENHAM. So, to fully utilize the two vacant spots on each side of the road, and to redevelop the Cotton Annex, you would have to build either over a road or, to fully utilize that space——

Mr. PECK. You mean on this—are you talking about this parcel, the vacant lots around the Cotton Annex itself?

Mr. DENHAM. Yes. I am talking about the vacant piece right next to the Department of Energy, as well as the vacant piece right next to this building, and the overall——

Mr. PECK. Oh, well——

Mr. DENHAM [continuing]. The Cotton Annex.

Mr. PECK. You are right. There is one parcel that is on the other side of the ramp that is called the 12th Street Ramp down—it is part of the freeway system. It is possible, although it is expensive, to build up and over that road. You have to maintain a certain clearance for the cars and trucks that go down there. It is possible to do it. And the plans that the two museums who have looked at

this have had—I believe in both cases—would have bridged over that road.

We would, for Federal agencies, because of our security requirements, we probably wouldn't do that. And in fact, when we did our studies on the site, we showed that you could get a higher number of square feet for a private development than we could get for the public—for the Federal Government, because we would have ostensibly have setbacks and wouldn't build over the road. Still, there is a significant development potential here.

Mr. DENHAM. So my question is, as a developer, when you are looking at a area or a region like this, where you have got a Department of Energy building, you have got this Cotton Annex, a couple of vacant parcels, and just a couple—a block or so away I am told that there is a private developer that has—willing to build 600,000 square feet, that you could move this property over and then sell—still be able to sell this off for about $200 million, on top of the relocation costs. So you would have new prime office space—it would be leased space, I would assume—but then it would give you the opportunity to redevelop three or four, five different parcels right here.

Mr. PECK. We are—you about got it right. I mean there are a lot of—as in any plan on a piece of urban ground, there are a lot of moving parts. One of the parts I will just put to the side for the moment—but it is a huge one—is the option of developing it for federally owned office space, which is the best fiscal deal for the taxpayers. It is a difficult one, because you have to get your hands on the—it is an indelicate way to say it—you have to get your hands on the money to build it.

But are right. There are opportunities to use private dollars to do it, or to have private sector people to build the building, and we could lease it. We could lease it from them. As I always say, I would much rather lease it back on a section 412 kind of project, where at the end of the term we would be able to own the building. That would be a good deal for the taxpayers.

So, we are looking at all of those options. And there is clearly interest in the site. And I said there have been a number of different proposals. And in a way I think what happens is some of the proposals—you know, it is kind of like—they bump each other apart, and we need to sit down and make a decision about which one we are going to try to pursue. And then, when we do, I would love to enlist your help in making it happen.

Mr. DENHAM. Absolutely. Why don't you and I plan on getting together in the next month?

Mr. PECK. OK.

Mr. DENHAM. And if you could walk me through your thought philosophy on all of the parcels combined, that would be helpful.

Mr. PECK. Be happy to.

Mr. DENHAM. We are about out of time, as they are calling votes. I just have one final question, more of a comment. It took nearly 4 months for this committee to get what should have been just basic information from you regarding how much GSA has spent on administrative costs over the last 5 years. And just this week we received your responses, but we are still missing quite a bit of information.

So, if you could, follow up and give us why your other administrative costs increased by more than $100 million. What are your total administrative costs, including those associated with specific projects? Why are there still unobligated funds remaining with projects that have been finished for years, like the Prettyman Courthouse, that we are continuing to talk about?

Mr. PECK. OK.

Mr. DENHAM. We have a lot of followup questions.

Mr. PECK. OK.

Mr. DENHAM. And I don't want it to take 4 months to get a response on the followup questions. So——

Mr. PECK. Can I give you one answer right now, just so you know? The short answer on—I also asked this question, too—on unobligated funds on projects that look like they ended a long time ago, the answer is often that there is some kind of a claim, a construction claim, and we are holding off the money to see if we have to use it to satisfy it. But I will get you answers on all that.

Mr. DENHAM. Thank you. Can you agree to have your staff meet with my committee staff to come up with the answers on those this week?

Mr. PECK. Yes, sir. Yes, sir.

Mr. DENHAM. Thank you. All right. Well, with that, thank you for your testimony, Mr. Peck, and there are no further questions.

I would like to ask unanimous consent that the record of today's hearing remain open until such time as our witnesses have provided answers to any questions that have been submitted to them in writing, and unanimous consent that during such time as the record remains open additional comments offered by individuals or groups may be included in the record of today's hearing.

[No response.]

Mr. DENHAM. Without objection, so ordered. I would like to thank Mr. Peck again for joining us once again on another hearing, as well as thank Senator Brown for being here to testify on his bill, as well. We are getting not only bipartisan support on this issue, but often times our battle is not with the other party but with the other House, and it is good to see that the other House has taken equally an aggressive approach to this, too. So we are looking forward to continuing to work between the two Houses to make sure we can marry the two proposals together and actually get something to the President that will expedite all of these different problems, not only in this region, but throughout the entire United States.

If no other Members have anything to add, the subcommittee stands adjourned.

[Whereupon, at 11:15 a.m., the subcommittee was adjourned.]

Senator Scott P. Brown (R-MA)

Testimony

House Committee on Transportation and Infrastructure

Subcommittee on Economic Development, Public Buildings & Emergency Management

"Sitting on Our Assets: The Cotton Annex"

Thank you Mr. Chairman, and Ranking Member Holmes Norton, for holding today's important hearing on excess federal property. It's been a pleasure working with you, Mr. Chairman, on the Civilian Property Realignment Act (CPRA), and I congratulate you on its passage out of the House last month.

As this committee knows, the federal government owns over 45,000 excess and underutilized properties. According to GAO, these properties cost American taxpayers over $1.7 billion a year to maintain and operate, which is one of the reasons GAO has put federal property management on its "high risk" list. Despite this high risk status, little has been done to successfully address the problem.

The current disposal process, led by the Federal Real Property Council (FRPC) is mired in bureaucratic red tape, politics, competing stakeholder interests, and other inefficiencies. Mr. Chairman, the current process is broken. President Obama has acknowledged that the process is broken. So simply accepting the status quo and codifying the FRPC, with some modest changes as alternative proposals suggest, will do little to guarantee that properties are disposed of.

Look at the building we're in today; a nearly 90,000 square foot building sitting on prime real estate that has an estimated value of $150 million. Yet it has been sitting empty for over 5 years while the taxpayers foot the bill for its maintenance. Mr. Chairman, this building, which is down the street from Congress, serves as a symbol of the culture of complacency our government has towards wasting taxpayer dollars. With over $15 trillion in debt, taxpayers cannot afford for Washington to continue business as usual.

In today's political environment, it seems that everything is turned into a partisan fight, with little being accomplished. Even common sense legislation, like the STOCK ACT has struggled to make it through Congress. But, fighting waste, fraud and abuse in the federal government is not a partisan issue. Saving taxpayer dollars is not a partisan objective. So I am pleased to announce that today, in a bipartisan effort, Senator Mark Warner and I are introducing the Civilian Property Realignment Act of 2012.

Senator Warner and I have been working to improve the CPRA legislation I introduced last August. Our bipartisan legislation takes the necessary steps to ensure the best use of federal

property for taxpayers, because it's time that the government put the best interest of the taxpayers first. Our improvements also strengthen the legislation's deficit reduction goal by requiring a minimum of 80% of proceeds and savings go to the treasury for deficit reduction, rather than being used to pad federal agencies' budgets.

I strongly believe that an independent commission, like the one established through CPRA, is the only viable way to overcome the hurdles in the disposal process created by competing stakeholder interests. I also believe that the streamlined process created by CPRA is the best way to break through the red tape and ensure that properties are actually disposed of.

President Obama proposed CPRA last year, and under your leadership, Mr. Chairman, it was successfully passed out of the House. So we're two thirds of the way to having this critical legislation signed into law. Senator Warner and I look forward to working with Chairman Barbara Boxer on the Environment and Public Works Committee, and our other colleagues in the Senate, to ensure CPRA's passage in the Senate.

Mr. Chairman, I appreciate your leadership in the House on this important issue and look forward to the enactment of CPRA. Thank you.

U.S. General Services Administration

Robert A. Peck
Commissioner
Public Buildings Service

Committee on Transportation and Infrastructure
Subcommittee on Economic Development, Public Buildings, and Emergency Management
"The Cotton Annex"
March 22, 2012

Good morning Chairman Denham, Ranking Member Norton, and members of this Subcommittee. My name is Robert Peck, and I am the Commissioner of the U.S. General Services Administration's (GSA) Public Buildings Service (PBS). Thank you for the opportunity to join you here today at the Cotton Annex, a revenue-generating property in Southwest Washington, DC that GSA is currently assessing for productive reuse.

GSA is a leader in government asset management of buildings and leases and we effectively utilize our owned and leased building portfolio. We are building on our successes with aggressive efforts to deliver new and innovative workplace strategies that will improve utilization even more.

GSA: the Federal Government's Asset Manager –

Over the last decade, GSA has successfully implemented a major portfolio restructuring aimed at "right-sizing" its real estate portfolio. Since GSA gained the authority to retain sales proceeds in 2005, GSA's disposal actions have returned almost $244 million in receipts to PBS's Federal Buildings Fund (FBF).[1] In fiscal years 2010 and 2011 alone, we disposed of a total of 88 vacant or underutilized properties, totaling more than 4 million square feet, from the inventory. These disposals allowed GSA to avoid $73 million in anticipated repair needs and operation and maintenance costs.

GSA continues to make progress on the targets put in place following the June 2010, Presidential Memorandum, "Disposing of Unneeded Federal Real Estate." Federal agencies are on target to exceed the $3 billion goal of cost savings by the end of FY 2012. To date, GSA has saved more than $300 million towards our goal of $450 million. As part of this effort, GSA's Office of Real Property Utilization and Disposal is assisting other agencies as well in meeting their aggressive targets through disposals. Moving forward, GSA will continue to aggressively identify and target underutilized assets for disposal.

One example of a recent disposition is the sale of a surplus federal building in Brooklyn, NY. GSA negotiated a sale of the property with the New York City Economic Development Corporation (NYEDC). NYEDC and its development partner purchased the property for $10 million with a goal of ensuring the site is redeveloped for the primary purpose of retaining and attracting industrial jobs. They are currently renovating the building for use as a state of the art industrial center. The once-vacant federal building will soon be a hub of activity that is projected to create 400 short term construction jobs and 1,300 permanent jobs. This project is expected to be a catalyst

[1] This figure includes revenue generated through use of all GSA disposal authorities.

for the industrial redevelopment of Sunset Park and complement the other industrial complexes in the area.

GSA is in the process of disposing of the West Heating Plant, a large industrial building on two acres of land in Washington DC. Most recently, the plant was used as a backup heating source for several government buildings, but we determined recently it was no longer needed and started the disposal process. It was declared excess to GSA's needs in October 2011 and declared surplus to the government's needs in December 2011. Once this property conveys out of Federal ownership, it will eliminate millions of dollars in maintenance costs to the Federal government over the next decade. The divestiture of the plant will also make the property available for productive use by the local community.

Another property we have recently begun disposing of is a GSA owned warehouse located in Gaithersburg, MD that currently houses the U.S. Consumer Product Safety Commission (CPSC). Although the CPSC is not scheduled to move out until this summer, GSA has already declared the property excess and begun the Federal screening process. This 9.5 acre site has eight structures and will save the Government approximately $2 to $3 million in avoided maintenance and repair costs.

Utilizing Our Buildings –

GSA has led Federal efforts to utilize government-owned space effectively. At the end of FY11, GSA's national vacancy rate for all owned and leased assets was 3.4 percent, significantly less than the national private sector rate of 17.4 percent. In DC, our vacancy rate is even lower at 1.96 percent.

Since our restructuring initiative began, we have delivered a number of critical consolidation projects and completed more than 140 major modernization projects. These facilities provide more efficient workspace for tenant agencies.

For example, GSA is modernizing our own headquarters here in Washington DC at 1800 F Street NW. Phase I is fully funded through the Recovery Act, while Phase II will be funded in the outyears. Upon completion of Phase I of the project, GSA will be able to move in our Federal Acquisition Service, currently housed in leases in Northern Virginia, increasing the utilization of our building dramatically and saving taxpayers millions a year in lease costs. GSA anticipates that other savings could also accrue from aspects like reduced operating costs and eliminating shuttle service. The development of the DHS Headquarters campus at St. Elizabeths, also in Washington, D.C., is another critical consolidation and redevelopment project GSA is leading for the Federal government. This project will be a 4.5 million square foot campus that will

consolidate DHS workers from more than 20 locations in the D.C. metropolitan area into one modern and efficient campus thereby saving taxpayers hundreds of millions of dollars compared to the cost of leasing

While budget cuts delayed our efforts to fully realize the benefits of this consolidated campus, GSA will be able to complete the move-in of the first component of the DHS, the US Coast Guard, in FY13. This move will allow GSA to transition federal employees from one million square feet of leased space to federally owned space.

Pursuing Innovative Solutions to Optimize Space and Reduce Costs –

Additionally, GSA is leading the way to use space more effectively by breaking out of traditional office space configurations and providing tools and solutions that support a truly mobile workforce. During our headquarters building renovation, we have started using GSA's "swing space" as a laboratory for new technologies and solutions for alternative workplace arrangements, such as hoteling office space. During our renovation, we are prototyping a mobile workplace. In August of last year, a whole division of 87 individuals began occupying space previously occupied by only 43. Aside from three administrative assistants, no one has a personally assigned workstation. The space comprises different types of workspaces, designed to increase teamwork and collaboration, improve productivity, save energy, and improve the utilization of real estate.

We have also been studying best practices from other organizations throughout the United States and the world to learn how they effectively use space. Over the long-term, such practices hold great promise for enabling us to carry out government functions with much less office space per Federal employee.

GSA is partnering with Federal agencies to develop workspace solutions that create a flexible and mobile work environment. GSA is beginning to help agencies manage space utilization by offering guidance to reduce the amount of space required over time and increase Federal employee productivity. We are reinventing ourselves by changing from an organization that processes orders for space to creating agency partnerships that develop innovative options that enable agencies to use space more efficiently at a lower cost through the use of technology, sustainability, flexible office utilization, and a more mobile work environment.

In cooperation with the Office of Personnel Management, GSA is providing Federal managers with the tools necessary to build a mobile workforce. GSA is committed to leading the government and private industry in telework initiatives and is striving for 60 percent of all GSA employees to telework at least two days per pay period. GSA

recently established a new telework policy that makes nearly every GSA employee eligible for telework, and includes additional space saving measures such as hoteling and desk sharing. These practices have the potential to create substantial savings both in real estate and operating costs. GSA is proactively working with its customers to provide guidance on their own telework policies, contributing to costs savings goals resulting from the Presidential Memorandum.

GSA has also started a high priority initiative known as the Client Portfolio Planning (CPP) program to assist our customers in improving asset utilization, in accordance with the President's June 2010 memorandum and Executive Order 13327, "Federal Real Property Asset Management." The overarching goal of the CPP program is to identify, analyze and report current, ongoing and potential portfolio optimization opportunities for our customers. These opportunities will reduce the federal government's economic and environmental footprints, while fully supporting agency missions. GSA established three plans in FY 2011 and in conjunction with tenant agencies, is beginning to implement them this fiscal year.

Reducing Agency's Leasing Needs –

GSA, in part through these initiatives, is reducing the Federal government's need for leased space and improving utilization.

Mr. Chairman, I am glad the committee moved some of our pending lease prospectuses earlier this month at a full committee markup. However, ten leases from GSA's FY11 leasing program still have not been acted on. All of these lease prospectuses have been pending for at minimum a full year and, in many cases, much longer. As we noted at the hearing at the Old Post Office annex, GSA has proactively gone back and worked with these Federal agencies to reduce lease requirements, with millions of dollars in savings.

While we are proud of the potential savings if the committee will approve these actions, we are also anxious about the exposure of taxpayers to the consequences of inaction. Most of these leases represent replacements for already existing space that, if left idle, will fall into holdover, costing taxpayers far more, adding unnecessary administrative complexity and burden to business transactions, and negatively affecting private sector landlords with whom we must negotiate.

I am hopeful we can work with your Committee to move these remaining prospectuses forward as soon as possible and realize these savings.

Legislative Authorities for Disposal, Reinvestment, and Redevelopment –

GSA has successfully used our out-leasing authorities to improve the use of our properties. Section 111 of the National Historic Preservation Act allows us to out-lease historic Federal properties, in whole or in part, that are not needed for agency purposes to non-Federal tenants. Section 412 in the FY 2005 Consolidated Appropriations Act,[2] allows GSA to retain net proceeds from dispositions of its real and related personal property through sale, lease, exchange, or otherwise, including leaseback arrangements.

Congress also has on occasion granted GSA special authority to adopt innovative, flexible arrangements for working with the private sector. For instance, GSA received authority to develop the Southeast Federal Center (SEFC) site in Washington, DC, through the *Southeast Federal Center Public-Private Development Act of 2000*[3]. By leveraging the private sector's creativity, experience, and resources, GSA achieved its goal of transforming the SEFC site into an asset where office workers, residents and visitors can live and work. GSA helped transform this waterfront property into a unique mixture of office and other commercial space, residential homes, and public amenities, while retaining proceeds of more than $43 million.

GSA used its authority under Section 111 to lease the historic Tariff Building in Washington, DC, for use as a first-class hotel and restaurant, eliminating operating and maintenance costs while ensuring long-term stewardship and public access to this important historic building. The building, which served as the first headquarters of the Post Office Department, sat vacant for 15 years following the departure of the Tariff Commission in 1987, while the surrounding Penn Quarter neighborhood was largely dormant. GSA worked with private sector developers to transform the 161-year old building and help revitalize the Penn Quarter neighborhood, leasing the property to a private hotel company that reopened the Tariff Building in 2002 as the Hotel Monaco. The lease allowed for restoration of ornamental spaces, replacement of all building systems, and modification to bring the building up to current code requirements.

And of course, most recently, GSA selected the Trump Organization to begin redeveloping the Old Post Office, with direction and authority provided by Congress in the *Old Post Office Redevelopment Act of 2008*. We are now negotiating a detailed agreement for the building's redevelopment and, if negotiations proceed as anticipated, redevelopment will commence in 2014 with occupancy in 2016. This is a significant step in putting this notable asset to its highest and best use, preserving its historic integrity, providing continued public access to the clock tower in accordance with

[2] P.L. 108-447 (2004).
[3] P.L. 106-407 (2000).

existing agreements with the National Park Service, providing a positive financial return to the Federal government, and contributing to the vitality of Pennsylvania Avenue, the Federal Triangle, and the District of Columbia.

While we are successfully managing our real estate and making use of our existing authorities, there are challenges inherent to the Federal government's ability to manage its real estate holdings, which is why the President proposed a bill last year that would usher in a new approach to Federal real estate. Building upon the successful model established by the Defense Base Realignment and Closure Commission, the President's proposal would create an independent Board of experts to identify opportunities to consolidate, reduce, and realign the Federal civilian real estate footprint as well as expedite the disposal of properties.

This proposal would utilize bundled recommendations, a fast-track Congressional procedure, streamlined disposal and consolidation authorities, and a revolving fund replenished by proceeds to provide logistical and financial support to agencies in their disposal of high-value properties. It would serve as a comprehensive solution to key obstacles such as red tape and competing stakeholder interests that hinder the Federal Government's progress on improving real estate management decisions. GSA supports the Administration's goals and those of this Committee and other members of Congress to dispose of unneeded Federal real property and streamline the current disposal process through a civilian property realignment initiative, and meet our obligation to taxpayers to spend every dollar as effectively as possible.

The Cotton Annex -

Today, the committee has chosen to host a hearing at the Cotton Annex. The Cotton Annex was constructed in 1937. The building formerly housed the U.S. Department of Agriculture (USDA), who used the building for office and warehouse space. While the building was always in GSA's inventory, USDA was responsible for all operations, maintenance, and repairs during their occupancy.

In 2007, USDA chose to vacate the building, and maintenance and repair responsibilities returned to GSA late that year. In October of 2007, GSA executed an occupancy agreement with the Federal Protective Service to allow the FPS to utilize land on the Cotton Annex complex for their screening facility. FPS utilizes the land to inspect trucks with deliveries for the Ronald Reagan Building International Trade Center.

Importantly, the Cotton Annex generates a positive net income. GSA minimizes operational costs while aiming to ensure no long-term deterioration occurs to the

property. In FY11, operating costs associated with the Cotton Annex complex were $279,000, which were fully supported by the revenue generated through FPS rent payments in accordance with the agreement signed by the two agencies.

When the property returned to GSA, we initiated a Retention & Disposal Study and an Asset Repositioning Study (ARS) to determine the best course of action for the asset. The R&D study, completed in June of 2008, assessed a variety of possible options for redevelopment or disposal of the site. The findings indicated that the Cotton Annex parcel would present development opportunities for Federal or non-Federal construction. The ARS also found that the parcel would present strong development opportunities, but that retaining the site for Federal construction presented the highest return to the Government. GSA made a decision to hold the property for potential Federal redevelopment as part of the traditional capital program.

To gather more information on the possibilities of non-Federal construction, GSA issued a Request for Information in December of 2008 that asked the private sector to respond to potential redevelopment of one or more of an assemblage of parcels in Southwest Washington, DC, which included the Cotton Annex. GSA's hope was to gather creative development ideas for full utilization of these parcels in an effort to assist our planning purposes. Based on the responses received at that time, GSA decided in July of 2009 not to report the parcels as excess. At that time, future Federal construction still presented the best course of action for the Cotton Annex, given the existing Federal uses of the parcels, the strong demand for Federal office space, and GSA's goal of prioritizing Federally-owned space over leased space.

During this time, GSA also began evaluating the Cotton Annex as part of potential redevelopment scenarios for the renovation/replacement of our Heating Operations and Transmission District (HOTD) as well. The HOTD consists of GSA's Central Heating and Refrigeration Plant (CHRP) and the associated transmission and distribution system, which serve approximately 93 predominantly government buildings and other customers in downtown DC. The CHRP is located proximate to the Cotton Annex complex and may be part of the HOTD solution currently under development.

The current HOTD system presents a variety of challenges. We need to improve the reliability of HOTD while still maintaining existing capacity. Previous system updates are outdated and inefficient, and a major modernization of the CHRP is long overdue, with increasing risks of system failure, among a variety of other ancillary challenges.

This month GSA, with the support of the Department of Energy's Federal Energy Management Program, issued a Notice of Opportunity inviting firms under DOE's Energy Savings Performance Contract Indefinite Delivery/Indefinite Quantity vehicle (ESPC) to submit an expression of interest for a potential task order award to update

and improve the HOTD system. The goals of the opportunity are to: reduce the Federal government's costs of operating the HOTD system; increase the long-term reliability of the system; reduce energy and other costs; improve the quality of heating and cooling; ensure failsafe redundancy of operations; and enhance environmental outcomes of the system's use. GSA currently plans on funding all such work through the energy savings generated by the ESPC task order, with no additional construction appropriation required.

Responses to the Notice of Opportunity were due on March 16, 2012, and we intend to move forward over the next several months to identify a partner to work with on this endeavor. Once the partner is known and we have collaborated on the optimal solution, GSA will be in a better position to know whether the Cotton Annex will be required for modernization of the HOTD system under the ESPC arrangement.

The Cotton Annex represents one of the few remaining developable parcels in DC in GSA's inventory. Given prior studies showing that Federal construction presents the highest and best use of the property, GSA's desire to locate agencies in government-owned space, the potential uses this property may have, and the fact that the property has generated a net positive return, GSA has continued to hold on to this property.

As soon as we better understand the path forward for improvements to HOTD, we will update our plans for the Cotton Annex.

Proposed Legislation –

Simultaneous to GSA analyzing the Cotton Annex complex, Congress introduced legislative proposals to utilize portions of the parcel. Throughout the past several years, legislation has been proposed that would divide the parcel in question and provide it, with payment of fair market value compensation to the government, to entities for the creation of civic works. That began with efforts to establish a National Health Museum, which contemplated putting the museum on the 12th street side of the parcel, where the current building resides.

More recently, there have been a variety of efforts introduced to establish a National Women's History Museum. These efforts have looked to the portion of the parcel north of C Street SW, and would not affect the building we are in today.

GSA has not objected to many of the legislative proposals, as the proposals required compensation of fair market value and protected the public's interest in these properties. Recent proposals in the House, however, have unfortunately revised this

legislation, subjecting the proceeds to future specific appropriations as well as including unrelated projects.

We welcome efforts to more fully utilize property wherever they come from, so long as the public interest is protected.

Conclusion –

GSA is a leader in asset management, aggressively moving unneeded properties, effectively utilizing space, and pursuing new strategies that meet our obligation to taxpayers to house government's functions as efficiently and economically as possible. We are also taking advantage of our position in the Federal government to help drive better decision-making across partner agencies that will result in a sustainable and efficient government. We are hopeful this committee will join us in these efforts.

While the Cotton Annex may not currently be meeting its full potential, it is a revenue-generating property in GSA's inventory that may present important Governmental uses in the near term. Additionally, Congress has offered additional suggestions for ways the parcel could be utilized.

I welcome the opportunity to be here in the building today to discuss the deliberate way in which GSA has evaluated this property and I welcome your questions.

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