

**FEDERAL TRIANGLE SOUTH: REDEVELOPING
UNDERUTILIZED FEDERAL PROPERTY THROUGH
PUBLIC-PRIVATE PARTNERSHIPS**

(113-43)

HEARING
BEFORE THE
SUBCOMMITTEE ON
ECONOMIC DEVELOPMENT, PUBLIC BUILDINGS, AND
EMERGENCY MANAGEMENT
OF THE
COMMITTEE ON
TRANSPORTATION AND
INFRASTRUCTURE
HOUSE OF REPRESENTATIVES
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**Committee on Transportation and Infrastructure
U.S. House of Representatives**

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Washington, DC 20515

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November 15, 2013

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SUMMARY OF SUBJECT MATTER

TO: Members, Subcommittee on Economic Development, Public Buildings and
Emergency Management
FROM: Staff, Subcommittee on Economic Development, Public Buildings and
Emergency Management
RE: Subcommittee Hearing on “Federal Triangle South: Redeveloping Underutilized
Federal Property Through Public Private Partnerships”

PURPOSE

The Subcommittee on Economic Development, Public Buildings and Emergency Management will meet on Tuesday, November 19, 2013, at 10:00 a.m. in 2253 Rayburn House Office Building to receive testimony related to Federal Triangle South (FTS) in Washington, D.C. as a case study for redeveloping underutilized Federal properties through public-private partnerships. At this hearing, the Subcommittee will hear from the General Services Administration (GSA), the National Capital Planning Commission (NCPC), and the Urban Land Institute.

BACKGROUND

The Cost and Problem of Underutilized Federal Real Property

The vast real estate holdings of the Federal Government, problematic management of assets 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. The key reasons the GAO identified Federal real property as “high risk” included managing excess and underutilized real property, deteriorating and aging facilities, and the over reliance on costly leasing.¹ These same issues persisted over the following decade and were reiterated in GAO’s most recent High Risk series issued in February of 2013.²

¹ See *High Risk Series: Federal Real Property*, U.S. General Accountability Office, GAO-03-122, January 2003.

² *High Risk Series*, U.S. General Accountability Office, GAO-13-283, February 2013.

Considerable amounts of vacant or underperforming assets can translate into significant costs associated with their operation, maintenance, and security. For example, in fiscal year 2010, there was more than 490 million square feet of space that was either underutilized or vacant, costing the Federal Government \$1.6 billion in annual operating costs for under-utilized buildings and \$112 million, annually, for unused buildings.³

Committee Actions to Reduce Costs for Federal Space

The Committee has taken a number of steps to reduce the costs of Federal real property for the taxpayer and address the waste identified by the GAO. More specifically, the Committee has reduced authorizations for new or replacement leased space for Federal agencies. For example, since 2011 the Committee has cut existing GSA lease authorizations by \$923 million over the terms of the leases. While reducing the Federal real property footprint and getting rid of vacant assets is critical to reducing waste and costs to the taxpayer, many Federal buildings remain underutilized, sit on underdeveloped land, and are costly to maintain. To address this problem, the Committee has examined how GSA could utilize public-private partnerships and leverage private funds to meet current Federal space needs, address ongoing maintenance issues, and provide less costly and more efficient space.

In the 112th Congress, the Subcommittee held hearings on vacant and underutilized properties, including a hearing specifically focused on the Cotton Annex located in Federal Triangle South.⁴ In addition, included as part of the Civilian Property Realignment Act as reported by the Committee in the 112th Congress, there was direction for GSA to redevelop both the Cotton Annex site as well as the Department of Energy complex. The Committee recognized the benefits to the taxpayer in the better utilizing vacant and underdeveloped properties and the potential for using public-private partnerships to provide more efficient space to house federal agencies.

This year, the Subcommittee has explored how GSA could effectively use public-private partnerships to better utilize space, meet ongoing agency space needs, and save taxpayer dollars. On March 6, 2013, the Subcommittee held a hearing to review the need for a new FBI headquarters, consider the best solution to meet the needs of the FBI and protect the taxpayer, options for financing, and how and whether the existing FBI headquarters building can and should be leveraged. And on July 23, the Subcommittee held a roundtable on the benefits and challenges of public-private partnerships in Federal real estate.

Federal Triangle South

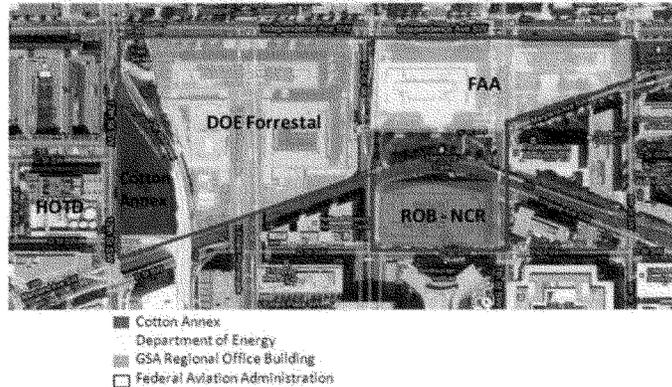
Federal Triangle South (FTS) is located in the southwest portion of the District of Columbia, adjacent to the National Mall and just minutes from the U.S. Capitol and White House. It is generally bounded by Independence Ave to the North, 6th Street to the East, Maryland Avenue and portions of D Street to the South and 12th Street to the West (see map below). Located in the area are the following federal buildings: the Cotton Annex, the

³ FY2010 Federal Real Property Report, Federal Real Property Council. Page 6.

⁴ Subcommittee on Economic Development, Public Buildings, and Emergency Management Hearing on "Sitting on Our Assets: The Cotton Annex," March 22, 2012.

Department of Energy Forrestal Complex, Federal Aviation Administration's Orville and Wilbur Wright Buildings, and GSA's Regional Office Building. The facilities accommodate over 12,000 federal employees. Several of these buildings are inefficient, costly to maintain, and have a backlog of maintenance requirements.

GSA Subject Parcels – Federal Triangle South, SW DC



In addition to the inefficiency, the buildings themselves sit on valuable underdeveloped property and not all the buildings are occupied. For example, one of the buildings in Federal Triangle South -- the Cotton Annex is approximately 89,000 square feet of space and sits vacant. The Congressional Budget Office has estimated that the sale value of the Cotton Annex alone with its surrounding vacant land is \$150 million. The most recent Federal tenant of the building was the Agriculture Department; however, the building has sat vacant for the last 6 years without a tenant.

While the legislative language directing the redevelopment of the site was not passed into law, on December 3, 2012, GSA issued a Request for Information (RFI)⁵ for the redevelopment of Federal Triangle South. The RFI requested input from the private sector to: meet the long-term space needs of the federal agencies currently in FTS; identify innovative and financially viable transaction structures; achieve best value to the government and taxpayers through the most beneficial technical and financial solution; develop a vision that will stimulate a vibrant mix of uses, such as residential, commercial, civic, institutional and public realm, and contributes to the vitality of the Greater L'Enfant Plaza area, SW Waterfront and Independence Avenue Corridor; and explore opportunities to advance the planning recommendations of both the National Capital Planning Commission's SW Ecodistrict Plan, and the District of Columbia Office of Planning's Maryland Avenue Small Area Plan.⁶

⁵ The RFI is a type of pre-solicitation document for the purposes of gathering feedback from the private sector on the attractiveness and feasibility of redeveloping Federal property to meet facility needs of Federal agencies.

⁶ GSA Federal Triangle South Request for Information Fact Sheet, January 16, 2013.

While GSA's timeline anticipated that a Request for Proposals (RFP) to conduct the actual competition for the redevelopment would be issued in August or September of 2013, to date no such RFP has been issued.

In addition, in January 2013, the National Capital Planning Commission (NCPC) issued the Southwest Ecodistrict Plan on the potential redevelopment of FTS and specifically highlighted the potential benefits to the taxpayer as well as the local community. Specifically, the NCPC concluded that redevelopment of the FTS would result in a number of benefits, including the reduction of Federal operating and maintenance costs, the reduction of Federal lease costs, revenue generation for the local community, and more private sector development.

Legal Authorities

GSA has broad authorities to enter into certain transactions that could be employed to redevelop FTS. These authorities, largely contained in title 40 of the United States Code, allow GSA to construct, acquire, lease, and exchange properties, subject to authorization through committee resolution by the Senate Environment and Public Works Committee and the House Committee on Transportation and Infrastructure. In addition, Congress provided GSA with additional authority, specifically intended to encourage public-private partnerships. Section 412 of the fiscal year 2005 Consolidated Appropriations Act (commonly referred to as "412 authority"), 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 United States Code to enter into 30-year ground leases with a private entity. The authorities contained in sections 412 and 585 provide GSA with significant latitude to sell or redevelop underutilized properties and enter into public-private partnerships to offset costs associated with renovating or creating Federal space.

Conclusion

At the hearing, the Subcommittee will examine the status of the FTS redevelopment plans, the potential benefits to the taxpayer and how public-private partnerships can be effectively used to reduce costs, leverage private dollars, and effectively utilize under-used Federal property for the benefit the Federal taxpayer and the communities in which Federal properties sit. The Subcommittee will hear from GSA and the NCPC on their plans for the redevelopment of FTS. The Subcommittee will also receive testimony from the Urban Land Institute (ULI), a nonprofit research and education organization representing land use and real estate development disciplines working in the private and public sectors. In addition, the Subcommittee will also receive testimony from Representative Jeff Denham, Chairman of the Subcommittee on Railroads, Pipelines, and Hazardous Materials and sponsor of the Civilian Property Realignment Act.

WITNESS LIST

The Honorable Jeff Denham (R-CA)
Member of Congress

The Honorable Daniel Tangherlini
Administrator
U.S. General Services Administration

Mr. L. Preston Bryant, Jr.
Chairman
National Capital Planning Commission

Mr. David Winstead
Chair, Public Development and Infrastructure Council
Urban Land Institute

**FEDERAL TRIANGLE SOUTH: REDEVELOPING
UNDERUTILIZED FEDERAL PROPERTY
THROUGH PUBLIC-PRIVATE PARTNERSHIPS**

TUESDAY, NOVEMBER 19, 2013

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 10:03 a.m., in Room 2253, Rayburn House Office Building, Hon. Lou Barletta (Chairman of the subcommittee) presiding.

Mr. BARLETTA. Today's hearing is on Federal Triangle South in Washington, DC, and how we can use public-private partnerships, or P3s, to redevelop underutilized Federal real property.

There are key challenges that we face today with managing the Federal real property inventory. One challenge is to get Federal agencies to think differently about the space they use. While the private sector understands that space is money and so has moved towards smaller, more efficient space solutions, the Federal Government has been slow to adopt this philosophy.

This committee worked in recent years on a bipartisan basis to reduce the Federal real property footprint and to get Federal agencies to use space more efficiently. We succeeded in getting agencies to reduce their space requests submitted to this committee, and the administration has issued directives on freezing the Federal space footprint.

While there are still agencies that seem to be slow in getting the memo, many others have started realizing that the more they pay for space, the less funding they have for people and their core missions, but even as we move towards freezing or even reducing the space footprint, the reality is Federal agencies are going to continue to need space to do their jobs.

The question is: how do we ensure we are optimizing the utilization of that space and reducing the costs to the taxpayer?

Much of the Federal space inventory is aging and inefficient, and with current budget climate and record deficits, we must look for alternatives to traditional Federal construction for new space. That is why when I became chairman of this subcommittee, I began to explore how P3s could be used in Federal real estate.

Earlier this year, we held a hearing focusing on options for a new FBI headquarters, and I hosted a roundtable to begin a dialogue with public and private real estate experts on P3s. In recent years,

there has been significant interest in exploring the use of P3s and redeveloping the area known as Federal Triangle South here in the Nation's Capital. This site, adjacent to the National Mall, has a combination of underutilized and vacant properties.

The current Federal tenants include the Department of Energy, FAA, and GSA. The buildings that are used are inefficient and costly to maintain and sit on underutilized prime real estate in the heart of DC.

As a first step towards redeveloping this site in 2012, GSA issued a Request for Information, an RFI, seeking input from the private sector. If done correctly, redevelopment of this area leveraging private investment could benefit the Federal taxpayer, the tenant agencies, as well as the local community.

Unfortunately, there are underutilized and vacant Federal properties across our entire Nation. There are not only direct costs to the taxpayers in maintaining and operating them, but they also impact the communities in which they sit, often limiting private investment and development of prime real estate.

I hope that proposals like the one for Federal Triangle South can be a template for how we can use P3s to address the problem of underutilized and inefficient Federal real estate across the country.

I look forward to hearing today where we are in the process of redeveloping Federal Triangle South, what benefits would be, and how we can use P3s to address the problem of underutilized properties.

I want to thank you all for being here today.

I will now call on ranking member of the subcommittee, Mr. Carson, for a brief opening statement.

Mr. CARSON. Good morning. I would like to thank Chairman Barletta for his leadership in calling today's hearing on Federal Triangle South, a part of Federal land located just a few blocks west of the U.S. Capitol, which contains over a million square feet of Federal office space.

Today's hearing asks an important question: what can we do to develop and maintain the Federal real estate portfolio? In an ideal world, Congress would vote for a robust annual appropriation for GSA's revolving fund to support a proper investment in the existing portfolio. These funds would be used to renovate existing structures; and instead of engaging in costly long-term leases, new buildings could be constructed where there is long-term need for real estate by a Federal agency.

Unfortunately, because of Congress' repeated cuts in GSA's construction and renovation budget, and because of arcane budget scoring rules, GSA has not been able to fund projects that maintain the aging inventory of buildings. My first choice, which is the most cost-efficient choice, was to simply allow GSA to use the funds it collects from other agencies to maintain its portfolio.

The next choice is using public-private partnerships to extract value from aging assets located in valuable areas around the country. These partnerships should be used to either fund the construction of new buildings or renovate existing structures in the GSA real estate portfolio. We know that GSA is capable of presiding over terrific public-private investments. In the District of Columbia, there are two good models: the highly regarded GSA renova-

tion of the Hotel Monaco, formerly the Tariff Building, and the Old Post Office Building.

These projects demonstrate that GSA could make excellent use of otherwise antiquated and virtually useless Federal structures and turn them into income producing properties. We should be able to repeat the process that led to these successful projects and revitalize the existing public building service portfolio.

The subcommittee crafted new tools to develop GSA property using public-private partnerships. In 2007, Congress enacted and the President signed Public Law 108-447. This granted GSA the authority to engage in leaseback arrangements and exchanges for Federal property that could facilitate a public-private partnership. To date, GSA has yet to implement this authority to redevelop any of its underutilized properties.

This needs to change because there are opportunities across the country that could bring the Government an excellent return on its investment. We hope to hear from today's witnesses about their concrete plans for extracting value out of Federal Triangle South by using public-private partnerships. This could ultimately provide more energy and space efficient workspace for Federal agencies and save taxpayer dollars.

So I thank each of our witnesses for their testimony today, and I yield back the balance of my time.

Mr. BARLETTA. Thank you, Ranking Member Carson.

On our first panel today is former chairman of this subcommittee and current chairman of the Subcommittee on Railroads, Pipelines and Hazardous Materials, Representative Jeff Denham.

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

Without objection, so ordered.

Since your written testimony has been made a part of the record, the subcommittee would request that you limit your oral testimony to 5 minutes.

Chairman Denham, you may proceed.

**TESTIMONY OF HON. JEFF DENHAM, A REPRESENTATIVE IN
CONGRESS FROM THE STATE OF CALIFORNIA**

Mr. DENHAM. Thank you, Mr. Chairman, and thank you, Ranking Member Carson. Both of you guys have been leaders on this issue.

Specifically the work I wanted to thank you for is the authoring of the Public Building Savings and Reform Act of 2013. It is a bipartisan matter, and we need to see much more of that, especially on reducing our debt.

We have got over a trillion dollars deficit and skyrocketing debt, and we must examine every area of Government and look for ways to cut that spending.

I would also like to thank Chairman Shuster for working with me on this issue to ensure that it receives the proper oversight and attention. Since taking the helm of this committee, Chairman Shuster has worked to create bipartisan solutions for our Nation's problems, which is fitting for this topic that we are here to discuss today.

I am here today to talk about a bill that I authored and continue to work on with the assistance of Chairman Barletta and Chairman Shuster, who have been strong voices in cutting Government. H.R. 695, the Civilian Property Realignment Act, or CPRA as it is referred to, would create a nonpartisan, professional commission to root out ways to inefficiencies in the way that we manage our public building.

The principles of this bill are the driving forces behind the effort to redevelop the Federal Triangle and serve as a model of how we manage property nationwide.

I first proposed a civilian commission at the subcommittee's first hearing in February 2011, and the President proposed a commission in his 2012 budget. In recent years, the GAO identified billions of dollars of waste through mismanagement over building and an overreliance on costly lease space to meet long-term housing needs.

And on a bipartisan basis, this committee has struggled to house Federal employees in the most cost effective manner possible, though I am proud to say that due to the actions of this subcommittee, GSA leasing prospectuses are becoming much more efficient and saving taxpayer dollars. I believe the potential to save billions, tens of billions of dollars is real.

I am very pleased that the President made Federal real estate a national priority by including it in his State of the Union in 2011 and his official budget to Congress. Additionally, both houses of Congress have included this idea in their budget concerns and their budget documents.

To be successful the commission will need to do five things: consolidate the Federal footprint, real estate footprint; house more Federal employees in less space; reduce our reliance on costly leased space; sell or redevelop high-value assets that are underutilized or too valuable for housing Federal employee like the Old Post Office that Trump is redeveloping here in DC; and then finally, dispose of surplus property more quickly.

In my first term, I had a post office in my district, certainly controversial, but believe that we have got to sell off those things that just are not being used today. Today we are redeveloping that, creating jobs in our local community and actually having a new business that will be right there across from the courthouse.

These properties can be redeveloped creating those local jobs, but also that ongoing boost to our local economies. So I believe a commission that uses these five principles to guide its decisions can have an immediate savings of upwards of \$15 billion. We have got to have a solution that incorporates all five principles.

For example, if the commission has a fire sale of worthless properties in one of the worst real estate markets in our lifetime, then we should not expect to save a lot of money. Simply dumping these vacant properties on a market is not a long-term solution. What we need is a CPRA, which is designed to reshape the way that this country manages the Federal footprint, and fortunately, this administration recognizes the same problem.

At the end of the day, the total cost of housing the Federal Government is directly proportional to how much real estate we hold. To save money, we have to consolidate that footprint. To consoli-

date, we must house more employees in less space. Fortunately there are tremendous opportunities to have savings in this area.

GSA is working to reconfigure its headquarters building to triple the number of employees working there from 2,000 to 6,000 in the same building, allowing GSA to vacate two other buildings.

The private sector has been increasing its utilization rates for over a decade, and a commission can achieve the same results in the Federal Government. Reducing expensive leased space is another principle necessary for a successful commission. The Federal Government spent well over a billion dollars to lease space for the Department of Transportation's headquarters, yet the Government could have purchased several buildings for this amount and housed thousands of employees for much less money.

Perhaps one of the greatest areas for taxpayer savings will be in the redevelopment or sale of high-value, underutilized properties. The Postal Service used a private developer to transform a rundown, money pit with a great location into \$150 million in revenue and a fully renovated building without any taxpayer money.

While the Government retained ownership of this property, in other cases selling may generate the greatest savings for the taxpayer. There are high-value properties all across the country that are being used inefficiently and oftentimes have large amounts of vacant space. Maximizing this value is what CPRA seeks to achieve, and I am proud that not only do we have bipartisan support in the House and Senate, but the President actually wants to engage on this issue. We can save billions of dollars by working together.

Mr. BARLETTA. Thank you for your testimony, Chairman Denham, and for your work on these issues, and I would like to note that Senator Warner has introduced a companion bill to yours in the Senate. I think that is a big step and shows your approach has strong support in the House, Senate and in the White House. Your comments have been very helpful to today's discussion.

Mr. DENHAM. Thank you.

Mr. BARLETTA. Thank you for coming.

On our second panel today we have the Honorable Daniel Tangherlini, Administrator of General Services Administration; Dr. L. Preston Bryant, Jr., Chairman of the National Capital Planning Commission; and Mr. David Winstead, chair of the Public Development and Infrastructure Council of the Urban Land Institute.

I ask unanimous consent that our witnesses' full statements be included in the record.

Without objection.

Since your written testimony has been made a part of the record, the subcommittee would request that you limit your oral testimony to 5 minutes.

Administrator Tangherlini, you may proceed.

**TESTIMONY OF HON. DANIEL TANGHERLINI, ADMINISTRATOR,
U.S. GENERAL SERVICES ADMINISTRATION; L. PRESTON
BRYANT, JR., CHAIRMAN, NATIONAL CAPITAL PLANNING
COMMISSION; AND DAVID L. WINSTEAD, CHAIR, PUBLIC DE-
VELOPMENT AND INFRASTRUCTURE COUNCIL, URBAN
LAND INSTITUTE**

Mr. TANGHERLINI. Thank you very much, and good morning, Chairman Barletta, Ranking Member Carson, Congresswoman Norton and Congressman Nolan. I also want to thank Chairman Denham for his testimony and leadership on this issue.

I also appreciate you inviting me to appear before you today.

We are here today to explore the increased utilization of public-private partnerships both at GSA and across the Government. Public-private partnerships are essential to what GSA already does. In a very real way our Public Building Service is a public-private partnership.

Approximately 92 percent of the revenue in the Federal Buildings Fund is invested in the private sector. These funds pay private sector landlords for existing lease obligations, service companies to operate and maintain our buildings, and design and construction firms to repair and construct our facilities.

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

Unfortunately in recent years, as Ranking Member Carson pointed out, GSA has been unable to use rent that we receive from our partner agencies to fund the high-priority mission needs of Federal agencies and to make basic repairs to the public buildings we hold in trust. In fact, we are now faced with cuts that would limit GSA's ability to meet even our existing lease obligations.

In the face of these continued challenges, I am committed to exploring all of GSA's authorities to reduce the cost of real estate, meet our partner agencies' needs, and repair and maintain our public buildings. GSA partners with private industry to deliver needed space and service to our agency partners. Beyond our traditional ongoing partnership with private industry, GSA is interested in further exploring the use of flexible authorities that do not require upfront funding.

To that end, with the direction from Congress and this committee, in particular, this year GSA used its authority under Section 111 of the National Historic Preservation Act to out-lease the Old Post Office. The funds that GSA receives from the Old Post Office lease will be deposited in the Federal Buildings Fund and could be used for repair and upkeep of historic Federal buildings across GSA's inventory, saving additional taxpayers' dollars.

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

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

The Cotton Annex is empty. The GSA Regional Office Building Seventh and D Streets, SW., is an inefficient and unattractive space that was not constructed with the modern realities of a mobile workplace in mind. The Department of Energy Building is another facility that does not accommodate its tenants' needs for space or facility amenities and underutilizes the valuable land on which it sits.

The Federal Aviation Administration buildings are in the best shape of any of these facilities, but they, too, are not equipped to meet the needs of 21st-century Government.

On December 2, 2012, GSA issued a request for information to identify creative solutions to the challenges presented by these buildings, and on February 4, 2013, we received 10 responses. GSA has evaluated these responses and developed a strategy on how best to proceed. GSA intends to release an RFP in the very near future to exchange the Cotton Annex property and the Regional Office Building for services. This exchange would facilitate completing construction and further consolidation of the GSA Headquarters, as well as advance efforts to support DHS's consolidation at St. Elizabeths.

We will continue to explore options to address the needs of other agencies in the Federal Triangle South area.

We are excited about the prospect of exchanging some of our existing inefficient and outdated properties for facilities that better serve today's needs. We believe that this will facilitate the District's efforts to transform the properties at Federal Triangle South and upgrade a thriving, mixed use neighborhood.

Through this initiative, we can provide for both the 21st-century space needs of Federal employees, while also creating a place in which people will want to work, live, play and learn. By exchanging underperforming Federal property for services to upgrade and renovate other Federal facilities, we can help replace a cold, sterile, utilitarian, single use enclave with a vibrant, diverse, and special community of its own.

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

Mr. BARLETTA. Thank you for your testimony, Administrator Tangherlini.

Chairman Bryant, you may proceed.

Mr. BRYANT. Good morning, Chairman Barletta and members of the subcommittee. My name is Preston Bryant, and I serve as Chairman of the National Capital Planning Commission.

NCPC is the Federal Government's central planning agency for all Federal lands and buildings in the greater Washington, DC, area, and I am pleased to have this opportunity to speak with you about NCPC's role in planning the area south of the National Mall, and the purpose of my testimony today is to highlight NCPC's what

we call the SW Ecodistrict Initiative and to provide context for GSA's Federal Triangle South project.

As the Nation's Capital and seat of the Government, Washington, DC, has unique needs, and NCPC, our planning agency, works to do three things: to protect our symbolic and cultural heritage; to ensure that there is room for future generations to locate new memorials and museums and host national events; and third, in consultation and partnership with GSA and others, to ensure that the Federal facilities meet agency needs and provide for a safe, efficient, and attractive workplace.

NCPC believes that the SW Ecodistrict Initiative is a roadmap to meet these goals and a great example of the ability of partnerships to achieve these greater results. We are excited that GSA is an important partner in this process and that they are using the SW Ecodistrict Plan to inform their approach to Federal Triangle South.

The SW Ecodistrict Initiative stems from several earlier NCPC studies to identify opportunities to fully modernize and reconnect several Federal precincts around the National Mall. Perhaps the greatest opportunity is the area we are talking about today, and that is the area just south of the Mall. It is 110 acres of Federal and private properties and is bounded by Independence Avenue on the north, Maine Avenue on the south, Fourth Street to the east and Twelfth Street to the west.

GSA's Federal Triangle South Initiative comprises 35 acres of these broader 110 acres. Today this area is identified by super blocks with predominantly single use, aging Federal office buildings. The size and design of these buildings, the tangled network of infrastructure and, frankly, the lifelessness after 6 p.m. public realm contribute to the inefficient use of these lands and buildings.

Now there are several efforts underway to create a once in a lifetime opportunity for transformation. This is consistent with the administration's "Freeze the Footprint" policy. Now the Federal Government is reexamining its property to create more efficient workspaces for a modern workforce, dispose of unneeded property, and reduce its operating costs. In addition, there is a multibillion-dollar private project going on in the same area.

In 2010, in close consultation with GSA, the National Park Service, the Commission of Fine Arts and the District of Columbia, we created a partnership of 17 Federal and local agencies to think through the SW Ecodistrict Initiative. We also consulted with residents, private sector businesses, property owners, and service providers to fully explore how we can synchronize projects, leverage resources, and develop mutually beneficial partnerships.

Through this partnership and a lot of detailed technical work over the last 3 years we have built a compelling case to work with GSA and others to revitalize this important part of our city. The SW Ecodistrict Plan recommends how best to accommodate future Federal office space needs and use land efficiently while creating a new, vibrant mixed use neighborhood.

The opportunities abound. We can reduce operating and maintenance expenses, reduce ongoing lease expenses, generate new tax revenue for the District of Columbia, retain and improve the efficiency of Federal office space and accommodate more employees,

create additional residential, hotel and private office space, and create new sites for museums and monuments adjacent to the National Mall.

The approach we are using for this plan is an areawide one as opposed to a building-by-building approach, and by taking an areawide approach, we can, for example, manage 110 acres of stormwater. We can significantly reduce the potable water use, and we can reduce greenhouse gas emissions by more than 50 percent.

High-level analyses have shown that the benefits to the Federal Government and the taxpayer, to the District of Columbia, and to private developers exceeds the costs. The challenge, however, is the scale and complexity. This is a huge project. Implementation can only be achieved through collaborative action by both the public and private sectors, and the SW Ecodistrict Plan identifies several opportunities which we recognize will be difficult in the current economic environment to do these.

We can, for example, as I mentioned, implement areawide stormwater management systems; modernize and expand GSA's central utility plant; make public realm improvements by working with others in the neighborhood; and to redevelop and rehab Federal property to meet GSA's needs for a modern workforce. My further statement is in the record, and I will be happy to take questions. Thank you.

Mr. BARLETTA. Thank you for your testimony, Mr. Bryant.

Mr. Winstead, you can proceed.

Mr. WINSTEAD. Chairman Barletta, Congressman Carson, Delegate Norton, I am pleased to be here. I am David Winstead.

The staff asked me to talk about my perspective on this project and others from the viewpoint of the Urban Land Institute. I am immediate past chair of the Public Development and Infrastructure Council, which was formed in 2007. I was Commissioner of Public Buildings at GSA in that year, and we very much were looking for a forum of both public real estate executives and private to talk about the structure of the best deals, the authorities in looking at public-private approaches to real property.

This council, I have shared with the committee various white papers and case studies that were done looking at exactly the structure of the kind of project the Administrator is looking at. We actually developed a framework for policy development and valuation of public-private real estate ventures. We have looked at completed case studies as well as hypothetical studies, such as the South Federal Center, as well as a headquarter project and a couple of others.

Members of PDIC have a broad experience in real estate. Former Commissioner Bob Peck has recently joined the council. We realize the challenge that the Administrator and the committee recognize in terms of shrinking resources, the Federal Building Fund, the rental issues, and revenues. So looking at private delivery and efficiencies in rentable space, delivery and finance, and living within the Federal budget is really key.

I struggle with, and I know Dan does, as well, the rent relationship to the Federal Building Fund and the imposition it has or the limits it has on the ability for Federal construction.

There are two obviously RFIs and others. The Post Office has been settled, but Federal Center South as well as the FBI Headquarters Project are in the RFI stage, looking for interest in the private sector and approaches.

Several case studies looked at surplus Federal real estate or underrenovated Federal real estate and that backlog that GSA still has. We have looked at utilizing private entities to secure financing and development of needed projects on existing federally owned land, achieving Federal land ownership through purchase, exchanges as the Administrator mentioned, or donation.

Ground lease models can vary from 30 to 65 years, which allow for GSA lease which can be properly scored by OMB, and the ownership of the asset remaining with the leaseholder during the term and being able to structure it in a way that it is not a below market purchase option at the end. So we have looked at that in a number of different ways, and as I said earlier, these cases are on our Web site, utilize ULI as a nonprofit real estate association.

So I would urge the committee to look at these and take advantage of them. I know that GSA is.

There are other projects that we have looked at, the ground lease operating structures, for example, the Veterans Benefit Regional Office in Atlanta; the Argonne National Laboratory in Illinois; the Military Housing Program which has been very successful, and the Ford Island Redevelopment, which is a combination of both. Enhanced use leasing in Houston at the Brook Army Medical Center, and also Camp Pendleton, and also, as Dan mentioned, with the Post Office utilizing historic preservation leasing authority such as the Monaco Hotel, Fort Hancock and Virginia Medical Center.

ULI also has a local council. But I chaired the national PDIC committee as I mentioned, that looks at this issue: how do you take the viewpoint of the public real estate executive in facing these kinds of real estate management needs and meeting tenant interest of Federal agencies.

On March 27th of 2011, ULI participated with NCPC and GSA and others in looking at the Federal Center South Project. I think there was a lot of exchange back and forth about proposed zoning and the upscale and mixed use nature of it, and how you can leverage the value of select public office buildings and land, and revitalize the areas to accommodate 14,000 Federal tenants ultimately.

Although I did not participate in that charrette, Lisa Rother who heads up the council staff-wise did, and I think she found it was very valuable. I know GSA is looking at proposals. So it is still very much in process.

Based upon some of the discussion I have had with Lisa, I think the challenges that some of the ULI participants saw was really in the land created from the transfer is going to be inadequate for the requirements of all that build-out in the Federal Triangle area. Two reasons for that are historic preservation requirements, and the encouragement to put in a street complex within the Federal Center South that will diminish density to a certain extent. So a lot of this is planning, and I am sure NCPC and DC Planning will engage.

The parcels along Independence Avenue are clearly institutional Government functions. So they are really not in play. The sense of

it is that there is an awful lot of interest, but one approach that might come out of that is importantly matching parcels that create value with development that meet Government needs and looking at that on a smaller level, like parcel by parcel, to see how you can, in fact, build out the vision that NCPC and the District will have.

I hope these comments are helpful. I would refer the committee, and I know the staff is aware of this, to ULI's efforts in this area. If the committee would like us to look at anything in the future, we would be happy to do so.

Thank you.

Mr. BARLETTA. Thank you for your testimony, Mr. Winstead.

I just want to say yesterday I had an opportunity to tour Southeast Federal Center, and I know Representative Norton played a major role in that, and as a former mayor, it almost made we want to be mayor again, you know, seeing the excitement of taking a very challenging project because of the environmental concerns there and turning it into a real tax base again, and there is no question that projects such as this could take the more difficult pieces of real estate and turn them into an economic advantage where the local community is a winner with increased tax revenue, and the taxpayer is also a winner and the Federal agencies as well.

So you know, I think there is agreement here that this could be a direction and should be a direction that our country goes in for the benefit, and overcoming the challenges along the way that we will have. And there will be some obviously, but I think we are all committed to overcoming those.

I will begin the first round of questions limited to 5 minutes for each Member. If there are additional questions following the first round, we will have additional rounds of questions as needed.

And I will start, Administrator Tangherlini. Again, thank you for coming.

How many responses did GSA receive from their Request for Information on Federal Triangle South?

And what did GSA learn from those responses and the feasibility of redeveloping that area?

Mr. TANGHERLINI. We received, as I said in my testimony, about 10 responses from the private sector on Federal Triangle South, and what we learned was that there is actually an awful lot of market enthusiasm for working with GSA, with NCPC, with the city, with the public sector more broadly, to look at opportunities to really leverage the available land there and to help us revisit the way we make investments to serve the agencies that we provide facilities to.

So what we took away from that was that there is a project or projects that are actually viable, that are doable, that can start a long-term vision, delivering our long-term vision that I think the city and NCPC should be commended for sitting down and actually trying to develop.

Mr. BARLETTA. Administrator Tangherlini, is GSA working with DOE and FAA? And how open are they to your redevelopment plans?

Mr. TANGHERLINI. We are working very closely with DOE, FAA and FAA's parent agency, the Department of Transportation, and frankly, all of them are very interested.

We are also working, by the way, with the Department of Homeland Security, which is a tenant of ours in the Regional Office Building, and working closely with our own region, frankly.

Look. Everyone out there knows that there is the possibility that they can get more productive, more sustainable 21st-century space to deliver on their mission. The irony of the Department of Energy Building being as energy inefficient as it is is not lost on the Department of Energy. They want better facilities so that they can meet their growing, not to mention demands for services and things we are asking them to do.

So they see this as an opportunity in partnership with GSA, in partnership with the private sector to get what they need in terms of facilities to deliver on their mission.

Mr. BARLETTA. And we understand that the buildings that currently house DOE and FAA are costly to maintain. They have a backlog of repairs and are inefficient. How would the use of public-private partnerships help address these issues and benefit the taxpayer?

Mr. TANGHERLINI. Well, we think starting with an empty building like the Cotton Annex that, frankly, we can return that back to economic value within the community.

What you saw down in the Southeast Federal Center was land that was not being put to its highest and best use being converted into land that could attain its economic potential and value. That required every bit of 15 years of hard work to get that done, but it started with a vision. It started with a concept, and then it was a project-by-project effort.

We think that the private sector can help us make the investments necessary to meet the needs of these agencies by engaging in a partnership and perhaps exchanging value, taking something that is worth value that is not fully being realized, such as the floor area ratio of some of the buildings out there that are not being fully utilized; put that back into the marketplace; and get back services and facilities that meet the needs going forward.

Mr. BARLETTA. Thank you.

Chairman Bryant, I understand that the NCPC has also been examining how to better utilize underused and underdeveloped property. In your view are the current uses of this site maximizing the value for the taxpayer?

Mr. BRYANT. This perhaps is as much Mr. Tangherlini's realm as mine, but the short answer is no. That is why we began looking at this precinct, these 110 acres, more than 3 or 4 years ago.

There are many buildings that do not occupy or fully use their existing site. DC has a height limit, but there are some buildings that could be taller. They are not reaching the current height now.

We have worked very closely with the private sector. Again, as I mentioned, there is a major waterfront development being planned, a multibillion-dollar development. So we have been working in conjunction with private sector developers who are active in the area to make sure that our plan and our vision complements what they are going to do so that we can better utilize and max out these sites.

So the short answer is, no, they are not fully utilized and they can be improved.

Mr. BARLETTA. Thank you.

I would like to now recognize Ranking Member Carson for 5 minutes of questions.

Mr. CARSON. Thank you, Chairman Barletta.

Administrator Tangherlini, will an RFP for Federal Triangle South represent the approach that the GSA is expected to take with the exchange being contemplated for the downtown FBI Hoover Building?

How long will the taxpayer's interest be protected in that deal?

If the Hoover Building does not cover the cost of full consolidation of the FBI, how will GSA pay for additional costs?

And lastly, how will GSA vet this plan for financial viability?

Mr. TANGHERLINI. Those are great questions. Frankly, what we are trying to do in each of these instances is recognize the limits that have been imposed on GSA in terms of our ability to tap into the Federal Buildings Fund and move forward and make the kind of necessary investments that we should be making to provide 21st-century facilities for agencies to meet their needs.

And so looking at our authorities we are asking ourselves how can we work closely with the private sector to meet those needs.

What we have proposed as a possible development scenario for FBI and as parts of Federal Triangle South is the idea of an exchange using existing GSA authorities, asking what the market would give us in exchange for the actual possession of that property. Frankly, we will not know what the gap will be until we actually get expressions of interest from the private sector, and so we have to leave as an opening a question of how would we fill that gap if there is one.

Mr. CARSON. Is this plan viable if interest rates rise to historical norms?

Mr. TANGHERLINI. You know, that is a great question. What would be the viability of any private sector participation in a PPP if interest rates changed dramatically?

That is why it is very important for us to move quickly while we have the favorable interest rate environment we have right now.

Mr. CARSON. Mr. Winstead, in your testimony you discuss previous Federal projects that are good examples of public-private partnerships. Are there any examples that use the kind of swap GSA is proposing with Federal Triangle South?

Can you please describe how those deals were effectively structured?

Mr. WINSTEAD. Congressmen, there are a couple. I think the two that are most relevant are the Argonne National Lab, and I gave you a copy of the case study where it was really premised on a public-private exchange where DOE's Atomic Energy Act was provided authority to have an arm's length transaction where there was an exchange of land value and secured financing through in that project the Illinois Finance Authority, which organized an RFI and went out with a ground lease where the special purpose entity had a long-term lease of the space and the to be constructed facility with required parking.

The operating lease was reviewed and constructed based on the value of the property and the lease. So that is one example.

Another one is looking at the VA office in Atlanta, Georgia. It is called the VARO Office Building, which was developed by the Authority under public-private partnership. Again, you had the value of the land and looking at a ground lease exchange where the Authority commitment included providing financing through the issuance of taxable revenue bonds and secured developer by means of an organized competition.

Once the ground lease was secured, the financing was arranged and the Authority entered into a lease of space with the VA for its use of to be constructed office building in Atlanta. So there are existing cases, and I have provided those to the committee and would be happy to provide more.

I think I covered in my remarks the ones that we have looked at and are aware of. I would mention that in terms of Federal Center South, one of the biggest struggles, and I had an inside view of this for 3 years, is this issue of deferred maintenance of Federal buildings. I think the concentration of these properties in this incredibly monumental spot of Washington, DC, next to the Mall and trying to open that vista, really do have values. If you can look at them, I think one of the concerns that the ULI charrette yielded was you have to almost look at it parcel by parcel in order to really create and maximize the values.

But there are examples and structures I am privy to, and I am sure the staff is, of how to approach these projects on that basis. The FBI RFI is now out there, and that is going to be an exchange of the Hoover Building, discounting construction over a long-term ground lease that will bring the value to the taxpayer, you know, maybe \$50 million a year in rent.

So there are cases, these specifically, and we can provide others.

Mr. CARSON. Thank you.

Mr. Chairman.

Mr. BARLETTA. The Chair recognizes Representative Norton for 5 minutes.

Ms. NORTON. Thank you, Mr. Chairman, and I appreciate very much that you are holding this hearing at this time.

Mr. Chairman, this is a city 10 miles square. I do not know how many acres you would say the District of Columbia is, but when there are large tracts of land in a city that does not have a great deal of underdeveloped land, and it turns out to be Federal land, that is on us and it is on GSA. So it is a very important hearing.

I want to thank all of you for your testimony because I found it all very helpful. I want to particularly thank Mr. Tangherlini for taking the GSA in an entirely new direction. Some of us who have been on the committee and subcommittee for some time have been concerned that GSA has long been a powerful agency, but reluctant to use its authorities even when this subcommittee gave it new authorities.

The chairman mentioned the Southeast Federal Center. I grew really frustrated that there were 57 prime acres there and the Federal Government could not figure out what to do with it, and they had really quite mundane notions about, well, you know, let us put some Federal workers down there, and the Federal workers did not want to go down there so that there it lay.

We have an Ecodistrict. Now, this is one is really shameless because that is near the Mall and really even more centrally located, sitting there just waiting for somebody to come forward, and this subcommittee has had hearings on it before.

Now, Mr. Tangherlini, you have moved the GSA to really thinking about leveraging private sector, and its funds to accomplish public sector ends, like reducing the Federal footprint, even getting Federal revenue. I wrote you concerning what is really the Ecodistrict here, but I wrote you concerning a leveraging opportunity that I was concerned might be passing us up. And that is that the CSX Corporation, which is building a train. I mean, the Panama Canal is going to go from here all the way up the east coast and through the District, and it has a right-of-way along Maryland Avenue, and it must proceed when it gets here.

Now, I was concerned that the CSX could get here with GSA sitting on its assets instead of leveraging this great opportunity that CSX very much needs, putting the GSA really in the catbird seat. There are one or two minor buildings in their way, and meanwhile you want to essentially build areawide.

You responded that you were engaged in Maryland Avenue discussions. Maryland Avenue is a central avenue running through this area we are talking about, but you said the reconstitution of Maryland Avenue is a complex issue on many facets, including but not limited to local land use planning.

Well, we have heard from Mr. Bryant. We know that the District of Columbia greets this. So we know that is not in the way now.

So I have got to ask you: first of all, where is CSX? How far up the east coast has CSX come? Do you know that? Is it anywhere near Washington, DC, now?

I ask this question, Mr. Chairman, because CSX is going to come and go whether or not GSA acts. It is just going to go right through here. So I am concerned simply about the timing, and I understand that we cannot do the whole Ecodistrict on the CSX leverage, but you said something in your testimony that intrigued me. You indicated that you wanted to move first on the Cotton Annex and an adjoining building that I think is a GSA building.

Does that indicate that you are trying to move in time to take advantage of this opportunity that CSX needing some of your property offers you?

Mr. TANGHERLINI. The short answer at some level is yes. I am not the best person to speak to what the status of the CSX double-stack project is.

Ms. NORTON. Well, I would think that that would be of some—and I am going to ask you to find out, Mr. Tangherlini.

Mr. TANGHERLINI. Right.

Ms. NORTON. If you found out, for example, that CSX was already in Virginia, I do not know the path it is going to even come, but it is coming from south to north; if you found that they were somewhere in Virginia, it seems to me that that would factor in, or somewhere in North Carolina, that that would factor into your own timing for how you proceed.

So if you do not know, could you find out and let the chairman know within 30 days where the CSX—just leave aside here we are—where is CSX coming up the road? How far has it gotten? Is

it within shouting distance of the District of Columbia? And if so, what would you do?

Mr. TANGHERLINI. Well, so notwithstanding where they are in their project, what I was trying to convey is that we are moving very aggressively with identifying a project that we think relates to the issues that were raised. We want to maximize—

Ms. NORTON. So why did you choose these two buildings first?

Mr. TANGHERLINI. So those two buildings, frankly, are the easiest buildings, one being empty, one being one that we occupy, for us to move forward. They are ones that adjoin the tracks and do relate directly to the first stage in the Maryland Avenue project.

We have been working very closely with the District of Columbia about Maryland Avenue and how they would actually work closely with us to allow Maryland Avenue to be extended through. We have been working very closely with the NCPC. We have been very attentive to what the environmental impacts are and what the environmental impact process is, and so that is why we are able to consider the various different elements of the plan and move forward on some and further research others.

Ms. NORTON. Just a final question. You look at the Southeast Federal Center. While the Government cleaned it up, the Southeast Federal Center yields revenue for the Federal Government.

Mr. TANGHERLINI. Right.

Ms. NORTON. It has essentially paid for itself, and I need to know whether you believe that the Ecodistrict can be developed without Federal funds through the use of 412 authority, other authorities you may have.

To the greatest extent possible, do you think that this district could be developed in a way similar, say, to the way in which the Southeast Federal Center was developed with our Federal funds?

Mr. TANGHERLINI. We think that there are dramatic possibilities for economic development in the Ecodistrict. The NCPC and the city have done an awful lot of work to look at what the economic potential both locally and nationally are. That is why we believe moving forward on some particular—

Ms. NORTON. That was not my question. My question was the Southeast Federal Center was developed without Federal funds, except the cleanup. And my question is: given your leveraging and your other authorities, do you believe that the Ecodistrict could be developed without Federal Funds?

Mr. TANGHERLINI. That is our hope, and that is why we want to go into the market with these buildings and understand what the actual value and what the interest of the market is. So that is our hope. That is our interest. Frankly, it is clearly our desire.

The question is: what is the market going to demonstrate? And we see that this is an opportunity to do something quickly that addresses the issues that you raise about the infrastructure investments that need to happen and that give us an understanding of what the market is interested in in giving us back.

Ms. NORTON. Thank you, Mr. Chairman.

Mr. BARLETTA. Thank you, Ms. Norton, and we will have a second round of questions if you have more.

And I would like to just second Ms. Norton's point and would like to hear a response to her question and whether or not an evaluation was done and what those conclusions for CSX are.

Now I would like to recognize Mr. Mica for 5 minutes.

Mr. MICA. Thank you, Mr. Chairman.

We are using the cheap system today.

Well, it is good to see you back, Mr. Tangherlini and others, in our continuing saga. As you know, when our side was in the minority, we produced the report that was entitled "Sitting on Our Assets: The Federal Government's Misuse of Taxpayer-Owned Assets," and it has provided a guideline.

And when I chaired the Transportation Committee, we asked Mr. Denham to help take the lead in going after this. We have done a series of hearings on empty public buildings in Washington, DC. We did the Post Office at least twice, and I want to commend you for getting that going. That is going to turn that asset, I believe. We will get about \$250,00 a month off the lease from an asset that was depreciating and cost taxpayers \$8 million to \$10 million a year, a half empty, 400,000 square-foot building and an annex that had been vacant for 15 years.

I see the power plant is up for sale. We did the hearing on the empty power plant, \$19 million realized putting it online.

And the Cotton Exchange is not as pretty a picture. We did the hearing there I am told in August of 2012, and that is part of this Southwest Triangle.

You did follow up, as I am told, with a Request for Information last December. Now, do you have a specific time, and you had some interest there, when you are going to do the RFP?

Mr. TANGHERLINI. As I mentioned in my testimony, sir, we hope to actually get it done I said very soon. We have committed by the end of January, and so we are hoping to have something out by then.

Mr. MICA. By the end of January?

Mr. TANGHERLINI. Yes, sir.

Mr. MICA. Again, I was not here for the earlier testimony. Is that a partial Request for Proposal on the Cotton Exchange or is it the whole Southwest Triangle?

Mr. TANGHERLINI. No, no. Our proposal at this point, and that is what we are still working on, is either the Cotton Exchange and the Regional Office Building or the two of the buildings.

Mr. MICA. OK. This is a very slow process. Is there anything legislatively that we could do to help you speed it up?

Mr. TANGHERLINI. Well, I actually think that given the fact that we have to make sure that we coordinate very closely with the city, with NCPC, understand what the marketplace can bear, be careful about understanding the historic nature of the properties, those are things that we have to work through, and I agree that it would be ideal if we could move faster. I am not exactly sure what part of the very complicated process that is holding us up.

Mr. MICA. Well, if there is anything legislatively, I want you to report back to the committee.

Mr. TANGHERLINI. OK.

Mr. MICA. Because, again, it is a very, very slow process. You are missing some of the market opportunities, but I think you are on

the cusp. The market is still red hot in the District, and it is very valuable property, and it can be turned from a nonperforming asset. The Cotton Exchange is at least 6 years empty. We did the hearing on the empty Cotton Exchange.

Mr. TANGHERLINI. Right.

Mr. MICA. As you know, I am not a happy camper about the FTC and the Constitution Building. We are going to have a hearing. Is that next week? OK. December it has been moved to. We had this little thing. I do not know any reason why we cannot get the entire FTC into that property.

Have you signed the contracts or any lease agreements with any of the endowments, for any of the endowments to occupy the Constitution space?

Mr. TANGHERLINI. I am not sure what the status is.

Mr. MICA. OK. I want to know that. There is no reason they cannot all be in there. You can save \$400 million to \$500 million by consolidating the FTC. You are bringing in two current vacant properties, and they came in with a request for additional space.

I have had folks over there. We have looked at it, and there is no reason why the balance cannot be moved into it. I have talked to the appropriators. I am going to do everything I can to stop anybody else from the FTC but the FTC going in there. I just want to make it clear.

I know you have been put in somewhat of a political bind, but there is no reason that that entire operation cannot be consolidated. So when we do the hearing in a couple more weeks, I expect answers. I expect to try to move them in there.

The whole thing is a fiasco to begin with when you rent a lease of a million square feet, and end up with an agency not using it. I know you are doing the best to fill this space, but our job is to do the best possible for the taxpayers, and we can save a tremendous amount of money by that consolidation.

So I have not let up. I am not going to stop, and we will find a way to get that in there, and I appreciate your cooperation. If we have to move some political mountains, we will do that, too, and you are going to cooperate, right, Mr. Tangherlini?

Mr. TANGHERLINI. I will do my best, sir.

Mr. MICA. Thank you.

I yield back the balance of my time.

Mr. BARLETTA. Thank you, Mr. Mica.

The Chair recognizes Mr. Mullin for 5 minutes.

Mr. MULLIN. Thank you, Mr. Chairman.

Mr. Tangherlini, I appreciate you coming in here. Obviously you are rather popular today in this meeting, and you have got a tough situation. You have got a tough road ahead of you, and our goal, I believe, is to see how we can work together.

You have two people you have got to answer to, plus your job to do. I do not envy you, and I wish you the best of luck, truly.

And so my question kind of has to do with how can we work together. So I understand that the GSA already has the authority to sell and redevelop underutilized properties; is that correct?

Mr. TANGHERLINI. That is true.

Mr. MULLIN. All right. And so when you enter a public-private partnership to offset the costs associated with renovating or creating these spaces, you have the authority to do that, too, right?

Mr. TANGHERLINI. We have certain authorities that can help with that, yes.

Mr. MULLIN. OK. Are there any things that prolong or slow down the agency's abilities to do that?

Because obviously, you have a tremendous amount of property. I actually own two property companies myself, and vacant property is probably the biggest pet peeve I have, and there has to be money to be able to do it, which if you are able to offset it with, you know, public-private partnerships, it seems like you have the ability to do so.

So what else is holding it up?

Mr. TANGHERLINI. Well, I would like to make a couple of points that might clear up some misconceptions. The General Services Administration manages an awful lot of property.

Mr. MULLIN. Yes.

Mr. TANGHERLINI. A third of a billion square feet of commercial real estate. So we are one of the biggest commercial real estate land managers in the world.

But we only represent about 10 percent of all the land actually controlled by the Federal Government, and our vacancy rate is actually very low. It is roughly around 3 percent.

Mr. MULLIN. No offense.

Mr. TANGHERLINI. None taken.

Mr. MULLIN. But you are comparing yourself to worse and worse.

Mr. TANGHERLINI. OK.

Mr. MULLIN. So why would we compare ourselves to something that is already bad. Let us think about what you have. You have a third of it, right? Is that what you said?

Mr. TANGHERLINI. No, no. We have 10 percent.

Mr. MULLIN. Ten percent. OK. So you have 10 percent of it. So we have a saying in our company: pay attention to the pennies and the dollars will take care of themselves. So let us pay attention to your pennies then.

Mr. TANGHERLINI. No, I agree. All I am saying is that we are working very hard on the vacant property that we have, but it is actually very small amount of the GSA portfolio, and so that is why we have been working very closely through OMB to work with other agencies to find vacant and underutilized property that other agencies have so that we can help them bring it to market.

So, for instance, in California we have been working very closely with NASA.

Mr. MULLIN. We are getting away from the question. The question was what is prolonging or slowing it down. What are the hurdles that are in front of you keeping this from actually happening?

Mr. TANGHERLINI. And my point was that it is actually happening. Now, we do have requirements, often legal requirements, such as the NEPA Act, which makes sure we are careful about how we impact the environment in communities in which we operate. We have historic preservation laws which make sure that we do not take these assets which people have invested in over a long

time like the Old Post Office and not treat them appropriately and respectfully.

These are the things that actually lend to some additional time in the Federal Government doing redevelopment versus what it might take in the private sector.

Mr. MULLIN. So what is your average turnaround on a piece of property? What is your average property set bank it?

Mr. TANGHERLINI. I do not actually have a number for you right now, but I could find it.

Mr. MULLIN. Have you got a guess? I mean, I can guess and I am up here all the time. I do not even really get to manage it anymore and I can give you an idea.

Now, granted, I am not controlling as much as what you have, but still it is what we have, and I can still give you an estimated approximate time.

I mean, are we talking about months, year, years?

Mr. TANGHERLINI. I can tell you for the properties that have been brought to my attention in the time I have been at GSA for the last year and a half, we have turned around all of those properties in the last year and half, either getting an RFI or an RFP or negotiating with our local jurisdictions.

But as you heard in my conversation with Congresswoman Norton, even getting to the RFI, that does not get us necessarily to the actual development happening. That at least lets us gauge market interest, and then from there we have to go into the historical preservation evaluation. We have to do the environmental work. That can take, you know, in the case of FBI we estimate it will be about 2 years to get through that process.

Mr. MULLIN. Environmental work because of the material used, like asbestos towels, stuff like that?

Mr. TANGHERLINI. No, more actually if you are going to move a building, relocate a building, sell something of historic significance. You have to gauge the impact that that has either on the community, gauge the impact that has economically, and potentially gauge the impact that that has environmentally on traffic, on pollution, et cetera.

Mr. MULLIN. I want to work with you however possible. So if you run up against hurdles that my office can be helpful with, would you please reach out to us?

Mr. TANGHERLINI. Yes, sir, I will.

Mr. MULLIN. I am not here to just throw arrows at you. In all seriousness, it is something that we could work together. It is something I do know a little about, and I would look forward to working with you as much as we can.

Mr. TANGHERLINI. Great. Thank you.

Mr. MULLIN. Thank you, Mr. Chairman.

Mr. BARLETTA. Thank you, Mr. Mullin.

We will now begin our second round of questioning, and I will recognize myself for 5 minutes.

Mr. Winstead, so far GSA has made a number of proposals primarily focused on its exchange authority as opposed leaseback arrangements and similar authorities. How important is it in leveraging private dollars to look at all the tools in GSA's toolkit?

Mr. WINSTEAD. Mr. Barletta, I think that comments that Mr. Tangherlini has made and Delegate Norton mentioned, the administration has really pushed the gauntlet in this area. The results of leadership of Ms. Norton we got in 2005 language that, in fact, gives us the 412 authority, thus strengthening the retention of revenues from the sale or properties and go back into investment of existing buildings from sale lease-back or exchange.

One of the concerns from the private sector side noted by Congressman Mullin deals with this delay issue and inconsistency. In my opinion, the view of these innovative financing deals from the perspective of OMB and CBO has varied. I think that, you know, it is an artful form, and I know David Hahn very well and have met with him since I left GSA to discuss consistency.

But it is a very artful form to make these things structured from both a financing standpoint and tax standpoint work. I think others in the private sector and some behind me understand this art form and resulting delays of decisionmaking and reviews of prospectuses that really do prevent a lot of projects moving as quickly.

It is not GSA's fault. It is these other reviews and CBO and OMB level from my perspective. So, you know, I do think it is important to use these other authorities. In my testimony, and I provide to the committee examples of enhanced use leasing exchange as well as ground lease structures. I think it is a very positive time that we are starting to see these RFIs come out in a very fast order to move both potential redevelopment, as well as to look at exchange in value.

I, frankly, think that there is a huge market out there for that. GSA does not have the authorization to deal with the renovation of these buildings. If you can take one of these properties or several of these properties in the South Federal Center and convey that information and value of that property for construction services, I think it is a very, very good move, and there is a lot of interest in the market. I can give you a sense of that.

Mr. BARLETTA. Thank you.

You know, a concern that the notion that GSA could exchange billions of dollars of inventory for services without further action by this committee or appropriations is unprecedented and raises significant questions about appropriate oversight of taxpayer dollars and the role of Congress and the role that Congress has there.

Administrator Tangherlini, GSA has proposed using its exchange authority in a number of cases. However, as you know, GSA has a number of exchange authorities, each of which has its own requirements and limitations.

Which exchange authorities do you say are intending to use for the FBI Headquarters and potentially for Federal Triangle South?

Mr. TANGHERLINI. I think I will get back to you with the specifics about the actual sites, but Section 412 and Section 585, we have other exchange authorities that are related to our organic statute.

I would like to point out though that I wish I could take credit for inventing this idea. These are authorities that have, frankly, been given to us by Congress, and we have used roughly a dozen times. The best example is, frankly, in San Antonio where we trad-

ed properties and facilities for the construction of a parking garage just last year.

And so I think the real issue is how do we work as closely as possible with this committee, with the Appropriations Committees to make you aware of what we are trying to do so that we can continue to reinvest in these assets while we continue to face, frankly, the limitation that is being imposed on us by the inability for us to access the rent, the market based rent, which we are legally required to collect from each agency, while we have not been able to access that rent so that we can make reinvestments in those facilities.

That deficit, frankly, that reinvestment deficit is at \$4.5 billion and counting right now. So I want to work very closely with this committee, with the Appropriations Committees. We are not going to do anything, you know, secretly. We are going to do it through RFIs, through RFPs. We are going to work closely with staff in these committees. We are going to come these hearings. We are going to answer questions, respond to letters, and do whatever we can, at the same time maintaining our stewardship responsibility to these assets that the American people have bought and invested in.

Mr. BARLETTA. Sure. You know, realizing that the parking garage was a \$5 million project, this is obviously much bigger. Could you provide for the committee, in writing, if you can, an official legal analysis on GSA's exchange authority, on what basis GSA believes it can enter into an exchange for services on namely to construct a new facility without an approved prospectus or approval through the appropriations process?

Mr. TANGHERLINI. Yes, we will provide that information.

Mr. BARLETTA. OK. Thank you.

The Chair recognizes Ranking Member Carson.

Mr. CARSON. Thank you, Mr. Chairman.

Mr. Winstead, in your testimony you highlighted several Federal projects that use public-private partnerships to develop Federal-owned parcels. What are some of the challenges in your mind in protecting taxpayer interest in these kinds of deals?

And what is your recommendation for us so that we can ensure that taxpayers receive fair value in exchange for Federal properties?

Mr. WINSTEAD. Congressman, I think that the biggest issue in this whole alternative finance strategy is really the issue of clarity of equities and the risk assumption of the parties between the Government and contractor or developer. And what the ULI council has done—and I can provide examples—is a structure of how you can make sure with full view of taxpayer and all parties involved are dealt with in terms of both the responsibilities of the developer or offeror, in terms of obtaining financing, what those financing costs are, what, in fact, the fixed return is and clarity through that deal. Candidly, both ULI and our council, as well as the national Public-Private Partnership Association, have very much stressed this, and you really cannot get away with it any other way.

I mean, the process in which you approach and how you structure these deals, looking at both legal, tax, financial and disclosure issues, can start very early on. You get a comfort level.

The only other comment I would make is, you know, we have a kind of perfect storm here at this point. Unfortunately Administrator Tangherlini cannot tap that \$2.5 billion that he needs to renovate the buildings, but we do have an incredible amount of private capital interested in the real estate markets from everywhere. Although I watched the Washington market drop at our last meeting of ULI from the top 10 for the first time in 3 or 4 years, it still is one of the best markets in the world.

So the opportunity is there, and I think we would be happy to provide both legal documents of how these past ones have been structured to the committee. We would be happy to work if the committee were to ask us or GSA, but it is really a question of looking at disclosure upfront about what, in fact, are the risk allocations, returns for both parties, and building in that obviously the returns for the off-award developer.

Mr. CARSON. Thank you.

Mr. Bryant, has the District of Columbia endorsed the Ecodistrict Redevelopment Plan?

Mr. BRYANT. Yes, sir, I am pleased to say that over the last 3 or 4 years the District of Columbia government, specifically, the DC Office of Planning, has been a true partner, and they have been part of the 17-agency partnership where we have done all the planning, all of the envisioning together, and the District has, indeed, endorsed the plan going forward.

You know, the SW Ecodistrict at 110 acres, it is largely Federal. It is 60 percent public buildings, 40 percent private buildings. Thirty-two thousand people work there during the day, but after 6 o'clock it is a ghost town. Very few people live in the area. It has got significant infrastructure needs.

So the District has joined us in looking at the economic development potential. We could get 4 million square feet more in the ecodistrict for public and private use. That translates to, you know, taxpayer dollars, public real estate taxes. It could generate, depending on the infrastructure investment, somewhere between \$150 million and \$300 million over 30 years for the District in just property taxes, not counting sales taxes and others.

So, you know, the District government has been very much involved and very supportive of the process.

Mr. CARSON. How essential is zoning to the success of this project?

Mr. BRYANT. Zoning discussions are underway right now, and there is going to have to be a new zoning designation, but that is entirely the District's prerogative, and they are working with the National Capital Planning Commission on all zoning related questions as well.

So we are moving together forward on those issues.

Mr. CARSON. Mr. Chairman, I yield back.

Mr. BARLETTA. Thank you.

The Chair recognizes Ms. Norton for 5 minutes.

Ms. NORTON. Thank you, Mr. Chairman.

Mr. Tangherlini, some of the process that you have been able to make may come from the fact that you yourself come from OMB and understand OMB. But you also understand real estate. I must tell you that OMB has been a roadblock to this committee and to

development. The Old Post Office, now who took the hit Mr. Winstead will tell you was the GSA because the GSA was not the problem. The reason I had to put an actual bill in for the Old Post Office was that the OMB personnel, the kind of line personnel, had outrageous ideas. One of them was there are already some Federal agencies in there. There were two or three small Federal agencies. It was unfit for Federal agencies or any other kind of agencies.

OMB has tended essentially to look at real estate as just a commodity. It does not understand real estate. So I have to ask you, as you have raised our hopes whether you have been in touch with OMB or whether you expect OMB will be in sync with you as you begin to go down roads that OMB would have regarded as unholy for GSA to even proceed toward.

You know, is this a dream in your head or are you talking with these people who stood in the way?

Let me tell you these are the people who, just to give you an idea, Mr. Chairman, of just how retrograde OMB has been in allowing GSA to use the kind of authority it is trying to use know, we built a Department of Transportation Building. It is a huge, terrific new headquarters. Whoever heard of building a headquarters on a 15-year lease so that they are going to have to come back to the Government to get more money to pay the developer for their lease?

Nobody in his right mind would have done that, but the OMB rules essentially cost the taxpayers' money. So I have to ask you: are we going to have that roadblock or what have you, because you come from OMB and perhaps they have greater confidence in you and you understand real estate and OMB, have you worked through some of these issues with OMB?

Mr. TANGHERLINI. So I have worked very closely with OMB in every one of our RFIs and every one of our RFPs we have put together with the review and comments of OMB. We have tried to be very inclusive of OMB so that we recognize that together actually our job is to deliver on administration priorities and the administration's direction.

And this administration has been very committed to investing in infrastructure and reducing the Federal footprint. At the same time though, OMB faces challenges that come out of other legislative requirements, and OMB and CBO are actually in charge of maintaining the scoring rules that come out of things like the Budget Enforcement Act and subsequent amendments.

The rules we deal with now relate to agreements that have been arrived at over time between OMB, CBO, GAO and the Congress about how we are going to score congressional action.

Ms. NORTON. And do you think that there are scoring roadblocks to what you are proposing?

Mr. TANGHERLINI. So we think actually everything we have done has been consistent with scoring, and so the question is to have a broader discussion about what are the principles that underlie scoring. What are we trying to achieve through scoring? How do we measure the long-term impacts of certain ways we score things versus others?

And that is the kind of dialogue, frankly, a hearing like this allows us to get into at an intellectual level rather than at a conflict

level. And I think too oftentimes we have engaged in conflict. Hopefully what we will get is good information. We will get good dialogue.

Ms. NORTON. Oh, there was not any conflict. There was not any conflict. There was just an ironclad notion that if it scored, no one wanted to go through the process you just said, which is what are you trying to achieve, what would cost the Government more money, is it consistent with rules. That dialogue never occurred. It was not that this committee had conflict with scoring.

Mr. TANGHERLINI. No.

Ms. NORTON. It is that we are faced with, "Shut up. It scores."

Mr. TANGHERLINI. Right.

Ms. NORTON. And you are saying that is not how these deals are going to be handled.

Mr. TANGHERLINI. Well, and I think the evidence suggests that we are trying very hard to be as creative and as thoughtful and as flexible as possible. You know, the offer that David proffered working with ULI to further this discussion is, I think, also further evidence of the progress we are having, where people recognize that perhaps the way we are doing things is not going to work with the way we need to get them done.

Ms. NORTON. Mr. Tangherlini, we have just opened the Coast Guard Building.

Mr. TANGHERLINI. Right.

Ms. NORTON. It was a very proud moment, named for the only Medal of Honor winner of the Coast Guard, and the Coast Guard has fully moved in. They are the first agency to go down there.

Are you considering ways to complete the Department of Homeland Security with this terrific start there with the other buildings?

For example, the Secretary is slated to come next in one of the reuse buildings. Could you tell the committee what you are doing?

Mr. TANGHERLINI. Absolutely. Starting with the President's 2014 budget request, which would have allowed us to move into Phase 2, and through everything else we are trying to make sure that we realize the vision of the more than \$400 million that the taxpayers already invested in the St. Elizabeths campus. We are not going to get the benefit as taxpayers of that initial investment if we do not make the subsequent investments and begin to allow the Department of Homeland Security to actually create a cohesive and consolidated headquarters unit.

As I mentioned, as one of the proposals for the first project we are proposing as part of this broader Ecodistrict plan is to take some of the revenue or the value generated by the transfer of the exchange of one of our buildings and put it into the St. Elizabeths campus. We are trying anything we can to make sure that we keep fealty with the investments that the American people have already made in St. Elizabeths.

Ms. NORTON. That is excellent to hear you say.

Not to mention that the Department of Homeland Security is paying for rent in 60 different locations and is having to do short-term and long-term extensions now because it is waiting to see when the rest of it will move.

I would just like to ask you about two vacant properties in the District of Columbia that this committee has mentioned in prior hearings. We had a whole hearing on 49 L Street.

Mr. TANGHERLINI. Right.

Ms. NORTON. I have a special interest in 49 L Street because it is part of the Southeast Federal Center or Yards District, this new district in Southeast, huge. It must have been a warehouse or something, and for some time it was held because you thought it would become a veterans court, but for a long time it was clear that that was not going to happen.

But I have not heard anything since we had a hearing perhaps was it last year on 49 L Street.

Mr. TANGHERLINI. So we have been working very closely—

Ms. NORTON. If I may say so, the community was so concerned that since this place was surrounded by development that they themselves came up with a plan to develop it, and that is why I would like to know where we are on that.

Mr. TANGHERLINI. So we have been working very closely with local authorities and other planning authorities, and we think we are very close to actually having an announcement as to what we will do next with 49 L, but we heard the issues and concerns raised by you and other members of this committee at the hearing that was held there, and we have been working diligently to make sure that that building as well—

Ms. NORTON. Do you expect that to come forward this year?

Mr. TANGHERLINI. Probably not this calendar year, but I expect it to come forward very, very soon.

Ms. NORTON. And there is one other property, Tenth and H Street, NW., which is near the Secret Service Building.

Mr. TANGHERLINI. Yes, the Webster School.

Ms. NORTON. Yes.

Mr. TANGHERLINI. And I can tell you that that is one that has been a concern of mine in several of my jobs, and I can tell you that I will make a commitment that we are going to do something about the Webster School. We are working closely to try to put together a panel to give us ideas and suggestions of how we both meet the needs of the Secret Service in terms of their security, but also meet the needs of the community in terms of not having a blighted, vacant but also historic building sitting right at the corner of essentially Main and Main now after the old Convention Center redevelopment has been realized.

Ms. NORTON. Yes. You do need a panel. You need somebody to look closely at it, taking into account all of the concerns, and if you give your attention to it, I think you can solve that problem.

Mr. TANGHERLINI. I agree.

Ms. NORTON. Thank you very much.

Mr. BARLETTA. Thank you.

Let me just say the exchange is not a panacea. They are complicated, and they have more risk than traditional approaches like leasing. I would hope that you will keep the lease-back tool on the table.

Mr. TANGHERLINI. Well, you know, absolutely. I would like to explore ways that we can keep other parts of the authority and not just hit one note on the piano. That having been said, to the extent

that we have authority and opportunity in these instances, I think we should also be smart about leveraging them as quickly as possible so we do not miss market opportunities, and then explore a broader conversation that will allow us to maybe explore the opportunities to leverage other tools that the Congress has been so kind to provide us.

Mr. BARLETTA. I just have a couple more questions, and if the panel has any more, they could also ask them.

Mr. Winstead, can you talk about one of the authorities GSA has under Section 412, the ground lease with a lease-back, and explain how it is possible to utilize this authority under the scoring rules?

Mr. WINSTEAD. Mr. Chairman, there are structures that have been in place and there are components that are well known and have been vetted from both the legal standpoint and tax related issues and revenue. I think the recent conversation with the Administrator is pointing at the issue of concurrence and engaging the minds at OMB and CBO in a partnership on this, looking at the scoring rules protecting future taxpayers, which is why the scoring rules and budget rules are there—to not have obligations that blow up in the future on taxpayers.

But there are ways to do this, and I have provided the committee staff the details of that involving an exchange of property. Looking at ways in which the parcel where the building is constructed, can be titled to the Government, leased to a private party for no less than the ground lease structure, 65 years, where the building would be leased for 20-year terms. The occupancy lease does not offer a purchase option, a bargain basement structure, which is of concern. One of the criteria in the scoring rules is satisfied by the building being leased on newly constructed with a life cycle of 40 years.

And then Step 4 would be really structuring the net present value or the minimum rents on a combined lease that is equivalent to about 65 percent of the fair market value. So you are below the threshold of the 90-percent rule, and the majority of the Government-leased properties is for general purpose office space. I think that is the case in both Federal Center South, as well as the FBI RFI.

Now, granted they have huge security requirements, but they, in fact, can be termed as general office use buildings.

GSA, by the way, in recent years, has seen reduction of space and is doing much more open space configuration of workspace, which is applicable both to Government tenant use as well as private sector use.

A sixth criteria to approach it is a strong private sector interest which is out there in Government lease properties, which underscores the reality that this can be construed as general office space, not special purpose Federal space.

So you are satisfying these criteria, in my judgment, being able to take a land exchange value to create savings to the Government, and ULI did a case study 2 years ago which I provided the committee that approach. It looked at both Federal construction; it looked at leased construction; and it looked at leased construction on Federal land. It involved private sector people, public sector people, and basically looking at about 2 million square feet of space.

There was actually a savings because of the ability to have a ground lease and accrued credit to the lease which eliminates essentially that issue of bargain basement pricing or gift at the end.

So these models are out there. There are lawyers that can construct it as well as tax experts. There is interest in the private sector to do these, and I would just stress that, as the Administrator said, ULI has a strong District Council here in Washington. We would be happy to work with the committee or get CBO, OMB and GSA obviously involved.

But there are ways that it can be done. They have been proven to be done, and they can satisfy scoring rules and create value for the taxpayer.

In the case of the case study we did for a 2 million-square-foot building, it showed a consolidation lease savings of around \$50 million, which was huge. So, you know, I would be happy to share that with you if you have not seen that case study.

Mr. BARLETTA. The bottom line is do you think this can work for the FBI and allow for consideration of the FBI from consolidation from 3 billion to 2 million square feet? Because I think that is where the savings comes from.

Mr. WINSTEAD. Well, it has been quite a few years since I was looking at their lease structure, and I would not be privy to it anyway, but I do believe there are savings. Clearly the Federal Government in exchange of value of a building like the Hoover Building, that there are savings that can be accrued because of the new construction cost of a new building, generic in many ways in workspace and obviously greener. So it is going to have savings in terms of the functions of the building and cost of maintaining it every year.

So there is interest. I do not know what the interest is or the level of it, but there is clearly interest that has been expressed to GSA. Again, if you can take an administration that is very focused on this and ensure that both the real estate agency and the OMB people are working in unison, which they seem to be, I think it is a real opportunity and the market is ripe.

Interest rates are historically low. I remember in 1995 when I used to have to go to the legislature in Maryland as Secretary of Transportation, talking about the construction of transportation facilities out of our transportation fund versus the ability to do it under public-private. In those days you could not sell it from a public policy standpoint because interest rates were 7 percent. So they go, "Well, why would you do that if you can take the money out of the transportation authority, put tolls on it, and pay for it through the authority?"

That is not the case now. I mean, it is a very ripe market with a lot of interest.

Mr. BARLETTA. Thank you.

One last question. Mr. Tangherlini, you mentioned a little earlier an historic review for the Hoover Building. Are you suggesting there is an historic review pending or a problem?

Mr. TANGHERLINI. I am not. I am just saying that that is one of our obligations, is to go through the full NEPA process and all of the other processes, many established by statute, that ensure that we are very, very careful and thoughtful before we dispose of some-

thing that the American people paid for and made investments in over time.

And so to some extent that is going to be one of our challenges as a public entity, is that we are always going to have to be a little more thoughtful, a little more careful, and as a result a little more slow than the private sector because we have this higher bar of responsibility.

Mr. BARLETTA. Great. I just wanted to clear that up.

Mr. TANGHERLINI. OK.

Mr. BARLETTA. If there are no further questions?

Mr. CARSON. One more question for Administrator Tangherlini.

What is the best way to fund the maintenance of the GSA real estate portfolio? And what has been the impact of Congress not fully appropriating the rent that GSA receives from other Federal agencies that are housed in GSA-owned space?

Mr. TANGHERLINI. It is a great question, and I appreciate your asking it because oftentimes you hear conversations about how we want Government to operate more like a business, and there are a few places actually in Government where we operate more like a business than, frankly, in the Public Building Service and the Federal Buildings Fund of the United States General Services Administration.

By law, the Congress had the wisdom to suggest that we need to collect market-based rents, rents that we determine using valuation, market-based evaluations of what the rents are in the marketplace. We charge that to the agencies. That is deposited back into the Federal Buildings Fund so that we can then reinvest it in the buildings. We pay our rent. We reinvest it in the buildings.

The problem is for the last 4 years as part of the issues we have had generally with appropriations, we have never received the full appropriation in the amount of money we have collected as rent from those Federal agencies. So we have not been able to reinvest it in the buildings.

We received a sizable amount of money in the Recovery Act, but we have actually over time not received as much back in rent as we got in the Recovery Act. So at this point we are no longer making the kind of major repair and alteration, even in some cases minor repair and alteration, never mind longer term capital investment in the assets that we have.

Mr. CARSON. Thank you.

Thank you, Mr. Chairman.

Mr. BARLETTA. I would like to thank all of you for your testimony today. Your comments have been helpful in today's discussion.

If there are no further questions, I would ask unanimous consent that the record of today's hearing remain open until such time as witnesses have provided answers to any questions that may be submitted to them in writing, and unanimous consent that the record remain open for 15 days for any additional comments and information submitted by Members or witnesses to be included in the record of today's hearing.

Without objection, so ordered.

I would like to again thank our witnesses for their testimony today. If no other Members have anything to add, the subcommittee stands adjourned.

[Whereupon, at 11:37 a.m., the subcommittee was adjourned.]

**Statement of Congressman Jeff Denham
Before the
Subcommittee on Economic Development, Public Buildings and
Emergency Management**



**Hearing: Federal Triangle South: Redeveloping Underutilized
Federal Property Through Public Private Partnership
November 19, 2013**

- Chairman Barletta, Ranking Member Carson, thank you for allowing me to testify here today.
- First I'd like to commend Chairman Barletta and his efforts as Chairman of this subcommittee.
- Specifically the work in authoring the Public Buildings Savings and Reform Act of 2013 in a bipartisan manner.
- Your leadership on this issue is needed in a time of increasing national debt and government inefficiency.
- Given our trillion dollar deficit and skyrocketing debt we must examine every area of government and look for ways to cut spending.

- I'd also like to thank Chairman Shuster for working with me on this issue to ensure that it receives the proper oversight and attention.
- Since taking the helm of this Committee, Chairman Shuster has worked to create bipartisan solutions to our nation's problem, which is fitting for the topic we have here before us today.
- Reducing the nation's debt is truly a bipartisan issue.
- I'm here today to talk about a bill I authored and continue to work on with the assistance of you Chairman Barletta, and Chairman Shuster who has also been a strong voice in cutting government waste.
- H.R. 695, the Civilian Property Realignment Act would create a non-partisan professional commission to root out waste and inefficiencies in the way we manage our public buildings.
- The principles of this bill are the driving forces behind the effort to redevelop the Federal Triangle and serve as a model for how we manage property nationwide.

- I first proposed a civilian BRAC commission at this subcommittee's first hearing in February 2011 and the President proposed a commission in his 2012 budget.
- In recent years, the GAO identified billions of dollars of waste through mismanagement, over building, and an over reliance on costly leased space to meet long term housing needs.
- And on a bipartisan basis this committee has struggled to house federal employees in the most cost-effective manner possible. Though I'm proud to say that due to the actions of this subcommittee, GSA leasing prospectuses are becoming much more efficient and saving taxpayer dollars.
- I believe the potential to save billions of dollars is real.
- I am very pleased the president made federal real estate a national priority by including it in his state of the union address in 2011 and his official budget submission to Congress.
- Additionally both houses of Congress have included the idea in their annual budget documents.
- To be successful, the commission will need to:

1. Consolidate the footprint of federal real estate;
 2. House more federal employees in less overall space;
 3. Reduce our reliance on costly leased space;
 4. Sell or redevelop high value assets that are underutilized or too valuable for housing federal employees; and
 5. Dispose of surplus property more quickly.
- I believe a commission that uses these 5 principles to guide its decisions can save upwards of \$15 billion.
 - We must have a solution that incorporates all five principles.
 - For example, if all the commission achieves is a fire sale of worthless properties in one of the worst real estate markets in our lifetime, then we shouldn't expect to save a lot of money.
 - Simply dumping vacant properties on to the market is not a long term solution.
 - What CPRA is designed to do is reshape the way this country manages the federal real estate footprint.
 - Fortunately, the administration recognizes this same problem.

- At the end of the day, the total cost to house the federal government is directly proportional to how much real estate we hold. To save money we will have to consolidate that footprint.
- To consolidate, we must house more federal employees in less space. Fortunately there are tremendous opportunities for savings in this area.
- For example, GSA is working to reconfigure its headquarters building to triple the number of employees working there from 2000 to 6000. Allowing GSA to vacate 2 buildings – one of which is leased – and house everyone in their renovated headquarters.
- The private sector has been increasing its utilization rates for over a decade and a commission can achieve the same results in the federal government.
- Reducing expensive leased space is another principle necessary for a successful commission.
- For example, the federal government spent well over a billion dollars to lease space for the Department of Transportation's headquarters. Yet the government could have purchased several

buildings for this amount and housed thousands of employees for much less money.

- Perhaps one of the greatest areas for taxpayer savings will be in the redevelopment or sale of high value but underutilized properties.
- For instance, the Postal Service used a private developer to transform a rundown money pit – with a great location – into \$150 million in revenue and a fully renovated building without any taxpayer money.
- While the government retained ownership of this property, in other cases selling may generate the greatest savings for the taxpayer.
- There are high value properties all across the country that are being used inefficiently and often times have large amounts of vacant space.
- Maximizing value is what CPRA seeks to achieve.
- Though, we do have to dispose of our surplus property more quickly. What we are talking about is not simply disposing of properties, but unlocking value and maximizing the return on government investment.

- I believe these guiding principles should help inform the development of any legislative solution.
- I thank the Committee and I look forward to working with you on these issues going forward.



U.S. General Services
Administration

Dan Tangherlini
Administrator

Committee on Transportation & Infrastructure
Subcommittee on Economic Development, Public Buildings, and
Emergency Management

"Federal Triangle South: Redeveloping Underutilized Federal Property
through Public Private Partnerships
November 19, 2013

Introduction

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

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

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

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

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

Savings at GSA

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

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

New Tools

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

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

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

Federal Triangle South

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

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

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

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

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

Conclusion

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

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

Questions Submitted by Subcommittee Chair Barletta

- 1. GSA has proposed using its exchange authority in a number of cases. However, GSA has a number of exchange authorities, each of which has its own requirements and limitations. Which exchange authority is GSA intending to use for the FBI headquarters and potentially for Federal Triangle South?**

The exchange authority that GSA seeks to use is dependent on the type of exchange transaction that is contemplated. For the FBI headquarters consolidation, the relevant authorities include 40 U.S.C. 3304, and 40 U.S.C. 581(c), which allow GSA to exchange Government real estate for private real estate, or interests in real estate. The strategy that is ultimately selected through the competitive solicitation process will dictate which of these authorities will be used.

For the Federal Triangle South project, GSA is contemplating using the exchange authority under section 412 of the Consolidated Appropriations Act of 2005, Pub. L. No. 108-447, 118 Stat. 2809, 3259 (2004), which authorizes GSA to exchange real property for in-kind consideration, including the performance of construction services on other property owned by GSA.

- 2. Please provide, in writing, to the Committee an official legal analysis on GSA's exchange authority and on what basis GSA believes it can enter into an exchange for services, namely to construct a new facility, without an approved prospectus or approval through the appropriations process?**

GSA has express authority to acquire real property and interests therein, including by purchase, condemnation, donation, exchange, or otherwise (see, for example, 40 U.S.C. §§ 581(c), 3304 and 3305). These authorities were supplemented by section 412 of the GSA General Provisions, Consolidated Appropriations Act, 2005, Public Law 108-447, 118 Stat. 2809, 3259 (Dec. 8, 2004). Exchanges are primarily like-kind transactions and are primarily not cash transactions. The Administrator submits a prospectus to Congress when the agency is seeking an appropriation for certain types of activities. In the case of an exchange, since appropriated funds are not being sought, there is no requirement to submit a prospectus. Notwithstanding the foregoing, it remains GSA policy to keep its oversight committees fully informed regarding potential real property exchange transactions.

- 3. Please provide the Committee the following: the annual rent collected by the FBF for each of the past fiscal years from 2000-2013, the requested amount of the FBF in the President's budget for each of those years, and the amounts actually enacted for the FBF each of those fiscal years.**

Fiscal Year	Rent Collected ¹	President's Budget	Appropriated
2000	\$5,437,487,000	\$5,345,100,000	\$5,256,416,000
2001	\$5,661,144,000	\$6,256,026,000	\$5,914,334,000
2002	\$6,058,204,000	\$6,384,291,000	\$6,376,782,000
2003	\$6,038,933,000	\$6,885,375,000	\$6,926,348,000
2004	\$6,913,785,000	\$6,579,937,000	\$6,771,877,000
2005	\$7,000,394,000	\$7,173,724,000	\$7,217,043,000
2006	\$7,245,882,000	\$7,768,795,000	\$7,827,745,000
2007	\$7,482,425,000	\$8,046,666,000	\$7,555,088,000
2008	\$7,866,920,000	\$8,090,918,000	\$8,012,414,000
2009	\$8,111,963,000	\$8,377,573,000	\$8,427,771,000
2010	\$8,456,793,000	\$8,530,685,000	\$8,543,585,000
2011	\$8,835,855,000	\$9,153,663,000	\$7,597,540,000
2012	\$9,098,355,000	\$9,508,511,000	\$8,017,967,000
2013	\$9,491,883,000	\$8,619,098,000	\$8,017,967,000

4. Please provide the square footage or acreage, value, description of type of property, release date of request for proposal, date of legal change of ownership, and the legal authority (provide US citation) used to conduct the real property for real property exchanges completed.

Please see the enclosed fact sheet entitled *Exchange Projects Information_Jan2014*.

5. How many of personnel involved with the eight real property for real property exchanges mentioned above are involved in the five real property for real property exchanges that GSA is currently conducting in CA, DC, FL, and MD?

GSA is exploring the viability of exchanges in many of these locations, but is only currently conducting exchanges in DC. Personnel from the Office of General Counsel, Office of Real Property Utilization & Disposal, Office of Design & Construction, and Office of Portfolio Management that have been involved in prior real property exchanges have been and will continue to be consulted and included in the planning and transaction process.

6. How much in direct and indirect costs has GSA incurred to date as a result of the five real property for real property exchanges that GSA is currently conducting in CA, DC, FL, and MD?

GSA is exploring the viability of exchanges in many of these locations, but is only currently conducting exchanges in DC. As of January 2014, for the FBI Headquarters project in the District of Columbia, \$832,000 of FBI and GSA funds have been obligated

¹ Note that the FBF collects some additional receipts beyond rent.

for procurement support. This obligation covers the work from the review of the responses to the Request for Information (issued in December 2012) through the negotiations with owners of any acceptable sites submitted in response to the Request for Expressions of Interest (issued in November 2013).

FTS has had investments of \$375,000 in direct costs in support of environmental review and survey work.

None of the other projects in the locations listed have incurred direct costs as a result of a real property exchange, although GSA may consider seeking outside expertise or advisory services in the future, should GSA determine that doing so would be in the Government's best interest.

Indirect costs associated with analyzing the viability of real property exchanges in the named locations are limited to employee labor. GSA does not track its labor costs in a manner enabling the agency to assign a specific amount of indirect costs to these locations.

- 7. The five real property for real property exchanges that GSA is currently conducting are in four different regions. While each property is unique, the policies and procedures that GSA uses to initiate, monitor, value, and review projects should be uniform in order to provide a consistent level of customer service. Please provide copies of these policies and procedures.**

Enclosed please see GSA's memo "Guidance for Real Property Exchanges of Non-Excess Property", dated April 8, 1997. This guidance outlines the procedures and minimum documentation requirements for real property exchanges authorized under various provisions in title 40 of the United States Code. GSA is in the process of finalizing guidance specific to exchanges of property for services under Section 412 of the Consolidated Appropriations Act of 2005, Pub. L. No. 108-447, 118 Stat. 2809, 3259 (2004) that it expects to issue in early 2014.

- 8. Will the five real property for real property exchanges that GSA is currently conducting result in tenant agencies paying less rent than they currently do?**

GSA is not currently conducting real property exchanges, but has explored, or is currently exploring, the viability of doing so. If GSA does pursue a real property exchange in any of the five locations, any changes in rent for tenant agencies will be dependent on several factors, including the specific transaction structure, the quality and location of where the tenant agency is currently housed, the quality and location of where the tenant agency is relocated to, and the amount of space the tenant agency occupies.

Questions Submitted by Delegate Eleanor Holmes Norton

- 1. Does the GSA plan to move forward with a solicitation for FTS that will take advantage of the opportunity to develop CSX's air rights when they expand the capacity of its rail line that runs along VA Avenue?**

In the Federal Triangle South area, GSA intends to solicit proposals that would exchange the Cotton Annex and GSA's Regional Office Building for construction services that would allow GSA to continue consolidation efforts at 1800 F Street NW and for DHS to continue their consolidation efforts at St Elizabeths. While the development of CSX's air rights are not part of GSA's initiative, GSA's proposed action would result in two significant properties in the Maryland Avenue SW corridor being developed by a private entity(ies). This development could support and facilitate infrastructure improvements in this corridor, including the possible construction of Maryland Avenue above the CSX rail line.

- 2. When will the CSX construction project expected to start in FTS?**

CSX will determine the schedule for this work. GSA understands that CSX is currently in the process of improving vertical clearance for its tracks at numerous locations along the east coast. In the Federal Triangle South area, CSX is expected to lower its tracks within its right-of-way to achieve enhanced vertical clearance below the existing roadway overpasses.

Questions Submitted by Ranking Member Andre Carson

- 1. Please describe the condition and capital repair needs of the Ft Lauderdale, FL Federal Courthouse. Please describe how GSA would be able to use its existing authorities to replace or repair the Ft Lauderdale CH, including but not limited to public-private partnerships, exchange or federal appropriations.**

The Fort Lauderdale Federal Building and U.S. Courthouse has had two consecutive years of widespread water intrusion due to a combination of factors including:

- inadequate storm water capacity of the facility;
- deteriorated waterproofing in various sections of the terrace concrete;
- failure of various expansion joints;
- deteriorated waterproofing membrane in terrace planters; and
- potential capacity issues with the local storm water infrastructure during significant rain events.

In June 2013, GSA awarded a contract to address the majority of the water intrusion related issues at the building. The key statement of work elements incorporated into this project include mold abatement, moisture intrusion, and repairs to the roof coverings, floor coverings, and wall finishes. The project will also address any environmental

remediation and restoration of interior finishes as needed. The total project cost is expected to be \$2.45 million.

Additionally, GSA is planning a complete roof replacement project for this building in Fiscal Year 2014 with an estimated cost of \$2.1 million. Beyond that, nearly \$8.6 million in capital repairs are still required to fully eliminate all building deficiencies including the electrical service distribution, exterior windows, pedestrian walkway paving, and rainwater drainage systems.

Through existing authorities available to the Administrator, GSA can repair the facility by requesting Federal appropriations from Congress. Depending on the scope and cost of repairs, a prospectus submittal may be required. GSA also can pursue appropriations for new Courthouse construction. We do so in consultation with the Five-Year Courthouse Project Plan established by the Administrative Office of the U.S. Courts; this priority list does not currently include Fort Lauderdale. Existing authorities could also enable the Administrator to explore exchanging the courthouse for construction of a new courthouse, an existing property that could be altered to meet the needs of the Judiciary, or an existing property that already meets the Judiciary's needs, although GSA does not believe that the value of the current facility would allow for such an exchange. Some have proposed a renovation through a lease, or construction of a new Courthouse through a lease. While GSA has leasing authority, the Federal Government is subject to scoring rules agreed upon by the Congressional Budget Office, the Office of Management and Budget and the Budget Committees that would likely require acquiring the full upfront budget authority for the term of the lease prior to executing such a transaction. Additionally, long term leasing is a more costly solution than direct Federal construction.

Exchange Projects Information
(Response to Barletta Question 4)

1. Charlotte, NC
 - a. Authority - 40 U.S.C. 3305
 - b. Brief Exchange Description – The City of Charlotte agreed to exchange City owned land containing approximately 3.273 acres located at North Davidson St. and East Trade St. in Charlotte, NC, for the Charles R. Jonas Federal Building located at 401 West Trade St. Charlotte, NC. Upon conveyance of the Federal Building to the City, the Government retained occupancy of the Federal Building by lease agreement with the City until construction of the new Federal Courthouse was complete.
 - c. Approximate value of the asset GSA exchanged (to include land and/or cash): \$10.8M
 - d. Approximate value of the asset GSA acquired (to include land and/or cash): \$10.8M
 - e. Approximate date of closing (title transfer): December 2004
 - f. Request for Proposal Issued (RFP) - No
2. Atlanta, GA
 - a. Authority - 40 USC 602, 604, 605, as amended (recodified as 40 U.S.C. 3304, 3305)
 - b. Brief Exchange Description - GSA entered into an exchange agreement with Emory University/Crawford Long Hospital. GSA had an aging, underutilized parking garage that was in close in proximity to Emory facilities. Emory had purchased land close to GSA facilities and built a new garage. The Government exchanged its 1.53-acre parcel with an existing garage for Crawford Long's 0.92-acre parcel with a newly constructed garage that was closer to GSA's facilities, compliant with the Americans with Disabilities Act, and had direct access to MARTA public transportation.
 - c. Approximate value of the asset GSA exchanged (to include land and/or cash): \$6.6M
 - d. Approximate value of the asset GSA acquired (to include land and/or cash): \$6.6M
 - e. Approximate date of closing (title transfer): December 13, 2001
 - f. RFP Issued - No
3. Rockford, IL
 - a. Authority - 40 USC 3304(b)
 - b. Brief Exchange Description - Exchanged existing U.S. Courthouse (211 South Court St., Rockford, IL) for a 1.133 acre portion of the new Rockford Courthouse site. Exchange occurred between the City of Rockford and GSA. Subsequently, the City of Rockford sold the old Courthouse to the County of Winnebago.
 - c. Approximate value of the asset GSA exchanged (to include land and/or cash): \$2M
 - d. Approximate value of the asset GSA acquired (to include land and/or cash): \$2M
 - e. Approximate date of closing (title transfer): July 2009
 - f. RFP Issued - No
4. Cedar Rapids, IA
 - a. Authority - 40 U.S.C. §3305

**Exchange Projects Information
(Response to Barletta Question 4)**

- b. Brief Exchange Description - GSA acquired a 3-acre site from the City of Cedar Rapids by exchange for a Government owned property, the U.S. Federal Building and Courthouse (FB-CT). GSA constructed a new 254,328 gross square foot U.S. Courthouse.
 - c. Approximate value of the asset GSA exchanged (to include land and/or cash): \$1.150M
 - d. Approximate value of the asset GSA acquired (include land and/or cash): \$1.165M
 - e. Approximate date of closing (title transfer): November 2002
 - f. RFP Issued - No
5. Brownsville, TX
- a. Authority - cited in year 2000 as 40 U.S.C. 605(a) (recodified as 40 U.S.C. 3305(a))
 - b. Brief Exchange Description - The old Federal Courthouse building and site (approximately 4 acres) was exchanged for the site for the new Federal Courthouse (approximately 3.817 acres).
 - c. Approximate value of the asset GSA exchanged (to include land and/or cash): \$1.5M
 - d. Approximate value of the asset GSA acquired (to include land and/or cash): \$1.5M
 - e. Approximate date of closing (title transfer): 1996
 - f. RFP Issued - No
6. Austin, TX
- a. Authority - cited in year 2000 as 40 U.S.C. 605(a) and 40 U.S.C. 345c (recodified as 40 U.S.C. 3305 and 40 U.S.C. 1304)
 - b. Brief Exchange Description - This exchange with the Texas Department of Transportation enabled highway realignments for the State. GSA received two tracts of land (approximately 1.49 acres and 2.356 acres) for a parking lot (approximately 2.356 acres) that benefited the U.S. Internal Revenue Service facility.
 - c. Approximate value of the asset GSA exchanged (to include land and/or cash): \$600K
 - d. Approximate value of the asset GSA acquired (to include land and/or cash): \$600K
 - e. Approximate date of closing (title transfer): 1996
 - f. RFP Issued - No
7. San Antonio, TX
- a. Authority - cited in year 2012 as 40 U.S.C. 581(c)(1)
 - b. Brief Exchange Description - HEB constructed a parking garage on a federally-owned site to support the parking needs of the Garcia Federal Courthouse in exchange for the Government's depot site (approximately 3.5 acres).
 - c. Approximate value of the asset GSA exchanged (to include land and/or cash): \$4.1M
 - d. Approximate value of the asset GSA acquired (to include land and/or cash): \$5.6M
 - e. Approximate date of closing (title transfer): November 2012
 - f. RFP Issued - No
8. Tulsa, OK
- a. Authority - cited in year 2005 as 40 U.S.C. 3304
 - b. Brief Exchange Description - The City of Tulsa received land (approximately .96 acres) used as a Federal parking lot. In exchange, GSA received a site (approximately .96

Exchange Projects Information
(Response to Barletta Question 4)

- acres) across the street from the U.S. Courthouse that was used as a commercial surface parking lot.
- c. Approximate value of the asset GSA exchanged (to include land and/or cash): \$630K
 - d. Approximate value of the asset GSA acquired (to include land and/or cash): \$630K
 - e. Approximate date of closing (title transfer): 2005
 - f. RFP Issued - No

APR 8 1997

LR

MEMORANDUM FOR ASSISTANT REGIONAL ADMINISTRATORS
FOR PUBLIC BUILDINGS SERVICE

FROM:  ROBERT A. PECK *1st Deputy Commissioner*
COMMISSIONER (P)

Subject: Guidance for Real Property Exchanges of Non-Excess Property

This memorandum transmits guidance for exchanges of real property, as authorized under the Public Buildings Act of 1959 (40 U.S.C. 602, 604, 605) and Sub-section 210(a)(12) of the Federal Property and Administrative Services Act of 1949 (40 U.S.C. 490)(1949 Act). It does not cover exchanges for the disposal of surplus real property under Sub-section 203(c) of the 1949 Act (40 U.S.C. 484(c)).

The General Services Administration (GSA) has a long-standing agreement to notify the House Committee on Government Reform and Oversight and the Senate Committee on Governmental Affairs for all exchange actions. We also notify the House Committee on Transportation and Infrastructure and the Senate Committee on Environment and Public Works for exchanges completed under the Public Buildings Act of 1959. Because exchanges for non-excess property require GSA to respond rapidly to available opportunities, we will establish a streamlined notification process to provide these congressional committees with the necessary information, without curtailing GSA's response to market opportunities.

However, while we are striving to make this process more efficient, it is essential to ensure that exchanges provide the best value to the Federal Government. Therefore, all proposed exchanges need a completed analysis with documented evidence supporting the business decision.

Attached are the procedures for completing these exchanges and minimum documentation requirements.

If you have any questions, please call  on 
extension .

Attachments

cc: Regional Administrators
Regional Portfolio Managers

Doc 1 - p 1

cc: Official file, Reading file, P, PT, PTI, PFMX, PR, LR
PTI:CDenbow:501-1507:adc:2/12/97:H:\alpha\aster\exchins2.doc

PTI _____ PT _____ LR _____ PR _____

I. Procedures

1. Regional staff should notify National Office Portfolio Management as soon as potential exchanges are identified. This is because the National Office often receives general congressional inquiries regarding these actions.
2. Regional staff should establish a file containing each of the documents referenced in section III, plus any other documents that may be pertinent to the exchange.
3. Each of the documents should be prepared or assembled by the region before any exchange agreement is executed or any property is exchanged and before submitting a proposed exchange to the National Office for approval.
4. Summary information, including the Findings and Determinations, Fact Sheet and request for approval should be submitted by the Regional Portfolio Manager to Regional Counsel for review, then forwarded to the Regional Administrator for signature.
5. The Regional Administrator then transmits the package to the National Office Portfolio Manager for review, coordination with appropriate congressional committees, and forwarding through the Commissioner to the Administrator for final approval.
6. National Office Portfolio Management will be responsible for reviewing all summaries, coordinating with the Office of General Counsel, notifying the appropriate congressional committees, and obtaining the approval of the Administrator. Note: All exchanges must be approved by the Administrator before any binding commitments are made on behalf of GSA.

II. Regional Submission to the National Office

1. Request for Administrator's Approval: A memorandum from the Regional Administrator requesting the Administrator's approval to complete the exchange should include the information listed below:

- Findings and Determinations. This document contains references to the specific statutory exchange authority being used. It should be issued by the Regional Portfolio Manager, reviewed by Regional Counsel, and include the concurrence of the Regional Administrator. This document, depending on the authority used, should fully explain why the exchange is in the best interest of GSA and the Federal Government, or should readily demonstrate why it is the most advantageous to the United States, all factors considered. It should also contain a clear statement as to the purpose of the exchange. The Findings and Determinations should also contain a short summary of the items described below.
- Issues. Any pertinent issues should be addressed including, any known or potential environmental issues, use restrictions, local community or political interest or opposition, or the property's status as an historic property.

- Prospectus. If applicable, a statement that the exchange is incident to completing a fully authorized, fully funded prospectus project. This statement should include the dates that prospectuses were authorized by congressional committee resolution.
- Entities. A description of the parties involved in the exchange.
- Property Description. A brief narrative description of the properties involved.
- Estimate of valuation. This should include the values of the property involved in the exchange and an explanation of the basis for valuation; for instance whether the valuation is based on fair market value, value in use, or some other basis.
- Cost estimates. This should be a complete list of all costs to the Federal Government to consummate the exchange.
- Benefits. A full description of benefits, both tangible and intangible, to each party in the exchange, including a description of any cost avoidance resulting from the exchange.

2. Fact Sheet [REDACTED] The National Office will forward this document with a cover memo to the appropriate congressional committees. Whenever possible, this fact sheet should be a one page summary of the information included in the Findings and Determinations. It should include all major items listed above, including the legal exchange authority being used.

3. For disposal acquisitions made under Sub-section 203(c) of the Federal Property and Administrative Services Act of 1949, Regions should follow guidance in the Federal Property Management Regulations and the Office of Real Property and Disposal's Excess and Surplus Real Property Advisory (PRM P 4000.1B).

III. Regional Documentation Requirements (to be made available to the National Office upon request)

1. Description of properties involved. A full legal description of all properties in the exchange agreement, as well as a brief narrative description of the properties and a short summary of their current and historical uses. This should also include the properties' street addresses and locations.
2. Assessment of valuation. A third party appraisal should be completed for all properties involved and, if possible, the same appraiser should be used for all properties in the exchange agreement. However, there may be instances where a staff appraisal will be sufficient. There may also be rare instances where an appraisal is unnecessary. Examples include where other valuations of market value are readily available and reliable, or where an appraisal was recently completed. The National Office must be notified, in advance, when and why a third party appraisal will not be used.

3. Copy of the Proposed Exchange Agreement. A copy of the Exchange Agreement must include evidence of the authority for the signatories to sign for their respective organizations. All Exchange Agreements must also contain appropriate exculpatory language and notices that the exchange is conditioned upon the Administrator's approval and upon the fulfillment of all conditions precedent. Examples of the types of issues that might cause the Government to cancel a proposed exchange and, thus, might be addressed in the Exchange Agreement include:

- Environmental remediation;
- Material change in either properties' condition which might occur before the exchange is consummated;
- Change in the status of the properties as historic properties or districts;
- Federal statutory directives disapproving the exchange; or
- Changes in the properties' status as a result of local laws or requirements.

4. Cost and Benefit Analysis. This should be a complete list of all costs required to consummate the exchange including:

- Appraisals;
- Site cleanup;
- Legal fees or taxes assumed by the Government;
- Title insurance; and
- Environmental assessment, etc.

This analysis will also include a description of benefits, both tangible and intangible, to each party in the exchange. The analysis should demonstrate that the exchange is in the best interest of the Government or why it is the most advantageous to the United States, all factors considered. This document should be marked as proprietary and shall not be released prior to the exchange unless approved by the Regional Counsel.

5. Miscellaneous Documents. The Regional Exchange File shall also include evidence of compliance with all applicable laws and regulations. Examples include: environmental assessment/impact; historic preservation; title reports; relocation issues and a summary of any remedial actions required. The file should also include any other documents the Region believes to be appropriate, including statements or correspondence of congressional or local political interest or opposition, etc.

The Honorable Daniel Burton
Chairman, Committee on Government
Reform and Oversight
House of Representatives
Washington, DC 20515

-- DRAFT

Dear Mr. Chairman,

The General Services Administration plans to enter into a real property exchange agreement under authorities previously granted to the Administrator. Attached is a fact sheet outlining the general terms of the agreement, including the benefits of completing the exchange.

If you have any questions, or require additional information, please have a member of your staff contact [REDACTED] Assistant Commissioner for Portfolio Management, on [REDACTED]

Sincerely,

Robert A. Peck
Commissioner

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**Written Testimony
National Capital Planning Commission**

**Subcommittee on Economic Development,
Public Buildings, and Emergency Management on
“Federal Triangle South: Redeveloping Underutilized Federal Property
through Public Private Partnerships.”**

November 19, 2013

The National Capital Planning Commission (NCPC) is the federal government’s planning agency in the District of Columbia and surrounding counties in Maryland and Virginia. The Commission provides overall planning guidance for federal land and buildings in the region. It also reviews the design of federal projects, oversees long-range planning for future development and monitors capital investment by federal agencies.

As the nation’s capital and seat of the federal government, Washington, DC has unique needs. NCPC’s planning work seeks to protect our symbolic and cultural heritage, ensure that there is room for future generations to locate new memorials and museums and host national events, and ensure that federal facilities meet agency needs and provide safe, efficient and attractive workplaces.

NCPC believes that the SW Ecodistrict Initiative is a roadmap to meet these goals, and a great example of the ability of partnerships to achieve greater results. We are very excited that the General Services Administration (GSA) an important partner in this process, is using the Ecodistrict Plan to inform this important project.

The SW Ecodistrict Initiative stems from earlier NCPC studies to identify opportunities to modernize and reconnect several federal precincts around the National Mall. Perhaps the greatest opportunity is the area defined by the SW Ecodistrict. It includes 110 acres of federal and private

land bounded by Independence Avenue, Maine Avenue, 4th Street and 12th Street. GSA's Federal Triangle South Initiative comprises the northern 35 acres.

Today, the area is defined by superblocks with predominantly single use federal office buildings at least 40 years old. A labyrinth of building entrances, streets, freeway ramps and stairs are the result of a tangled network of elevated viaducts crossing active rail and roadways. An expansive yet poorly defined public realm offers few pedestrian amenities, and makes walking difficult, uninviting, and generally unpleasant. The size and design of the buildings, related infrastructure, and inferior public realm contribute to the inefficient use of land and resources.

Now, several efforts underway are creating a once in a lifetime opportunity for transformation. Consistent with the Administration's "Freeze the Footprint" policy, the federal government is reexamining its property to create more efficient workplaces for a modern federal workforce, dispose of unneeded property and reduce its operating costs. Upgrades to the National Mall and a private multi-billion dollar waterfront development project bracket the area, and sponsors are considering this area for future museum and memorial projects. Southwest Washington is on the cusp of change and now is the time to leverage this momentum.

In 2010, NCPC, in close coordination with GSA, the National Park Service, the Commission of Fine Arts, and the District of Columbia created a remarkable partnership of 17 federal and local agencies to develop the SW Ecodistrict Initiative. This process included in-depth consultation with residents, private sector businesses, property owners and service providers to fully explore opportunities to synchronize projects, leverage resources, and develop mutually beneficial partnerships. Together, we examined how federal assets and natural resources can be used most efficiently and contribute to the economic vitality and environmental health of the city. Through this partnership and detailed technical work, we have built a compelling case to revitalize this federal precinct in the heart of the nation's capital.

The SW Ecodistrict plan recommends how to best accommodate future federal office space needs while creating a new vibrant mixed-use neighborhood with exciting cultural destinations, places to lives, and multiple transportation choices. In doing so the federal government can:

- Reduce its operating and maintenance expenses;

- Reduce its ongoing lease expenses; and
- Generate new tax revenue for the District of Columbia.

The plan also demonstrates that area-wide approaches can produce efficient, cost-saving and sustainable results that far exceed what could be achieved when looking at individual buildings alone. The results include the following:

Development Results

- Retains and improves efficiency of 8 million sq. ft. of federal office space and adds an additional 1 million sq. ft. of private office space to accommodate an additional 25,000 employees in the area.
- Creates 1.8 million sq. ft. of residential and hotel space for up to 1,200 residences and 600 hotel rooms that will accommodate 1,500 new residents and a total of 246,000 visitors per year.
- Establishes 4 to 5 sites for up to 1.2 million sq. ft of cultural development.
- Accommodates at least 100,000 sq. ft. of community-service retail.
- Reconnects the street grid.
- Expands the rail corridor and the L'Enfant Station to increase commuter transit capacity.
- Establishes a prominent connection between the National Mall and the southwest waterfront.

Environmental Results

- Manages all of the area's stormwater and significantly reduces potable water use, reducing costs as stormwater fees and impervious surface charges increase substantially over the next 10 years.
- Reduces the area's greenhouse gas emissions by 51%.
- Increases the amount of waste diverted from the landfill to 80%
- Transforms the federally-central utility plant into a highly efficient and financially successful energy model.
- Contributes to cleaner rivers and improved water quality.

High-level analyses show that the benefits to the federal government and taxpayer, the District of Columbia and private developers exceed costs, creating a win-win situation for all stakeholders.

The challenge however is its scale and complexity. Implementation can only be achieved through collaborative action by both the public and private sector, which can endure over time and provide more flexibility.

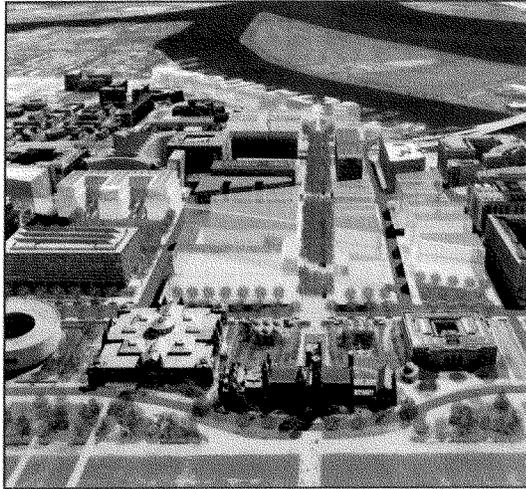
The SW Ecodistrict Vision Plan identifies several opportunities, which we recognize will be challenging given the current fiscal environment. These opportunities include:

- Implementing an area-wide stormwater management system to address escalating fees.
- Modernizing and expanding GSA's central utility plant to more (non-federal) subscribers for greater operating efficiency;
- Public realm improvements through partnerships with organizations such as the newly forming Southwest Business Improvement District; and
- Redeveloping and rehabilitating federal property to meet the needs of GSA and its' client agencies while contributing to the greater area.

The Federal Triangle South Initiative is unprecedented in scale and is critical to realize the SW Ecodistrict's potential. It has the potential to transform the area south of the National Mall into a vibrant new place to work and live and become the physical connection between the monumental core of the nation's capital and what has become a very vibrant and wonderful city. The federal government has the opportunity to reduce its expenses by being more efficient and thinking beyond the individual building scale.



SW Ecodistrict



The **SW Ecodistrict Initiative** is a comprehensive and forward-looking approach to urban sustainability and livability. It will transform the Maryland Avenue and 10th Street area into a highly sustainable mixed-use community. In addition to accommodating the future space needs of the federal government, the SW Ecodistrict will extend the civic qualities of the National Mall to the waterfront. It will also create new places to live, develop new cultural destinations, and promote a vibrant, walkable neighborhood.

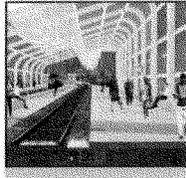
Southwest Washington is on the cusp of change. The federal government is reexamining its property to meet aggressive sustainability targets, create more efficient workplaces for a modern federal workforce, and reduce its operating costs. Upgrades to the National Mall and a multi-billion dollar waterfront development project bracket the area, and sponsors are considering this area for future museum and memorial projects.

The SW Ecodistrict in 2030



A revitalized neighborhood & cultural destination

Federal agencies will continue to call the area home, and will be joined by a balance of residential, commercial, and cultural uses. Workers, residents, and visitors alike will be drawn to the area's new museums, beautiful parks, and retail amenities both day and night.



A well-connected neighborhood

A continuous network of sidewalks, bicycle lanes, and complete streets will improve walkability and connections between the National Mall and the waterfront. An expanded intermodal center will enhance transit service.



A high performance environmental showcase

As buildings are rehabilitated or redeveloped, the Ecodistrict will become more efficient, using less energy and water, diverting waste from the landfill, conserving resources, and capturing all stormwater for reuse. This approach will lower carbon emissions and provide opportunities for people to reconnect with nature.



A successful economic partnership

A partnership between the federal government, the District, property owners, tenants, and residents will provide the coordination, advocacy, financing, and management necessary to achieve the SW Ecodistrict goals.

Project Benefits

Leveraging public and private investment will maximize benefits and provide a template for reuse of federal properties. These investments will ensure that federal operations and missions are maintained while offering private sector land and development opportunities.



Environmental Results

A combination of district and building scale strategies will create a high-performance environmental showcase.

- Energy**
 Lower green house gas emissions by **51%** while moving toward a zero-net energy district as measured in carbon.
- Water**
 Reduce potable water consumption by **70%** and improve stormwater management.
- Waste**
 Recycle **75%** of construction material as buildings are rehabilitated and divert **80%** of the everyday waste sent to the landfill.
- Green Infrastructure**
 Cover **40%** of the Ecodistrict with tree canopy, and make at least **35%** of the surface area pervious (absorbs stormwater).

Focus Areas: A Revitalized Neigh

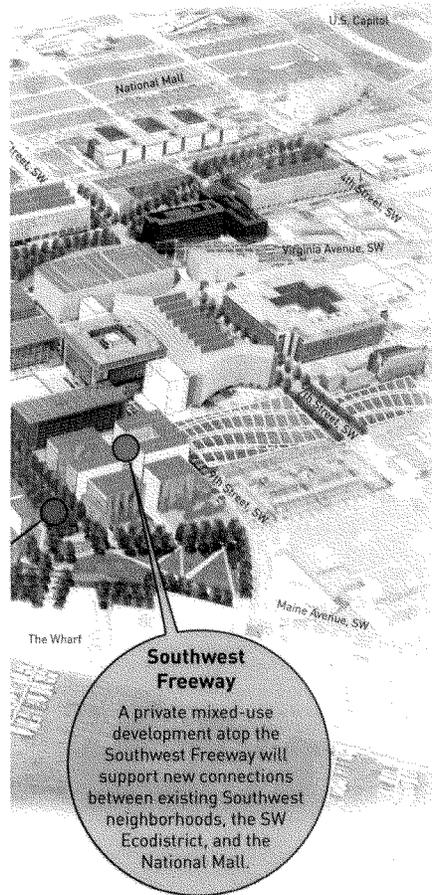
Four focus areas are used to organize recomm issues to incrementally realize the plan; collective short- and long-term execution of projects, addit and new governing initiatives. These will be carried

- Independence Quarter**
 A mixed-use community anchored by a national museum and a new headquarters for the U.S. Department of Energy.
- Maryland Avenue**
 An urban boulevard centered on a signature park and an expanded L'Enfant Station intermodal center.
- 10th Street and Banneker Park**
 An inviting civic corridor connecting the National Mall and Smithsonian Museums to the southwest waterfront, anchored by an improved Banneker Park, a nationally significant cultural destination.

Labels in the image include: Southwest Freeway and Washington Channel.

Neighborhood and Cultural Destination

endations. Individually, improvements will address important
 sly, they will be transformative. Implementing the plan requires
 ional planning and real estate analyses, developing new policy,
 d out by project partners over the 20-year life cycle of the project.



Neighborhood Development Results

A mix of uses and neighborhood amenities, including new cultural destinations, residences and offices, will foster community vitality.



Civic Realm

- ❖ Establish an **inviting connection** between the National Mall and the waterfront.
- ❖ Create **14.3 acres** of new or improved parks and plazas for up to **5** memorial sites.
- ❖ Develop **1.2 million** square feet for up to **5** museums.



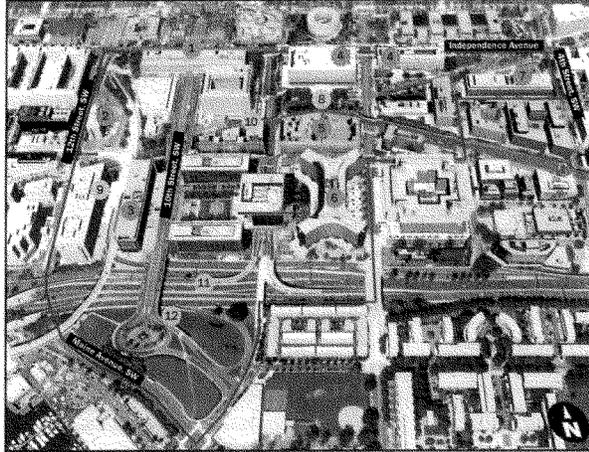
Land Use

- ❖ Improve **7.9 million** square feet of existing federal office space, accommodating **19,000** additional employees.
- ❖ Accommodate at least **100,000** square feet of convenience retail development.
- ❖ Create **1.8 million** square feet of residential or hotel development and **1 million** square feet of private or federal office space.



Mobility

- ❖ **Improve access** to and between all transportation modes by reconnecting the street grid for pedestrians, cyclists and vehicles.
- ❖ **Expand** the rail corridor and the L'Enfant Station to increase commuter transit capacity in the region.



Study Area Boundary

The 15-block study area in Southwest Washington, DC is bound by Independence Avenue to the north, Maine Avenue to the south, 12th Street to the west, and 4th Street to the east. This area comprises approximately 110 acres and includes private and publicly owned land.

Building Sites

- 1 U.S. Department of Energy
- 2 Cotton Annex
- 3 U.S. Postal Service
- 4 Federal Aviation Administration
- 5 General Services Administration
- 6 U.S. Department of Housing and Urban Development
- 7 U.S. Department of Education

Other Sites

- 8 Reservation 113
- 9 12th Street Tunnel
- 10 Rail Line/Maryland Avenue
- 11 Southwest Freeway
- 12 Banneker Park

Learn about the plan
<http://ncpc.gov/swecodistrict>

To be notified of upcoming community meetings:
swecodistrict@ncpc.gov or call 202.482.7200

Next Steps

Stormwater Infrastructure Study (Summer 2013)

Interim 10th Street Design/Banneker Park Connection (Summer 2013)

Partners

Led by the National Capital Planning Commission, in coordination with the District Office of Planning, the Initiative is guided by the SW Ecodistrict Task Force, comprised of 17 federal and local agencies. The Task Force first convened in spring 2010, and worked together to analyze and develop recommendations for the area. NCPC had primary responsibility for oversight of the project and ZGF Architects, LLP served as the principal consultant.

National Capital Planning Commission | District of Columbia Office of Planning | District of Columbia Deputy Mayor for Planning and Economic Development | District Department of the Environment | District Department of Transportation | Federal Aviation Administration | National Park Service | Smithsonian Institution | U.S. Commission of Fine Arts | U.S. Congress, Architect of the Capitol | U.S. Department of Agriculture | U.S. Department of Education | U.S. Department of Energy | U.S. Environmental Protection Agency | U.S. Department of Housing and Urban Development | U.S. General Services Administration | U.S. Postal Service

Opening Statement of David L. Winstead before the U.S. House of Representatives' Subcommittee on Economic Development, Public Buildings and Emergency Management

Tuesday, November 19, 2013

Mr. Chairmen, Members of the House Subcommittee on Economic Development, Public Buildings and Emergency Management, I am extremely pleased to be with you today to discuss the subject of alternative financing and innovative public-private strategies in federal real property delivery.

I have been asked to comment from the perspective of the work of the Public Development and Infrastructure Council (PDIC) of the Urban Land Institute, which was started during 2007 when I was Commissioner of Public Buildings at GSA. The role of this Council is quite unique in the ULI organization, which is a non-profit professional real estate association, in that its substantive programs and case studies are focused from the perspective of the public sector real estate executive.

Since its formation, ULI's PDIC Council has developed white papers on the "Framework for Policy Development and Analysis of Public-Private Real Estate Ventures," as well as a series of case studies of completed and hypothetical projects, which can be accessed via ULI's web-site. I have provided to the Committee copies of some of these policy documents and case studies.

Members of the PDIC have experience in public sector real estate matters, and share the interests which GSA and this Subcommittee have in maintaining the inventory of federal buildings, realize savings for more efficient and energy saving workplaces, leverage private sector efficiencies in rentable space, delivery and financing, while living within current federal budget constraints.

The historically low interest rate environment, combined with tight capital budgets are causing federal agencies to seek alternative ways to use and develop federal lands and manage space needs. Over the past few years, GSA has recognized this opportunity and issued two RFIs which seek real estate community interests to redevelop a cluster of Federal Triangle South buildings in Southwest Washington near L'Enfant Plaza, as well as solicit ideas concerning the exchange of the existing FBI headquarters property on Pennsylvania Avenue for a new headquarters which will address FBI's lease consolidation needs. These projects will be considered by GSA under its existing authorities, as well as Section 412 of P.L. 108 provided as a part of the Consolidated Appropriations Act of 2005 which allows for exchange,

sale and leaseback arrangements. In addition, many GSA modernization projects have been advanced utilizing ESCO (energy savings) contracts which leverage low interest rates to advance needed energy upgrades and renovation of federal buildings.

At the request of several of its members, ULI's PDIC Council has reviewed a number of case studies, which have focused on strategies that (1.) utilizes a private entity to secure the financing and development of office facilities and related uses, on (2.) existing federally-own land, or achieving federal land ownership through purchase, donation or land exchange, utilizing (3.) a ground lease model (30-65 years) which allows for a GSA lease which is properly scored by OMB as an operating lease, where (4.) ownership of the asset remains with the lessor during the term of the lease. There are a number of projects which ULI has considered utilizing this strategy, and copies of these case studies have been provided to the Subcommittee.

In addition, the PDIC Council has received presentations on other successful projects which utilize a ground lease/operating lease structure, such as the Veterans Benefits Office Regional Office (VARO) in Atlanta, Georgia; DOE's Argonne National Laboratory in Argonne, Illinois, as well as the DOT Headquarters in Washington, which was accomplished through special authorization from Congress. Several of the Council members have shared their experiences with successful DOD projects through the military housing program and Ford Island redevelopment. A number of enhanced-use leasing projects have been highlighted, to include Brooke Army Medical Center and Walter Reed, and the VA Medical Center in Houston, Texas. Several sale/lease-back projects such as the Oak Ridge National Laboratory in Tennessee and Camp Pendleton in California have been examined. In addition, utilizing historic preservation leasing authorities, GSA's Monaco Hotel in Washington was redeveloped, as well as Fort Hancock's Gateway National Recreation project and the VA Medical Center in Danville, Illinois.

As GSA, and this Subcommittee, continues to work on the alternative financing and project delivery options, we hope that the work of the ULI's Public Development and Infrastructure Council can be of assistance. Thank you for this opportunity to participated today, and I would be pleased to answer any questions that you may have.

David L. Winstead, Esq.
At-Large Chair, ULI's Public Development and Infrastructure Council
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