

**FEDERAL TRADE COMMISSION AND GENERAL
SERVICES ADMINISTRATION THWART COST
SAVING CONSOLIDATION**

HEARING

BEFORE THE
SUBCOMMITTEE ON GOVERNMENT OPERATIONS
OF THE
COMMITTEE ON OVERSIGHT
AND GOVERNMENT REFORM
HOUSE OF REPRESENTATIVES
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**FEDERAL TRADE COMMISSION AND GENERAL
SERVICES ADMINISTRATION THWART COST
SAVING CONSOLIDATION**

Tuesday, December 3, 2013

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON GOVERNMENT OPERATIONS,
COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM,
Washington, D.C.

The Subcommittee met, pursuant to notice, at 10:08 a.m., at Constitution Center, 400 7th Street, S.W., Washington, D.C. 20001, Hon. John Mica [chairman of the subcommittee] presiding.

Present: Representatives Mica, Meadows; and Connolly.

Staff Present: Will L. Boyington, Press Assistant; Ashley H. Callen, Deputy Chief Counsel for Investigations; and Sharon Casey, Senior Assistant Clerk.

Mr. MICA. Good morning. I would like to call this hearing of the Subcommittee on Government Operations of the Committee on Oversight and Government Reform to order. Pleased that I could have our distinguished ranking member, Mr. Connolly, from Virginia, Mr. Meadows, our colleague from the State of North Carolina, join us on the dais today. And we have several witnesses that—for a subcommittee hearing, which is entitled Federal Trade Commission and General Services Administration thwarting some cost-saving consolidation. We will review that matter in today's hearing.

The purpose of our oversight hearings is to—just generally, Mr. Issa always opens with his statement—accountable of taxpayer dollars. And, certainly, I think this hearing will show that we are attempting to do the best job possible with those limited dollars, tight budgetary constraints, and that the people have a right to know how their money is spent, and expect a proper reform, us being good stewards of their hard-earned taxpayer dollars.

I am going—the order of business is we will have opening statements from Members. Then we will hear from the witnesses. And then we will have questions. If anyone has any lengthy statements to put in the record—I have to welcome—I will ask the witnesses to limit their testimony to five minutes, try to move the hearing along as quickly as possible.

Let me first start by giving a little bit of history. We are gathered today—and I will call this the Constitution Building—in the Constitution Building. And this is going to be the site of about two-thirds of the operations of the Federal Trade Commission. Some years ago, the Federal Trade Commission came to the Committee

on Transportation, which has jurisdiction over GSA, and asked—requested additional square footage. They were looking at expanding the two locations that they had outside of the current FTC building.

The old FTC building, which was built in the 1930s, is not too far from here on Constitution. It is also referred to as the Apex Building. It contains about 300,000 square feet, approximately. About half of it is used, because it is a 1930 building. The outside is quite beautiful and classic; the inside is 70 years-plus old, and very poor utilization, as even evaluated by GSA.

When they came and asked for additional space, again, they had the Apex Building, their headquarters building. They rented two other locations. And in those locations, one behind Union Station—sometimes referred to, I guess, as NOMA—they had a 217,000 square-foot rental building, and the lease is expired on that. In addition, they had another location, where they had additional space. So they had three locations, but were asking for additional space.

When it came before the committee, the Transportation Committee, we examined it. We said that we ought to look at consolidating it all into one operation. There was also interest by the National Gallery of Art, which is directly across the street from the FTC building, to take that building and utilize it as, actually, the National Gallery North.

Have we got a copy of that report? Do we have copies of that report? And on the front page, people can look at this. You see the FTC building, which is triangular. The West Wing of the National Gallery, and the East Wing. And this is a plan that the National Gallery of Art came up with, to actually make this the North Wing of the National Gallery. It would be connected by a tunnel over to the West Wing, as we now have with the East Wing. The National Gallery of Art rents about 60,000 square feet, has need for about 150,000 square feet in the future.

So, there aren't too many places that they can go to acquire that space. The space in the old FTC headquarters building is inadequate, outdated. They actually offered to raise private funds to renovate the building, and we estimate those funds would be worth approximately \$140 million to renovate that space, more or less. And they came up with this plan, which is incredible, as far as utilization.

Unfortunately, the General Services Administration went forward and is in the process of leasing 203,000 square feet of space in the building that we are in right now. This building has an interesting history. And there was about a million square feet leased, and that lease fell through—actually, the courts upheld the lease, and the Federal Government was obligated to pay for space here for, I believe, a 10-year period. So, they started leasing some of that, GSA did.

Of the space that we have in this particular building—let me see here—we have—FTC is currently looking at leasing 203,000 square feet. According to the report that we have here from GSA, there is a total of—let's see here—I think a total need of about 380,000 square feet that are needed. We will get the exact figures as we go forward with this.

But, in any event, what they are doing is proposing to bring in two smaller agencies. One they—and the National Endowment for Humanities, National Endowment for the Arts, and occupy the balance, most of the balance, of that space that is available, rather than bringing in the FTC headquarters, which would allow substantial consolidation of space, and a dramatic savings for the taxpayers. And we will go over some of those figures as we get a little bit more into detail.

There will be substantial savings in consolidation. And the Data Center, they run a shuttle—is there a little picture of the shuttle? Does somebody have that? Between the three buildings that they currently have. This is the FTC shuttle. So, things like this will be eliminated if all this operation was consolidated into one area.

Now, everyone who has walked in this building has seen it as a—probably one of the nicest facilities in Washington, D.C. I brought a few slides. Not all the Members or staff have been through the old FTC building, the Apex Building. Can we show some of those slides? This is actually the current buildings. Again, the old FTC building and current headquarters leased, and also leased space—this is—these two are what they are consolidating on the right into this facility. And we have the FTC building—again, the old one—with about—it is actually about 150,000 square feet that they occupy at this time.

Let's go to some of the interior. This is—you see the building you are in. We would like to consolidate them all. This is what it looks like in some areas of the old 1930s FTC building. Here is old phone booths. Look at the hallways. Look at the radiator complex. The building—this is part of the electrical system in the old building. It is almost embarrassing that the Federal Government would house employees, federal employees, in a building of this age and in this condition. Are there any other slides?

[No response.]

Mr. MICA. So, again, this is a—the building we are in—203,000 square feet they are consolidating two of those operations into. What I want to discuss today is the possibility of finishing the consolidation, bringing all the FTC into a modern complex that would adequately house their staff, their operations, and be a very proud facility for an important function of government.

Mr. MICA. So, those are some opening comments. We will go over this a little bit more. I want to open an opportunity to the ranking member for some introductory opening comments. Mr. Connolly?

Mr. CONNOLLY. Thank you, Mr. Chairman, and thank you so much for holding today's hearing. The Federal Trade Commission's historic Apex Building and the National Gallery of Art's West and East Buildings, together, form an iconic streetscape at the end of the Federal Triangle. Today we consider proposals to transfer the FTC headquarters building to the NGA.

I am new to this issue, compared to yourself. And key agency stakeholders have been working on this matter for six years. I am interested in hearing from all sides this morning on the potential savings, potential cost, and operational impacts associated with the proposed transfer of the Apex Building from the FTC to the NGA.

You, Mr. Chairman, have been an avowed supporter of the arts, which I very much appreciate. And you have sought to expand the

National Gallery into the Apex Building to enable the museum to grow and expand its offering to the American public, while consolidating leases and cutting costs.

I also understand that the FTC and the U.S. General Services Administration believe that the transfer would not be advisable with respect to operational and financial considerations, in addition to historical considerations related to the fact that the late President Franklin Delano Roosevelt actually built the celebrated Apex Building in 1938 specifically to serve as the home of then-newly-established FTC.

I want to thank our witnesses for participating at the hearing this morning, and look forward to examining the issues. I also want to thank the Constitution Center for hosting this hearing. This is a beautiful facility, as you indicate, Mr. Chairman. And I look forward to getting educated on both the pros and cons of the proposed move.

Mr. MICA. Thank you, Mr. Connolly. I recognize Mr. Meadows from North Carolina.

Mr. MEADOWS. Thank you, Mr. Chairman. I appreciate both of you being here to testify. And, as the chairman has already pointed out, obviously, this Subcommittee looks at how we can be efficient and how we can make sure the taxpayer dollars are well invested.

Today, as we look at this consolidation, what I am looking for from each one of you is a compelling reason on why we should spend the extra money. Just to be frank, is there a compelling reason why we should be spending \$150 million more of taxpayer dollars, from either a strategic standpoint or a functional standpoint?

We all know that these are difficult times, from a financial standpoint. There is pressure on salaries. And yet, if we have a way to save money, which it appears that this is, I am looking for why we should be consolidating. I also served on—with the chairman on the Transportation and Infrastructure, subcommittees there. This is near and dear to my heart when it comes to—I know real estate. I have had a career in real estate.

And so, I understand there are subtle differences from time to time on why you would make a decision or not make a decision in terms of long-term strategic planning. But, quite frankly, I am looking to—as our ranking member, Mr. Connolly, said, hearing from both sides of the story. And then let's try to make the best decision on behalf of the American taxpayers.

And I yield back to the chairman.

Mr. MICA. Thank the gentleman, and we will—

Mr. CONNOLLY. Mr. Chair?

Mr. MICA. Yes?

Mr. CONNOLLY. I just want to say to my friend from North Carolina I have long been considered an honorary member of T&I.

Mr. MICA. Well, we appreciate your service, Mr. Ranking Member, and we will make you an ex officio member. As the former chair, welcome to the T&I.

[Laughter.]

Mr. MICA. Our next order of business will be to hear from our two witnesses. We have Mr. David Robbins, Executive Director at the Federal Trade Commission. Then we have Mr. Chris Wisner. He is the General Services Administration Public Building Service

Assistant Commissioner for Leasing. I appreciate both of you appearing before us. This is an investigative oversight committee. We do swear in our witnesses. So, if you would stand, raise your right hand.

[Witnesses sworn.]

Mr. MICA. Okay, and the record will reflect that both of the witnesses answered in the affirmative.

So, with that, we will start with Mr. David Robbins, Executive Director of the Federal Trade Commission. Recognize him.

**STATEMENT OF DAVID ROBBINS, EXECUTIVE DIRECTOR,
FEDERAL TRADE COMMISSION**

Mr. ROBBINS. Chairman Mica, Ranking Member Connolly, Representative Meadows, thank you for having us today. My name, as you said, is David Robbins, and I am the Executive Director of the Federal Trade Commission.

This Committee today is looking at the consolidation of Constitution Center of the FTC buildings that we currently are renting at New Jersey Avenue and M Street. The FTC has been working very closely with the General Services Administration to secure and build out space at Constitution Center, this wonderful facility, as you have said. The Commission believes that the new space is properly configured to sustain its mission in a cost-effective manner, consistent with space utilization regulations and the Administration's initiative to make more efficient use of the government's real estate, known as Freeze the Footprint.

FTC is primarily a law enforcement agency with broad jurisdiction over major sectors of the economy. Among its missions, the FTC reviews proposed mergers, investigates and pursues those engaging in unfair methods of competition and unfair or deceptive acts or practices, and returns money to injured consumers when possible.

The FTC also educates consumers and businesses on how best to protect themselves, advances policy through research and advocacy and public workshops, and works with foreign counterparts to harmonize competition and consumer protection law across the globe. I think it is also fair to say we take very seriously our responsibility to be good stewards of the taxpayer dollars, as well.

The space at the Constitution Center will house staff of the Bureau of Competition, the Bureau of Consumer Protection, the Hart-Scott-Rodino pre-merger notification filing office, the records and filings office, the inspector general's office, and other support functions. We are an agency consisting primarily of lawyers and economists who, in the course of our work, often meet with outside parties, frequently work in teams and with experts, and handle large amounts of documents and data consisting of highly confidential business and personal information. We work collaboratively, and often under deadline. The Constitution Center space will meet these particularized needs of the agency, while at the same time reducing its space utilization rates.

The FTC's space at Constitution Center has been designed to accommodate 905 FTC occupants. FTC staff moving to Constitution Center will have significantly smaller offices and less overall space than they have now. The agency is using an aggressive space utili-

zation rate of 119 square feet per employee. And, by way of comparison, in the two currently-leased spaces, the utilization rate is approximately 167 square feet. There will also be a net savings in rent, once we consolidate those two facilities into Constitution Center, not an increase in costs.

The Commission is aware of the interest of having all FTC's employees housed in Constitution Center, so that the FTC headquarters building can be given to the National Gallery. As both GSA and the FTC have explained, however, that is neither physically nor financially feasible. The only current occupied space—unoccupied space in Constitution Center is the southwest quadrant. As it stands, FTC will occupy a substantial portion of this quadrant to accommodate the employees from its two currently-leased satellite facilities.

As I understand it, NEA and NEH are also due to occupy a portion of this quadrant in late winter. Even if these agencies, though, were forced to give up their offices to the FTC, there simply is not enough space in the southwest quadrant to house all of FTC's operations in Constitution Center.

GSA is determined that the FTC requires a minimum of 446,054 square feet for its entire space needs in D.C. The entire southwest quadrant totals only 358,537 square feet. Even if, though, all FTC's D.C. operations could be fit into the southwest quadrant of Constitution Center, their cost to the American taxpayer would be prohibitive. GSA has calculated that over 30 years it would cost nearly \$172 million more to house all of the FTC in the leased space.

Additionally, significant costs would be incurred to move FTC staff from the headquarters building to such a space. GSA has estimated over \$50 million, and we believe it would be in excess of that.

Moreover, while not having a direct impact on the FTC, there are additional costs to taxpayers of giving away the FTC's headquarters building, including the loss of its estimated fair market value, which is roughly \$92 million, and the loss of \$6 million that the FTC pays into the Federal Building Fund each year.

The FTC's headquarters building is in good condition, notwithstanding those pictures, and needs no significant renovations, repair, or maintenance, and is expected to meet our needs for some years to come.

Finally, at this time construction of the space here in the Constitution Center is more than 40 percent complete, and changing our plans would have quite substantial impact.

In closing, I just want to reiterate the FTC's commitment to the Freeze the Footprint initiative, while meeting our mission-driven needs. We will continue to work with Congress, GSA, and the Office of Management and Budget to complete construction of the Constitution Center space in a manner that maintains FTC's effectiveness and efficiency. I would be happy to answer any questions you might have.

[Prepared statement of David Robbins follows:]

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**PREPARED STATEMENT OF
THE FEDERAL TRADE COMMISSION**

On

**THE CONSOLIDATION AND SPACE UTILIZATION RATES AT THE
CONSTITUTION CENTER**

**Before the Committee on Oversight and Government Reform
Subcommittee on Government Operations**

**Constitution Center
Washington, D.C.
December 3, 2013**

Chairman Mica, Ranking Member Connolly, and distinguished members of the Subcommittee, I am David Robbins, the Executive Director of the Federal Trade Commission (“Commission” or “FTC”).¹ Thank you for the opportunity to discuss the consolidation at the Constitution Center of the FTC staff currently housed in its two leased Washington D.C. satellite facilities, located at 601 New Jersey Avenue and 1800 M Street, and the space utilization rates that will be achieved at the Constitution Center.

The FTC has been working very closely with the General Services Administration (“GSA”) to secure and build-out space at Constitution Center. The Commission believes that the new space is properly configured to sustain its mission in a cost effective manner, consistent with space utilization regulations and the Administration’s initiative to make more efficient use of the government’s real estate assets (known as “Freeze the Footprint”).

The FTC is primarily a law enforcement agency with broad jurisdiction over major sectors of the economy. Among its missions, the FTC reviews proposed mergers; investigates and pursues those engaging in unfair methods of competition and unfair or deceptive acts or practices; and returns money to injured consumers when possible. The FTC also educates consumers and businesses on how best to protect themselves; advances policy through research, advocacy, and public workshops; and works with foreign counterparts to harmonize competition and consumer protection law across the globe.

The space at the Constitution Center will house the staff of the Bureau of Competition and the Bureau of Consumer Protection, the Hart- Scott- Rodino Pre-merger Notification Filing Office, the Records and Filings Office, the Inspector General’s Office, and other support functions. We are an agency consisting primarily of lawyers and economists who, in the course of our work, often meet with outside parties, frequently work in teams and with experts, and handle large amounts of documents and data consisting of highly confidential business and personal information. We work collaboratively, and often under deadline. The Constitution Center space will meet these particularized needs of the agency, while at the same time reducing its space utilization rate.

Today, there are no formal government standards for space utilization. Nor do federal regulations mandate space requirements based on pay grade or maximum area per person. Rather, recognizing that one size does not fit all, federal regulations provide:

Executive agencies must provide a quality workplace environment that supports program operations, preserves the value of real property assets, meets the needs of the occupant agencies, and provides child care and physical fitness facilities in the workplace when adequately justified. An executive agency must promote

¹ While the views expressed in this statement represent the views of the Commission, my oral presentation and responses to questions are my own and do not necessarily reflect the views of the Commission or any individual Commissioner.

maximum utilization of federal workspace, consistent with mission requirements, to maximize its value to the government.²

The housing plan approved by GSA for the FTC at the Constitution Center is fully consistent with these regulations.

The FTC's space at Constitution Center has been designed to accommodate 905 FTC occupants. FTC staff moving to Constitution Center will have significantly smaller offices and less overall space than they have now. The agency is using an aggressive space utilization rate of 119 square feet (sf) per employee. There are four types of "office space" at the FTC's new Constitution Center location. A very limited number (17) are 150 sf offices for Senior Executive Service ("SES") managers who lead large divisions of lawyers. All GS 11-15 employees, including mid-level managers, will be housed in offices of 110 sf. GS 1-10s, International SAFEWEB fellows and interns, student volunteers and interns, experts, contractors, and staff visiting from other FTC offices will occupy either 64 or 48 sf workstations or hoteling stations. By way of comparison, in the two currently leased satellite facilities, the average size of an office is 270 sf for SES and other senior managers; 196 sf for mid-level managers; 150 sf for GS 12-15s; and 80 sf for workstations for all others. The Constitution Center space will also include deposition rooms, litigation "war rooms," teaming rooms, conference rooms of various sizes, and other special purpose spaces in which our federal and non-federal personnel can carry out the work of the agency.

The Commission is aware of the interest in having all of FTC's employees housed at the Constitution Center so that the FTC Headquarters Building can be given to the National Gallery. As both GSA and the FTC have explained, however, this is neither physically nor financially feasible. The only currently unoccupied space in the Constitution Center is the southwest (SW) quadrant. As it stands, the FTC will occupy a substantial portion of the SW quadrant to accommodate its employees from its two currently leased satellite facilities. The National Endowment for the Arts (NEA) and the National Endowment for the Humanities (NEH) also are due to occupy portions of this quadrant in late winter. Even if these agencies were forced to give up their offices to the FTC, there simply is not enough space in the SW quadrant to house all of the FTC's operations in Constitution Center. GSA has determined that the FTC requires a minimum of 446,054 sf for its entire space needs in D.C.; the entire SW quadrant totals only 358,537 sf.

Even if all of the FTC's D.C. operations could be fit in the SW quadrant of Constitution Center, the costs to the American taxpayer would be prohibitive. GSA has calculated that over 30 years it would cost nearly \$172 million more to house all of the FTC in leased space such as Constitution Center than it will cost if, as planned, the FTC's headquarters staff remains in its federally owned building. These additional costs would have to be absorbed by the FTC budget, and, given the current funding environment, these costs would most likely be at the expense of pursuing the agency's mission to protect competitive markets and consumers.

² 41 CFR 102-79.10.

Additionally, significant cost would be incurred to move FTC staff out of its headquarters building and into leased space. GSA has estimated that cost to be at least \$50 million. At Constitution Center, specifically, the Commission would have to alter the construction of the space to accommodate all of the FTC's personnel, as well as mission-critical functions not considered in consolidation of satellite space. For example, the Commission's main data center and the FTC Administrative Law Judge Courtroom – currently housed at the FTC's headquarters building – were not replicated in the build-out of the Constitution Center.

Moreover, while not having a direct impact on the FTC, there are additional costs to taxpayers of giving away the FTC's headquarters building. If the GSA-owned headquarters building is given to the National Gallery of Art ("NGA"), rather than sold, the government will lose the fair market value of this building, estimated at \$92,800,000. Furthermore, going forward, the federal government would lose the \$6 million that the FTC pays annually into the Federal Building Fund (FBF) in rent and would still be responsible for the costs of the operation, administration, and maintenance of the headquarters building, per the NGA's charter.

The FTC's historic headquarters building was designed and built for the FTC in 1938. The building is in good condition and needs no significant renovation, repair, or maintenance. In particular, the 76-year old building has up-to-date electrical, plumbing, and HVAC systems, which are in excellent working order. The GSA has listed no major projects on its five-year maintenance and renovation schedule for the FTC building. It is expected to meet the needs of the FTC for years to come.

Finally, at this time, construction of the space in the SW quadrant is well under way – at least 40% completed. Substantial investments have been made in planning and executing the build out. These plans and investments include, among other things, special orders and purchases of walls and furniture, specialized construction, and increased electrical and HVAC infrastructure, telecommunications and data cabling and infrastructure, as well as dark fiber connectivity, and construction to meet fire exit requirements.

The original lease at 601 New Jersey Avenue expired in August 2012, and, since that time, the FTC has paid millions of dollars in increased rent for the space. To minimize further delay and expense, the Commission has worked diligently to ensure that the build out of the Constitution Center space is completed in time to allow Commission staff to move in and fully vacate the 601 New Jersey Avenue building before August 8, 2014, the expiration date of the extended lease.

In closing, I want to reiterate FTC's commitment to the "Freeze the Footprint" initiative, while meeting our mission-driven space needs. We will continue to work with Congress, GSA, and the Office of Management and Budget to complete construction of the Constitution Center space in a manner that maintains FTC's effectiveness and efficiency. I would be happy to answer any questions you may have.

Mr. MICA. Thank you.
We will recognize Mr. Wisner with GSA now.

**STATEMENT OF CHRIS WISNER, ASSISTANT COMMISSIONER,
OFFICE OF LEASING, PUBLIC BUILDINGS SERVICE, GEN-
ERAL SERVICES ADMINISTRATION**

Mr. WISNER. Good morning, Chairman Mica, Ranking Member Connolly, and members of the subcommittee. My name is Chris Wisner, and I am the Assistant Commissioner for Leasing at the GSA's Public Building Service. I appreciate being invited here today to discuss GSA's efforts to provide cost-effective and highly-efficient space for our partner federal agencies, and GSA's plan to ensure that the existing lease obligation we assumed on behalf of the SEC at Constitution Center is properly utilized.

As the PBS Assistant Commissioner for Leasing, I helped manage GSA's efforts to assume the balance of SEC's existing lease obligation at Constitution Center, and minimize the cost to the taxpayers in this location. Constitution Center is an example of our efforts to assist an agency that entered into an agreement using its independent leasing authority.

In 2010, the SEC, under its own authority, signed an agreement leasing—to lease approximately 900,000 square feet in this building. Shortly thereafter, the SEC indicated that this space was not needed. The Federal Housing Finance Agency and the Office of the Comptroller of Currency agreed to take on approximately two-thirds of the space.

In 2011, GSA reached an agreement with the SEC to assume control of and backfill the remaining 358,000 square feet in Constitution Center. Since that time, GSA has worked to identify potential backfill tenants and minimize the financial exposure to the government that would result from this space sitting vacant. GSA is taking advantage of the lease hold interest in Constitution Center to consolidate space for the Federal Trade Commission, the National Endowment for the Arts, and the National Endowment for the Humanities.

FTC will be moving from their two expiring lease locations at 601 New Jersey Avenue, N.W. and 1800 M Street, N.W., in Washington, D.C. GSA and FTC have used this opportunity to reduce FTC's footprint, improving FTC's utilization of office space from 167 square feet per person in the old leases to only 119 square feet in Constitution Center. The balance of this space will be used to provide needed housing for NEA and NEH, without—whose relocation is essential to GSA's agreement to redevelop the Old Post Office.

As you know, GSA recently reached an agreement to out-lease the Historic Old Post Office, securing an investment of \$200 million in private-sector funds in the restoration of the 114-year-old federal building. This investment will allow GSA 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.

The agreement is contingent on GSA's ability to vacate the existing federal tenants from the Old Post Office. Relocating NEA and NEH in a timely fashion is imperative to GSA's ability to implement the proposed redevelopment agreement for the Old Post Of-

office, and failure to deliver the unencumbered site will result in significant financial penalties for the government. Upon delivery of the Old Post Office to our private sector partner, we will receive a base rent of \$250,000 a month, escalating the consumer price index over the next 60-year lease.

The funds that GSA receives from the Old Post Office out-lease can be used to repair and upkeep of historic federal buildings across GSA's inventory, saving additional taxpayer dollars.

GSA's portion of the Constitution Center will have zero vacancy, once we complete construction of tenant improvements. Construction is underway for all tenants, and FTC space is approximately 40 percent complete. The NEA and NEH, as well as the FTC employees currently housed at 601 New Jersey Avenue and 1800 M Street are scheduled to move into this building in March of 2014.

At the direction of Chairman Mica and the House Committee on Transportation and Infrastructure, GSA examined alternatives for Constitution Center aimed at consolidating FTC's entire Washington area presence, including FTC headquarters functions currently housed in the historic Apex Building at 600 Pennsylvania Avenue, N.W.

Accommodating FTC's projected needs in Fiscal Year 2015, even under GSA's improved space utilization standards, would require 446,054 rentable square feet. Even at current, on-board staff levels, FTC would require more space than is available to GSA and Constitution Center. In addition to the space limitations, relocating the FTC employees currently housed in the Apex Building would increase moving costs by nearly \$50 million. At the same time, the 30-year net present value cost of moving FTC headquarters operations from federally-owned space into a lease would exceed \$70 million.

Given the size limitations and cost associated with a move, consolidating the FTC's entire Washington area presence into Constitution Center is not feasible.

Thank you for inviting me to appear before you today. Given GSA's expertise in leasing, we look forward to working to continue our dialogue on how to maximize utilization at Constitution Center and throughout GSA's inventory. I am pleased to take your questions.

[Prepared statement of Mr. Wisner follows:]



U.S. General Services
Administration

Chris Wisner
Assistant Commissioner
Office of Leasing
Public Buildings Service

Committee on Oversight & Government Reform
Subcommittee on Government Operations
GSA's Plan to Fully Utilize Constitution Center
December 3, 2013

Introduction

Good morning Chairman Mica, Ranking Member Connolly, and members of the Subcommittee. I am Chris Wisner, the Assistant Commissioner for Leasing at the General Services Administration's (GSA) Public Buildings Service.

I appreciate being invited here today to discuss GSA's efforts to provide cost-effective and highly efficient space for our partner Federal agencies, and GSA's plan to ensure that the existing lease obligation we assumed on behalf of the Securities & Exchange Commission (SEC) at Constitution Center is properly utilized.

Finding Cost-Effective Space for Agencies

GSA currently has an inventory of more than 375 million square feet of space, approximately half of which is distributed over nearly 9,000 leases across the country. We seek to provide space for our partner Federal agencies that assists them in achieving their missions while best serving the public interest.

GSA, as a part of this Administration's management agenda, prioritizes finding ways to maximize utilization of the existing federally owned inventory. By dramatically improving utilization of our current inventory, we have saved millions of dollars for our partner Federal agencies and for the American taxpayers.

When existing space is not available, GSA determines the best method to acquire new space, whether through new construction or leasing space from the private sector. GSA leases space for most agencies, including, but not limited to offices, laboratories, warehouses, and clinics. GSA uses a comprehensive, deliberative process that ensures full competition and fair rental rates for the taxpayers, while taking into account such public interests as proximity to central business districts or public transportation and the mission requirements of GSA's partners.

Since real property was identified as a high-risk area by GAO in 2003, GSA has worked closely with our partner Federal agencies to maximize the utilization of leased space. In our prospectus-level lease program in Fiscal Year 2013 alone, GSA and our partner agencies have proposed a nearly 10 percent reduction in square footage requirements, from a current requirement of 3.4 million square feet to proposing just 3.1 million square feet. Approximately 80 percent of GSA's leases are for smaller, short-term needs that require fewer than 20,000 square feet. Nationally, GSA's leased space vacancy is only 1.6 percent; this compares to a national average of 15.6 percent in the private sector.

How the Constitution Center entered GSA's inventory

Of course, GSA is not the only agency that leases space on behalf of the Federal Government. More than 25 agencies and commissions have their own statutory authority to hold land and acquire leasehold interests.

Constitution Center is an example of our efforts to assist an agency that entered into an agreement using its independent leasing authority. In 2010, the SEC, under its own authority, signed an agreement to lease approximately 900,000 square feet in this building. Shortly thereafter, the SEC indicated that this space was not needed, and the Federal Housing Finance Agency (FHFA) and the Office of the Comptroller of the Currency (OCC) agreed to take on approximately two-thirds of the space.

In 2011, GSA reached an agreement with SEC to assume control of and backfill the remaining 358,000 square feet under SEC's lease. Since that time, GSA has worked to identify potential backfill tenants and minimize the financial exposure to the Government that would result from this space sitting vacant.

GSA's plan for the Constitution Center

GSA is taking advantage of the leasehold interest in the Constitution Center to consolidate space for the Federal Trade Commission (FTC), the National Endowment for the Arts (NEA), and the National Endowment for the Humanities (NEH). FTC will be moving from two expiring lease locations at 601 New Jersey Avenue Northwest and 1800 M Street Northwest in Washington, D.C. GSA and FTC have used this opportunity to reduce FTC's footprint, improving FTC's utilization of office space from 167 square feet per person in the old leases to only 119 square feet in Constitution Center.

The balance of the space will be used to provide needed housing for the NEA and NEH. The move of NEA and NEH is part of GSA's agreement to redevelop the Old Post Office.

As you know, GSA recently reached an agreement to outlease the historic Old Post Office, securing the investment of \$200 million in private sector funds in the restoration of the 114-year old federal building. This significant investment will allow GSA 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.

This agreement is contingent on GSA's ability to vacate the existing Federal tenants from the Old Post Office. Relocating NEA and NEH from the Old Post Office in a timely fashion is imperative to GSA's ability to implement the proposed redevelopment agreement for the Old Post Office, and failure to deliver the unencumbered site will result in significant financial penalties for the Government.

Upon delivery of the Old Post Office to our private sector partner, we will receive a base rent of \$250,000 per month, escalating at the Consumer Price Index over the term of the 60-year lease. The funds that GSA receives from the Old Post Office outlease can be used for repair and upkeep of historic Federal buildings across GSA's inventory, saving additional taxpayer dollars.

GSA's portion of the Constitution Center will have zero vacancy once we complete construction of tenant improvements and FTC, NEA, and NEH move into their new space. Construction is underway for all tenants, and FTC's space is approximately 40 percent complete. The NEA and NEH, as well as the FTC employees currently housed at 601 New Jersey Avenue and 1800 M Street, are all scheduled to move into this building by March 2014.

Previous Considerations for Constitution Center

At the direction of Chairman Mica and the House Committee on Transportation and Infrastructure, GSA examined alternatives for Constitution Center aimed at consolidating FTC's entire Washington-area presence, including FTC Headquarters functions currently housed in the historic Apex Building at 600 Pennsylvania Avenue Northwest.

Accommodating FTC's projected needs in Fiscal Year 2015, even under the improved space utilization, would require 446,054 rentable square feet of space. Even at current, on-board staff levels, FTC would require more space than is available to GSA in Constitution Center. In addition to the space limitations, relocating the FTC employees currently housed in the Apex Building would increase moving costs by nearly \$50 million. At the same time, the 30-year net present value cost of moving FTC Headquarters operations from federally owned space into a lease would exceed \$170 million. Given the size limitations and costs associated with such a move, consolidating the FTC's entire Washington presence into Constitution Center is not feasible.

Conclusion

Thank you for inviting me to appear before you today. Given GSA's expertise in leasing, we look forward to continuing our dialogue on how to maximize utilization at Constitution Center and throughout GSA's inventory. I am pleased to take your questions.

Mr. MICA. Appreciate both of the witnesses, and we will turn right to questions.

All right, you are leasing 203,000 square feet here, right?

Mr. WISNER. As of July 2012 we leased 358,000 square feet, which we assumed from the SEC.

Mr. MICA. And in this space, in this—in Constitution you have 358,000 square feet, but you are going to occupy 203,000 square feet for the FTC?

Mr. WISNER. It is approximately 250,000 square feet for the FTC. That is the space that the FTC will be—

Mr. MICA. Okay. What we are told is 203,000 square feet.

Mr. WISNER. I can get—

Mr. MICA. Which would leave 150,000 square feet. We are pretty close.

In the slide that we had a few minutes ago, we had the Apex Building, where the headquarters is, 160,000 square feet. And if you rent 203,000 or more, that still leaves you with about 150,000, 140,000 square feet in this building. And that is what you intend to give to the—how much do you intend to give to the Humanities and to the Arts?

Mr. WISNER. Chairman Mica, the space for the NEA and NEH is about 100,000 square feet.

Mr. MICA. So, again, in talking to Mr. Moran and others, the appropriators, that he is not a very happy camper. First of all, it looks like it is being purposely done to put NEH and the Arts in here to occupy part of that space, and ignore consolidation of FTC.

I mean there is no reason why you cannot fit the balance of what is in the old building. In fact, in the old building you have things that would be—in this new building—and, again, two of the FTC operations—you have in this building a cafeteria, do you not?

Mr. WISNER. Yes, there is.

Mr. MICA. Do you have day care in this building?

Mr. WISNER. Yes, there will be an FTC day care center.

Mr. MICA. You would have—

Mr. WISNER. I apologize, sir. I was wrong. There is not an FTC day care center in this building. I was incorrect.

Mr. MICA. Oh, it would be at the other one?

Mr. WISNER. Yes.

Mr. MICA. Okay. But that could be consolidated. You have a whole list of activities here that could be consolidated. You cannot find, again, a consolidation of space that would be saved by putting all of FTC together.

The Data Center, obviously, could be consolidated. Could it not?

Mr. WISNER. I will have to defer to Mr. Robbins on the Data Center consolidation, but I don't believe they can—

Mr. MICA. Well, I can tell you. Mr. Connolly and I looked at the consolidation of the Data Centers. And they have two of them, and at great expense.

The biggest expense in moving is the moving of the Data Center. You have \$34 million in moving the Data Center from New Jersey and the other building. I guess most of it is in New Jersey. Is that the cost of moving it? How much is moving the Data Center? Staff, do you have that information? How much is moving the Data Center?

Mr. ROBBINS. So the overall IT cost, not only for the Data Center, but for also building out all of the networking in the building, as well as the AV and other kind of wireless facilities is going to roughly be \$20 million.

Mr. MICA. Okay. And that is from New Jersey and the other building?

Mr. ROBBINS. New Jersey and M Street.

Mr. MICA. Okay. And, again, if you had one consolidated data center, it would be cheaper to operate, probably less space required, and, again, the savings from consolidation.

You wouldn't see any savings from consolidations in that, Mr. Wisner?

Mr. WISNER. The cost to move out of the Apex Building would be—

Mr. MICA. Not the cost to move, the cost to operate. Is it going to be cost to move?

Mr. WISNER. The cost to replace the Apex Building with leased space would be about \$170 million over 30 years. So—

Mr. MICA. The cost of what?

Mr. WISNER. To replace the Apex Building. To—

Mr. MICA. I am not talking about replacing the Apex Building. I am talking about—right now, I am talking about consolidations, to put everything right in the building that we are in here that you are thwarting.

Again, we passed resolutions. This resolution was passed by the House committee of jurisdiction, which was the Transportation Committee. It was passed the 16th of February, 2011. And it cited, again, consolidation of these facilities. Is it GSA's policy just to ignore? Tell the Congress and the committee just to go jump in the Potomac River?

Mr. WISNER. No, sir.

Mr. MICA. Okay. Well, again, you have—

Mr. ROBBINS. If I may, Mr. Chairman, just one on the Data Center.

Mr. MICA. Well—you what?

Mr. ROBBINS. So one note on the Data Center. So the Data Center operations, or the technology operations we are consolidating here, are not our main data center functions. We are consolidating AT labs, our litigation support facilities, et cetera. It is not the same thing. And, as I understand it, there isn't sufficient space in this building, if we even wanted to move—

Mr. MICA. Okay.

Mr. ROBBINS.—our current Data Center here.

Mr. MICA. Okay. This—

Mr. ROBBINS. Respectfully, I am just trying to make sure you have the information.

Mr. MICA. You are leasing 203,389 square feet of usable space here. You have 655 employees you are putting into this building from both New Jersey and M Street. So that is an average of 310 square feet per person. That is an average. Okay. And you describe most of what you are doing is paperwork.

Mr. ROBBINS. So—

Mr. MICA. Attorneys. I don't see having industrial manufacturing, I don't see—

Mr. ROBBINS. You are right, we—

Mr. MICA.—space that are required—

Mr. ROBBINS. You are right. We are not doing heavy manufacturing—

Mr. MICA. And you did cite that there is a diminution in the square footage, so there is a lot of extra space in this area. So is some of that conference rooms and other things that you would be using? What is the balance of the space? How much did you say per-person square feet utilization, 100-something?

Mr. WISNER. The new utilization in this building will be about 119,000 square feet per person.

Mr. MICA. A hundred and nineteen—

Mr. WISNER. I am sorry, sorry, 119.

Mr. MICA. But, again, the total that you are acquiring—just do the math. Even a second-grader can do the math. It is 310, if you take the 655 and divide it. So there is a lot of space here that can be used for consolidation—

Mr. ROBBINS. Mr. Chairman Mica, I would just note a couple things. One is one of the things that enables this agency to fit into smaller space with our staff who are going to be coming here is that it presupposes that there is going to be meeting space, conference space, and other special use spaces—

Mr. MICA. What is the total number of employees that you have, total number of employees you have? I have here, as of March 2013, the latest, 1,159 FTC employees. And then you have some contract people that you also house.

Mr. ROBBINS. So the FTC—

Mr. MICA. Is that right, 1,159?

Mr. ROBBINS. So the FTC's FTE ceiling is 1,176. And, like any other agency, we have people who leave, and then we have to back-fill—

Mr. MICA. No, my concern was how many employees do you have. Do you have 1,159 FTC employees? Yes or no? And then you have some additional contractors—

Mr. ROBBINS. As I—

Mr. MICA.—is that correct?

Mr. ROBBINS. I believe the current number in the D.C. area—

Mr. MICA.—1,340's.

Mr. ROBBINS. I believe that the current number of employees—so FTE employees—is 1,035, actually, currently.

Mr. MICA. Okay, 1,035 in D.C.

Mr. ROBBINS. In D.C. So—

Mr. MICA. Okay. And—in D.C. Well, that's even less than what I have here, because you are talking about this is total in D.C.

Mr. ROBBINS. Chairman Mica—

Mr. MICA. So 1,035—

Mr. ROBBINS. Chairman—

Mr. MICA. And we will give you 250.

Mr. ROBBINS. So—

Mr. MICA. That would give you 1,300. If I gave you 200—

Mr. ROBBINS. Chairman?

Mr. MICA. Hey, just let me finish. If I gave you 200 square feet—he is talking about giving them 119 square feet—if I gave you 200 square feet, do the math of that. It is, what—

Mr. ROBBINS. Here is the problem.

Mr. MICA. How many?

Mr. ROBBINS. So—

Mr. MICA. It is 240,000 square feet we will give you to house employees.

Mr. ROBBINS. Chairman Mica—

Mr. MICA. At 200 square feet a piece, 240,000 square feet. There is 358,000 square feet, and you are telling me you cannot get the balance of the operation in here? That is bull.

Mr. ROBBINS. So, the FTC currently has an inventory of—

Mr. MICA. This is an abuse of taxpayer money unlike anything I have seen. And to renovate a building that is 1930s and have someone else pay for it—and don't sit there and tell me that the building is worth \$90 million, that, in fact, we are giving it away. Where does the property stay? Where would that property stay, the FTC building?

Mr. WISNER. The appraised value is about \$92 million in 2011.

Mr. MICA. Okay, \$92 million. But where does it stay? It doesn't change hands. It is still in trust for the people of the United States. It is part of the inventory, is it not?

Mr. WISNER. It would leave the GSA federal properties inventory.

Mr. MICA. But it is part of the—it is fee simple to the United States of America. It is not to anyone.

Mr. WISNER. It would not be of use to the federal employee base.

Mr. MICA. Not of use? And, again, you can't consolidate and get the balance in here, in the little scam you are playing, to bring in two agencies that use part of the space—and again, it is what we asked you to do in 2011 that made sense. Again, you are saving—they currently lease 60,000 square feet, don't they, the National Gallery of Art?

Mr. WISNER. Sir, they are occupying about—

Mr. MICA. They lease 60,000 square feet, and they need additional space. They are across the street. There is no place that is really for them to go to expand their galleries. They have this plan and, again, you are thwarting the plan.

Well, I won't go a second round. I think I get a little bit excited about this—

Mr. ROBBINS. Chairman Mica, if I may, you had mentioned the number of people, so I just wanted to clarify one thing. So it is true, in terms of FTE. But, like any modern organization, we have a mix of staff, full-time employees, temporary employees, contractors in our buildings. Currently, we have an inventory of 1,517 seats across our three operations—

Mr. MICA. One thousand how many?

Mr. ROBBINS.—1,517, and we have planned for 1,630.

Mr. MICA. In Washington, D.C. In Washington, D.C.—

Mr. ROBBINS. Correct.

Mr. MICA. You just told me that you had 1,100, approximately. I give you—

Mr. ROBBINS. It is a difference between employees and people who work in our facility, Mr. Chairman.

Mr. MICA. Again, if we used his figures, 119 square feet, and we have you multiply that, I was giving you 200 and I could get to 250,000, and it still leaves 250 minus 300—some square—358,000

square feet. It still leaves you an incredible amount of space for expansion, for activities, for conference rooms, for hearing rooms, not to mention any savings from consolidation of having some of the operations that are listed here being covered.

Mr. Connolly, thank you.

Mr. CONNOLLY. Thank you, Mr. Chairman. As a newcomer to this issue, I am now confused. So let me try to educate myself.

Mr. Wisner, the building we are in right now, Constitution Center?

Mr. WISNER. Yes, sir.

Mr. CONNOLLY. Who owns it?

Mr. WISNER. It is owned—

Mr. CONNOLLY. You need to speak into the mic.

Mr. WISNER. Excuse me. It is owned by a private-sector organization. It was originally owned by the Nassif Corporation, and now it has been sold to another organization.

Mr. CONNOLLY. So we don't own it. Do we own the FTC building currently?

Mr. WISNER. Yes, we do own the FTC building.

Mr. CONNOLLY. The decision was made to move from there primarily to here and some other locations for what reason?

Mr. WISNER. The decision to consolidate out of the two lease locations was made to make the SEC lease whole, which is the SEC leases—this Constitution lease, which we inherited from the action that the SEC took.

Mr. CONNOLLY. So there was recognition that the current site was inadequate.

Mr. WISNER. Of the two leased spaces? No.

Mr. ROBBINS. Can I break in? And I apologize, respectfully.

Mr. CONNOLLY. I ask you both—

Mr. ROBBINS. The—

Mr. CONNOLLY. You have got to speak into the microphone. I cannot hear you.

Mr. ROBBINS. The FTC has three buildings, as we have discussed, in—at D.C. The Apex, or headquarters building, which was never planned to be moved, because it is very cost-effective for us. The kind of square-foot lease cost to that is much lower than getting into a commercial lease, which I think everybody has recognized, across government.

The two properties we were consolidating here are current commercial leases, as well, which are expiring. And one has expired and we are in holdover, and it is costing us millions more to stay there.

Mr. CONNOLLY. Okay. Point well taken. But I am actually at a more fundamental level. What is the square footage at the Apex Building right now?

Mr. WISNER. The Apex Building is about 305,000 square feet.

Mr. CONNOLLY. Three hundred and five. And you have moved a lot of operations here for what reason?

Mr. WISNER. We have not moved operations in the building yet; it is currently under construction.

Mr. CONNOLLY. Well, but, I mean, the plan is to do that.

Mr. WISNER. Yes. We will be moving the NEA and NEH from the Old Post Office—

Mr. CONNOLLY. No, no, no, no. I am talking about the FTC right now.

Mr. WISNER. The FTC locations that we are consolidating are the two leased facilities at New Jersey Avenue and 1800 M Street. We need to get out of those two facilities and consolidate into this lease.

Mr. CONNOLLY. Is it your position, from GSA's point of view, that the Apex Building is a functional building?

Mr. WISNER. The Apex Building is a functional building. It is a performing building. And it does not require additional investment at this time.

Mr. CONNOLLY. The Chairman showed some slides trying to highlight, you know, it looks like a building that needs remodeling and updating to meet normal 21st century office—commercial office standards. Do you dispute that?

Mr. WISNER. I am not familiar with those particular pictures that were out there. The condition of the building that we have from our analytic shows that it is a high-performing building. I don't believe that it needs significant investment at this time, sir.

Mr. MICA. Mr. Connolly?

Mr. CONNOLLY. Yes, sir.

Mr. MICA. Could I answer in the record, here? This is by—an assessment by GSA. The Federal Trade Building has been classified as a 2B—a tier 2B asset for Fiscal Year 2013 by GSA's national office. Tier 2B assets are under-performing financially, and fail to return a six percent equity. This is part of what I just request unanimous consent at this point that we insert this in the record.

[No response.]

Mr. MICA. Thank you. Without objection, so ordered.

Mr. MICA. Yield back.

Mr. CONNOLLY. Why was the decision made to put NEA and the National Endowment for the Humanities in this building?

Mr. WISNER. The NEA and NEH are part of the Old Post Office facility. As you know, we are in the process of striking—we have struck a deal with a private-sector organization that will be reinvesting that property. We needed to exit out of the Old Post Office building. We have a significant penalty in that building if we stay over in that building.

There was space available here, in the Constitution Center, to consolidate their location and to downsize them. There was no other significant block of space that we had available within the portfolio at the time that that decision was taken. So it made complete sense to move the NEA and the NEH and consolidate them out of this location.

Mr. CONNOLLY. And so, we are dedicating, in this building, 100,000 square feet to those two?

Mr. WISNER. Approximately 100,000 square feet, yes, sir.

Mr. CONNOLLY. Was there any consideration ever by either GSA or FTC that that was an opportunity cost, that by not doing that we could consolidate a lot more of FTC here?

Mr. WISNER. The FTC, in total, would not fit in this location. I don't know if there was the opportunity cost that you are talking about studying that—

Mr. CONNOLLY. Well, just a second, Mr. Wisner. You have currently 305,000 square feet at the Apex Building?

Mr. WISNER. The Apex Building is about 305,000 square feet, gross space, yes.

Mr. MICA. Only half of it is usable.

Mr. CONNOLLY. And not all of that is used by FTC.

Mr. WISNER. No, all of it is used by the FTC. They occupy 253,000 square feet of rentable space.

Mr. CONNOLLY. Two fifty-three?

Mr. WISNER. Yes, sir.

Mr. CONNOLLY. So, if you—and you have got—and you said to the chairman that you think here 250,000, roughly, square feet will be dedicated to the FTC mission.

Mr. WISNER. Yes, sir.

Mr. CONNOLLY. If you didn't lease to NEA and NEH, hypothetically, you could add another 100,000 to that.

Mr. WISNER. That is the total amount. Yes, sir.

Mr. CONNOLLY. So then you could get to 350,000 square feet, in theory.

Mr. WISNER. Approximately.

Mr. CONNOLLY. For—without any modifications to the building, which might free up some more square footage, depending on what you did, for the FTC mission.

Mr. WISNER. Yes, sir.

Mr. CONNOLLY. And you said that we—what you need—maybe, Mr. Robbins, you said this—you need 446,000 square feet.

Mr. WISNER. Yes, sir.

Mr. CONNOLLY. And is that to accommodate growth? I mean that is an increase over what you currently have in toto now.

Mr. WISNER. That is the number that we calculated in July of 2012, when this decision was made.

Mr. CONNOLLY. But what is the delta that that represents between what you currently occupy and what you project you need? Often, when we make these kinds of moves, both in the private and public sector, we want to add capability, we want to be able to do things we can't do now. And so we kind of go for the max, rather than the minimum.

So, that 446,000—what I am trying to get at is—what delta does that represent over current de facto numbers?

Mr. WISNER. I believe you are asking the difference between the total lease at Constitution Center and the total requirement for the FTC.

Mr. CONNOLLY. No, I am asking the difference between 446, which I think, Mr. Robbins, you stated, is what you—is the square footage you need. And I am trying to get at does that need include some change from the number you have currently? I am trying to get my arms around—is that 50,000 over and above what you currently have in order to better meet your needs, or—I mean, certainly, you are not telling us that it represents zero change.

Mr. WISNER. No. It would have been—incorporated the change or growth that we anticipated with the FTC in July of 2012.

Mr. CONNOLLY. And what is that change?

Mr. WISNER. It would have been—I think we were counting about 1,006 total employees that would have to be seated.

Mr. CONNOLLY. In square footage.

Mr. WISNER. In square footage? I will have to get back to you that on [sic], sir. I don't—I can't—

Mr. CONNOLLY. Do you know, Mr. Robbins?

Mr. ROBBINS. I don't, off the top of my head. I apologize.

Mr. CONNOLLY. Well, okay. So we have a question about the delta.

Mr. ROBBINS. If I may, one other thing.

Mr. CONNOLLY. Yes. I have to ask you again to speak into the mic.

Mr. ROBBINS. I apologize. I am with you. So, one of the things—

Mr. CONNOLLY. Could be my hearing.

Mr. ROBBINS. I will get better at this microphone thing, I promise.

When looking at whether to consolidate headquarters building with—and this is something that was looked at with GSA many years ago, when we were starting down this process, we came up with this requirement. But not only did we come up with this requirement, we looked at what would be the delta, if you would, between government-owned space cost and the cost to get into leased space. And the financials just don't make any sense. And you don't have to take my word for it. I know, over the past couple of years, a couple of bills were introduced in Congress, and CBO scored those bills, and there was a net cost to taxpayers, not a net savings.

Mr. CONNOLLY. Yes.

Mr. ROBBINS. And so, we did a cost benefit analysis, if you would, like any business would. And it would cost more to the taxpayer for us to get out of headquarters building, if—what our analysis showed.

Mr. CONNOLLY. Mr. Robbins and Mr. Wisner, I spent 20 years in the private sector, and I spent 14 years in local government, and I have been involved in many, many relocations of government agencies and of my own private-sector company. So I have gone through this kind of analysis.

And I am not unsympathetic to the fact that there is an opportunity when you relocate or you consolidate, not only for savings, but to also allow you some capabilities maybe you are constrained with—meeting rooms, audio visual, amphitheatres, auditoriums, and so forth—and those aren't good or bad. They are capabilities we seek to be able to function in a more professional way. And, you know, I don't think government should be a bunch of hermits in a cave. Maybe some of my colleagues do, but I don't.

But, on the other hand, we are trying to get our arms around what really—you know, how much is extra in the sense of over and above current operations that we are seeking in that 446. Because we are trying to—you know, we are trying to better understand can this building largely accommodate the FTC, in theory, if we wanted to, if we didn't want to put NEH and NEA here, in theory. And, if you want to get back to us, great, but we have got to sort of get the numbers right for us to do analysis with you about what can and cannot be done.

Now, Mr. Robbins, in your testimony I missed part of what you said. You said something was 40 percent complete. Was it the move?

Mr. ROBBINS. The construction of the space here in Constitution Center.

Mr. CONNOLLY. Here.

Mr. ROBBINS. Exactly. For those two leases of the property.

Mr. CONNOLLY. So we are already invested is your point.

Mr. ROBBINS. Well invested.

Mr. CONNOLLY. Well invested. Okay. And the move—I am sorry—the consolidation here, roughly, is going to cost around \$15 million for build-out?

Mr. WISNER. No.

Mr. ROBBINS. So for the two leased properties we are talking about, it is \$75 million to move them here.

Mr. CONNOLLY. \$75 million.

Mr. ROBBINS. Yes.

Mr. CONNOLLY. Now, you talked about if we were to give up the Apex Building to accommodate the National Gallery, it would cost us \$170 million over 30 years. Is that correct?

Mr. ROBBINS. So when GSA ran the numbers, the net present value, over 30 years, as I understand it, was that figure, yes.

Mr. CONNOLLY. That does not include the \$75 million we are investing in the consolidation here.

Mr. WISNER. No, sir, it does not.

Mr. CONNOLLY. And tell us a little how you arrived at that \$170 million. Because, I mean, just, you know, a naked look at that number, it sounds scary.

Mr. WISNER. It is the total lease cost over 30 years to replace the space that would be required if we left the Apex Building in the lease market in Washington, D.C.

Mr. CONNOLLY. *Ceteris paribus*, all other things being equal—

Mr. WISNER. I am sorry, sir?

Mr. CONNOLLY. *Ceteris paribus*, all other things being equal?

Mr. WISNER. Yes, sir.

Mr. CONNOLLY. I speak Latin, a little. Okay. I guess I would want to know—just trying to get my arms around this a little, and then I have got to yield back, Mr. Chairman, but I think we need to know more about that \$170 million cost figure, rather than just accept it at face value.

Mr. WISNER. Yes, sir.

Mr. CONNOLLY. Not that—not trusting you, but we want to understand how you arrived at such a figure.

Mr. WISNER. Yes, sir.

Mr. CONNOLLY. And, secondly, I think we need to understand that delta. How much of the 446 you say your need is—I am not disputing it—represents a delta. And there could be an excellent reason for that delta, or much of that delta, but we have just got to know what it is, so that we have a better handle on the numbers we are dealing with.

Mr. WISNER. Yes, sir. We can get back to you for the record.

Mr. CONNOLLY. And would I be allowed one final question, Mr. Chairman?

Mr. MICA. Go right ahead.

Mr. CONNOLLY. Being from Virginia, where rents are cheaper and life is perfect, did we look at the relocation of NEH and NEA to suburban Virginia or, for that matter, suburban Maryland, instead of making the decision to put them here?

Mr. WISNER. Sir, I think we looked at the entire portfolio within the National Capital Region, but I can get back to you with the specifics of the—

Mr. CONNOLLY. Yes, because I would like to also know what was the thinking with—because if you put NEH and NEA here, perhaps there is a good reason to do that. I would like to hear it. You, of course, preclude 100,000 square feet that could be Accommodating the FTC. And the chairman has suggested that that wasn't done accidentally, that perhaps that was done in order to preclude any further pressure by Congress or anyone else in further consolidation of FTC here. So I would like to know the rationale for why we are commingling FTC operations with NEH and NEA here.

And, with that, Mr. Chairman, I yield back, and I hope—

Mr. MICA. And at this point in the testimony, I am asking unanimous consent—and I will get the information from Mr. Moran, the gentleman from Virginia, appropriation, who, I think, cited opportunities in Virginia to lease at a lower cost to relocate those agencies, if we were looking just at the item of cost that were available. So that opportunity, according to Mr. Moran—and I talked to him yesterday—he will put something in the record about what he did to tell them what was available and, again, ignored—and—

Mr. CONNOLLY. And, as you know, Mr. Chairman, having helped us with transit with Northern Virginia, all served by transit.

Mr. MICA. Yes. I love Virginia.

The gentleman from North Carolina.

Mr. MEADOWS. Thank you. I need to ask a few questions. I am confused. And I can be your best ally or your worst nightmare. And so cap rates from an internal perspective, you are looking at a six percent cap rate? Did I hear that?

Mr. WISNER. The cap rate on the net present value for the 30-year lease, or the cap rate for the return on investment?

Mr. MEADOWS. The 30 years.

Mr. WISNER. Yes, sir. I believe it was six percent.

Mr. MEADOWS. All right. So did you not find that—

Mr. WISNER. So we—

Mr. MEADOWS. Did you not find that out of line?

Mr. WISNER. No, I do not.

Mr. MEADOWS. So you think that is—

Mr. WISNER. There are multiple market rates, but I can certainly get back to you, sir, I apologize.

Mr. MEADOWS. Is that—is it your testimony that the six percent cap rate in Washington, D.C. is market—

Mr. WISNER. Sir, I would like to check the number and get back to you specifically on the net present value calculations that we did.

Mr. MEADOWS. You do this for a living?

Mr. WISNER. I do this for a living, yes, sir.

Mr. MEADOWS. So is that market rate or not?

Mr. WISNER. I can get back to you on the numbers, sir.

Mr. MEADOWS. Okay, all right. So you got 100,000 square feet that you classify as unusable, characterize that unusable 100,000 square feet—

Mr. WISNER. I am not familiar with the 100,000 square feet. There is—

Mr. MEADOWS. Well, it was your testimony, one of yours—

Mr. WISNER. Yes—

Mr. MEADOWS.—that you had unusable at the Apex—

Mr. WISNER. Sir, the rentable square feet of the Apex Building is about 253,000 square feet.

Mr. MEADOWS. I see—

Mr. WISNER. So there is about 50,000 square feet that is between the gross and the—

Mr. MEADOWS. So 100,000—so you are saying there is 50,000 of unusable space.

Mr. WISNER. 50,000 between the gross and the usable. Yes, sir.

Mr. MEADOWS. So characterize that for me, if you would.

Mr. WISNER. I think there are some—there are hallways and there is some historic locations within that facility that we need to maintain, sir.

Mr. MEADOWS. So those would be—because, normally, if you are just talking about open area, that would not necessarily be square footage. I mean that may be volume, but it is not square footage. So you are saying these are actually hallways, square footage?

Mr. WISNER. Yes, sir.

Mr. MEADOWS. Okay. So we are here dealing with this problem because somebody screwed up and entered into a lease and then tried to default. Is that—

Mr. WISNER. They did not default. The SEC did not need this space after they—

Mr. MEADOWS. So you approved that lease.

Mr. WISNER. The SEC, under their own authority, sir—

Mr. MEADOWS. Did the GSA do that?

Mr. WISNER. No, GSA did not have anything to do with that. GSA—

Mr. MEADOWS. So it was under their own individual—

Mr. WISNER. Independent authority. Yes, sir.

Mr. MEADOWS. And so, are we charging them back for their mistake?

Mr. WISNER. No, sir. The property was excessed under the agreement to GSA, and GSA's responsibility was to dispose or to find another tenant for the space, sir.

Mr. MEADOWS. So, is there any scenario, Mr. Robbins—and I know the projections—is there any scenario which you can see to consolidate your operation under one roof?

Mr. ROBBINS. In the Constitution Center building, which I think we have looked at closely with GSA, the answer is no.

Mr. MEADOWS. And why is that?

Mr. ROBBINS. There isn't enough space in this building.

Mr. MEADOWS. Based on what?

Mr. ROBBINS. The square footage that is here, and the requirement—

Mr. MEADOWS. Based on square footage of—

Mr. ROBBINS. No, so based upon—so part of the process we went through with GSA—

Mr. MEADOWS. Right.

Mr. ROBBINS.—was to develop what was our need, as an agency—

Mr. MEADOWS. Because I heard earlier you were talking about internal rates, the rate versus—

Mr. ROBBINS. Oh, so that is just the minimal square feet—

Mr. MEADOWS. Saving—

Mr. ROBBINS. So I think—and I would ask Chris to correct me if I am wrong here—the rough square footage cost to us of the Apex Building is, I think, \$23 per square foot. And in a general commercial lease, it is \$49 per square foot. So just a cost doesn't add up. It doesn't make sense. So, even if we were to fit into smaller space, you have to go a long way in order to have it make sense from a financial perspective.

But then, on top of it, when you look at the kind of square footage in this building, which I think we said is something along—the one quad, which is roughly 358,000 square feet, and our need, which is 446,000 square feet, there is just a large deficit.

Mr. MEADOWS. At 400-plus—

Mr. ROBBINS. Yes.

Mr. MEADOWS. And my friend from Virginia, who was right in saying, you know, what is the delta, I mean—and for both of you to give a figure like that with rate accuracy is troubling, when we don't know where it came from. Do you know—

Mr. ROBBINS. So it came—

Mr. MEADOWS.—Mr. Wisner said he didn't know where it came—

Mr. ROBBINS. So—you [sic] will have to apologize. I have been back at the FTC for about four months. My understanding, I came from the FCC. And I am also living in Virginia. I love Virginia. It is—lots of great things we are talking about today.

Mr. CONNOLLY. Wait, wait, wait. Which district?

[Laughter.]

Mr. ROBBINS. I live in Arlington.

Mr. CONNOLLY. Arlington?

[Laughter.]

Mr. ROBBINS. But I would say a couple things. One is the process of any long-term capital planning includes sitting down and figuring out how many people do you have, what are your needs, and then you figure out a plan around that. And it takes a while to do. And we are, as I said, 40 percent complete in that building. The delta between kind of what is in this building of one quad, which is 358,000 square feet, and the plan we came up with, right, is significant.

If I could put it in people terms—

Mr. MEADOWS. Significant in terms of—

Mr. ROBBINS. Exactly right. But let's put it in people terms, all right? So—

Mr. MEADOWS. I want it in square footage terms. What is the difference—

Mr. ROBBINS. So 446 minus 358 is 87,000 square feet.

Mr. MEADOWS. So you increased your space requirement—

Mr. ROBBINS. No. So that is just the space that is available here, in the building, versus what our requirement was. We haven't increased our requirement. It is just the delta between what is available here and what our requirement is. So that is kind of how I would describe that.

But if I put it in people terms—

Mr. MEADOWS. Okay, let's put it in people terms.

Mr. ROBBINS. Sure.

Mr. MEADOWS. And I know you gave the answer on the—

Mr. ROBBINS. That is okay.

Mr. MEADOWS.—so let's go to people terms. How many square feet are you giving to each employee per office?

Mr. ROBBINS. So, here in the Constitution Center, as we have discussed, our utilization rate is 119. Our largest offices, and there is only about 20 of them—

Mr. MEADOWS. What is "utilization"? I mean—because that is a technical term. So are you saying that each office, they would have, on average, 119 square feet per office?

Mr. WISNER. Yes, sir.

Mr. ROBBINS. That is my understanding, yes. So, that is in this building. Clearly, in New Jersey and Constitution—and M Street, as we have described, the current utilization is much higher. It is 167, I think. So we are kind of being able to realize a much smaller footprint for our staff here.

But if I could just put it in people terms for a second, all right, so our estimate is—our plan has been to build to 1,630 kind of seats here in the D.C. area. We currently have 1,517. There are going to be 905 seats—

Mr. MEADOWS. So you are going to increase your number of employees by 10 percent.

Mr. ROBBINS. So when we developed our plan, the agency was growing—

Mr. MEADOWS. That was a yes or no question.

Mr. ROBBINS. I understand. So we are growing, yes. We projected a growth rate when we came up with our plan, because we were growing at roughly 30 people a year when we developed our plan—

Mr. MEADOWS.—authorization that would give you the ability to increase that number of employees, and that doesn't track with your trends on where you did that. So why would you do that?

Mr. ROBBINS. So actually, if you look at our FTE rates, our FTE rates over the past kind of five years have been growing, albeit last year was different. And sequestration has had its effect. But we are talking about long-term capital planning here, not, you know, what we are doing one night versus the next.

Mr. MEADOWS. That is not your job; that is GSA's job.

Mr. ROBBINS. I understand. But we are already well into the investment and the build-out of this space for the two leased properties I have discussed, which is going to result in a net savings, as I have mentioned, of \$5 million, roughly, in annual rent.

But again, if I put it in people terms, so 905 kind of seats in this kind of quad that we will be in, seven floors.

Mr. MEADOWS. Right, okay.

Mr. ROBBINS. And we have roughly 600 or 700 people in our Apex Building. We are not going to fit 600 or 700 people in three floors. It just doesn't work.

And then, when you look at the special uses we have in the headquarters building, we can talk about the Data Center, we can talk about Commission meeting rooms, we can talk about kind of the types—

Mr. MEADOWS. Nice meeting rooms, certainly.

Mr. ROBBINS. Well, we have a Commission meeting room, because we are a commission, a bipartisan commission that meets regularly to make decisions for the agency.

Mr. MEADOWS. So what you are saying is you wouldn't move over here because you have a commission.

Mr. ROBBINS. No, I am not saying that. I am saying that that is just one of the other special spaces that, if you are going to fit 700 people into three floors, that is not going to work, from a people perspective. Then, when you add on these special spaces, it just doesn't make sense.

And then, when you look at the dollars and cents, it just doesn't make any dollars and cents—

Mr. MEADOWS. All right, I am going to hold you to that, because I want to look at the dollars and cents, all right?

Mr. ROBBINS. Fair enough.

Mr. MEADOWS. Because that is really what this is about.

Mr. ROBBINS. Yes.

Mr. MEADOWS. It comes down to a disastrous decision—

Mr. ROBBINS. Yes.

Mr. MEADOWS.—to lease this building, and then figure out what—

Mr. ROBBINS. Even if you only looked at the move costs, which I think are north of \$50 million, what is the justification to get into a more expensive lease? It just doesn't make any sense.

Mr. MEADOWS. I hear you. Here is what I would like, is a detailed analysis of the \$50 million. And I am not talking about—I am talking about a detailed analysis on that \$50 million.

Mr. ROBBINS. And just—

Mr. MEADOWS. Because we all make assumptions.

Mr. ROBBINS. It is a minimum of \$50 million. I am not suggesting that—you may see something more than that.

Mr. MEADOWS. I heard testimony of \$50 million. You said \$50 million—

Mr. WISNER. It is at least \$50 million, sir.

Mr. MEADOWS. All right. So I want a detailed analysis.

Mr. ROBBINS. Understood.

Mr. MEADOWS. The second part of that is the reason why you heard passion from the chairman is two reasons. One is, quite frankly, the GSA had a very real job of managing its assets, buildings all around the city, and so that is part of the passion. The other is there was a resolution that said to consolidate the operation. And this flies in the face of the will of the people.

And you know, when you really look at it—so if your jobs are there, and your job, Mr. Robbins, was on the line, and we said that we are going to pay you a big-dollar bonus if you would figure a way to consolidate this into one operation, could you do it?

Mr. ROBBINS. So I would hope that you would want to hold me to the stewardship standard that we talked about earlier, which is, is it in the best interest of taxpayers. And that is what we have been looking at.

Now, maybe there is something about the numbers that you know that I don't know. But we can't seem to find a way to save taxpayer money—

Mr. MEADOWS. Well, there seems to be—and I want to throw it out here, I will close with this, and I appreciate my colleagues' indulgence—there is a political component to this that—and this seems to be an area that doesn't get talked about.

And so, have either of you had any talk around the water cooler you have heard of when it comes to whether you consolidate, move the operation, not move the operation, move from the Apex Building or not? Is there any of that that says, "Well, we just want to hold on to what we have got?" All right? "Because the potential future needs that we might have, this is too nice to give up." Has any of that conversation happened?

Mr. ROBBINS. So not with me, Congressman. I happen also to be a lover of the arts, and I think the National Gallery is a wonderful institution. It just doesn't make sense to give them our building.

Mr. WISNER. No, sir, I have not.

Mr. MEADOWS. All right. So there is—so what you are saying is, dollars and cents, this is the best move for the American taxpayer.

Mr. WISNER. Yes, sir. In this particular case, for this particular lease, and consolidating, yes, sir.

Mr. MEADOWS. All right. If you could get me the details of that. The other is that I do not want us to look at a delta that would increase our square foot footprint. And so, we need to look at how we handle that.

Under sequestration, and under—I think it is not right to start looking at increases of employees of close to 10 percent. You know, when you start to look at that, based on the trends, and you have anywhere from a full-time equivalent of 1,159—which is actually more than what you gave in your testimony—

Mr. ROBBINS. If I may, so if Apex is a given, between New Jersey and M Street consolidating here, we will have a net decrease in 23,000 square feet between the consolidation. So there is a decrease in space utilization, a decrease in the space we will be renting when we move here, and a decrease in the rent.

Mr. MEADOWS. All right. And so then I would ask you, Mr. Robbins, is—you have got a staff of people you project is—

Mr. ROBBINS. GSA is much bigger than us, but—

Mr. MEADOWS. But this is your operation, so I would look at what are the increased costs of having it housed in three different places. I mean is there an increased incremental cost? Because—

Mr. ROBBINS. Of course. Mr. Mica—I mean Chairman Mica mentioned one. For instance, the shuttle. It does cost us money each year. I think roughly \$100,000 each year to operate a shuttle. It is money that we are spending. It is real money. But when you look at the cost benefit of how much will it cost us to move out of headquarters versus consolidating here into Constitution Center, aside from the fact that there is not enough space, the dollars don't add

up. The net savings you may get from eliminating a shuttle, for instance, don't net out to getting below move costs and other costs.

Mr. CONNOLLY. Mr. Chairman?

Mr. MICA. Mr. Connolly.

Mr. CONNOLLY. If I could just be allowed to—a thought, I certainly applaud the fact that we are looking to get the best deal we can for the U.S. taxpayer. But we should not—well, two aspects of that. One is it is always arguable what the best deal for the taxpayer is. Right? I mean we could say, “Let's move all of our government operations to the Dominican Republic, because it is cheaper there.” We could get much better rent deals in—somewhere in the—

Mr. MICA. Transportation costs would be—

Mr. CONNOLLY. Transportation might hurt, but we will have fewer meetings. And technology allows us to Skype and all other stuff. So there are lots of considerations that go beyond just dollars and cents in the analysis. There is functionality, there is proximity, there is the ability to interact by having consolidation, and so forth. There are values that may be intangible, but no less real.

There is also consideration, certainly for Congress, beyond the taxpayer consideration—not that that is trivial. And that is looking at the—this picture, and asking one's self, “What is the ideal use for that particular location for the American people?” And what is our responsibility, as Congress, to answer that question?

Now, if we were starting from scratch, would we put the FTC in that location? If everything else was in place, would that be what we would do? Probably not. I am not quite sure what FDR's thinking was about the FTC at the time. Obviously, it was an important agency, from his point of view, and it got a lot of prominence. And if I were at the FTC, if I were, for example, a commissioner at the FTC, I might really like my location, and not want to change it, for lots of reasons. You know, it is a very prominent location that has status and all that good stuff.

So, I just say that because sometimes we can get into the weeds about dollars and cents and miss the bigger picture. And I commend to both of my Republican colleagues, you know, the current Capitol we have today, the expansion of the United States Capitol, the replacement of both chambers and that dome, was championed by a man named Jefferson Davis. The only good thing he ever did in his life. And he did it right up until the day he resigned from the United States Senate to join his fellow traitors in the Confederacy.

But—and he also was up against lots of people saying, “What are you spending all this money for on flub-dubs, and we can live with the chamber where no one can hear anyone because of the acoustics,” and he had a vision that—and so did Lincoln—that, you know, that the Capitol was a very important unifying element, and was—it was necessary to invest the tax dollars, even though it cost us. Even though you could probably today—GSA might argue, if we had GSA doing the analysis back in, you know, the 1850s, GSA might have said, “Just not worth it,” you know? Unnecessary expenditure, and so forth. Aren't we glad they made that decision? I am not trying to blame GSA, you weren't around then, but—so, I just commend to my colleagues there are other considerations.

It is essential we have a cost benefit analysis, of course. But once we do, we also have to look at some other questions here. And I think the chairman certainly has put that broader vision question in front of us, as well, and it has to be answered. I don't know that FTC or GSA can answer that question, but certainly Congress can.

I thank my colleagues for allowing me to intervene.

Mr. MICA. Thank you. Let's go back. I want to recap here. Okay. We are moving 655 employees from two rental spaces, New Jersey and M Street, right?

Mr. WISNER. Yes, sir.

Mr. MICA. And you are telling me they are going to utilize 119,000 square feet a person in the plan that you are advocating, right?

Mr. WISNER. The utilization rate, yes.

Mr. MICA. That is what you testified.

Mr. WISNER. Yes, sir.

Mr. MICA. The utilization. And we have a balance of 671 employees in the headquarters building occupying a usable space of—there is 160,000 of 305,000, because it is an old building. And I can—I would love to—I need to walk you all through it, to see it. Again, the under-utilization. And, again, we will put in the record here—

Mr. ROBBINS. We would love to have you come visit.

Mr. MICA. I have been there many times. I can give the damn tour.

So, again, it is a dump. It is a dump.

Mr. ROBBINS. I beg to differ.

Mr. MICA. It is a dump. I mean, compared to what you are looking at here. You are putting federal employees in substandard office space, in my opinion. Okay? That is my opinion. They have the opportunity for probably some of the best office space here. We are leasing space at those two locations now, consolidating leasing space. We should save money.

The National Gallery of Art is leasing 60,000 square feet, needs 140,000, 150,000 square feet in the future, which is right across the street. We can't put something together like that. There are savings from not leasing, paying for that least, of at least 60,000 square feet in the future—say 100,000 square feet—that they do not calculate.

They do not calculate, but we do, of the building—the building, in my opinion—I have been in this since 1974, in real estate—yes, it is usable, but it has a life cycle, and it will cost \$140 million to bring that up, at least. If GSA does it, my God, it will cost two or three times that. I think the National Gallery can do it—

Mr. ROBBINS. We have no plans—as far as I know, neither does GSA—for those expenditures on the Apex Building.

Mr. CONNOLLY. Mr. Robbins—

Mr. MICA. Wait, let me just—

Mr. CONNOLLY. I didn't hear what you said.

Mr. ROBBINS. So I believe Chairman Mica just said that there was a plan to spend \$140 million on the Apex Building, and—

Mr. MICA. No, no one said—no.

Mr. CONNOLLY. No, no, he said—

Mr. MICA. I said in the future you are going to have to spend quite a bit of money to—I mean to renovate it. It is going to need—it is 70 years old. Yes, some—I looked at—I have been down in the bowels of it, I have seen what can be salvaged.

Mr. ROBBINS. I am just saying—

Mr. MICA. But it needs renovation to accommodate modern-day conveniences. Yes, the commissioners have nice views of the Capitol, and I know that is important and prestigious. But again, you are going to 120 square feet per person. And if we take the 655 and the 617, you get to 1,326. Mr. Robbins said, “Well, we are going to need 1,500.” Well, if we use his—

Mr. ROBBINS. 1,630, I am sorry.

Mr. MICA. What?

Mr. ROBBINS. I said 1,630.

Mr. MICA. Well, 1,630. And we do the math, that is 160,000 and 34,000—would be 196,000 square feet you would need for employees, if the employees are being provided space on the basis of which—of what Mr. Wisner is putting people in here for. You said 119, and I give you 120. So, that is 190,000 square feet, and there are—

Mr. ROBBINS. I am just—

Mr. MICA. There are 358,000 square feet here?

Mr. WISNER. Yes, sir.

Mr. MICA. 358,000 square feet. And you cannot get—we will give you 200,000 square feet, and even up the square footage. For 158,000 square feet, you can’t do that? And then you already have the other cafeteria here. Don’t they have a cafeteria?

Mr. WISNER. Yes, sir.

Mr. MICA. They don’t need a cafeteria if they come here. The consolidation of these other activities that we had listed. Again, please don’t try to tell me that you cannot give plenty of space—much more, even, than you are providing—to your employees in a modern building. And there are savings, again, in the long-term, the renovation of that building, which will need to be done.

The second thing is that cost of leasing for the National Gallery would be eliminated. There are savings—

Mr. ROBBINS. But you replace a lease for the National Gallery with a lease for the FTC.

Mr. MICA. We have calculated and recalculated this. And then, to top it off, to shove in here the two agencies to take enough space to thwart what we asked you to do in 2011. Mr. Moran had even given you options.

I want also to list—you have thwarted our staff in not giving us—you said there is no property available in D.C. that could accommodate those two agencies.

Mr. WISNER. The vacancy rate—

Mr. MICA. They are about 50,000 square feet a piece, right?

Mr. WISNER. Approximately, yes, sir.

Mr. MICA. Yes. But you are telling this Subcommittee of Congress, under oath, that there is no other property that you could put them in.

Mr. WISNER. At the time—

Mr. MICA. You could put them in property that we own and save money. And we own property that you could put them in here. I

want you to provide me, the subcommittee, with a list of every property. You can't come before us and tell us that there is no property. We have—there is property all over this town, some that we own, some that we leased.

Have they given us that list, staff? Answer me. The staff said no. I want the list. I will come down and sit in the office until I get the damn list.

Mr. WISNER. Yes, sir, you will have it.

Mr. MICA. I am absolutely outraged at what is going on here with this. This is a perfect example of why American people should be fed up with government, to see this nonsense. There is no reason at all the FTC operations cannot be consolidated.

I want to invite every member of the FTC staff here, and I will host a reception here, and I will do it beginning in January. I want them to come and see what you are denying the rest of the people in—again, the current FTC Apex, what you are having them go to work in every day, as opposed to what they can do. I am going to be here, and I am going to invite every one of them, and I will give you the time and date, okay? We will do it after work or before work, because I want them to come and see. Your union should be outraged that you are putting this sham on, again, people who work hard, deserve decent space. And again—

Mr. ROBBINS. I share your interest in taking care of FTC employees, Chairman Mica.

Mr. MICA. I want them to come and see this facility that we are going to put 655 of their brothers and sisters in, and then leave them in what I consider a dump—

Mr. ROBBINS. I share your interest in making sure FTC staff are taken care of. We work every day to make sure that that happens.

Mr. MICA. Well, work every day to get them all consolidated here. You have 150,000 square feet. You can give them more space than you are giving now on average here, just by sheer calculations. An idiot, a first-grader, can do the math on that—190,000 square feet. He is giving them 119. Is that somewhat inadequate? Is 119 inadequate?

Mr. ROBBINS. With respect, we don't believe we can fit the rest of our operation in—

Mr. MICA. Okay, we will go to 200,000 square feet. That leaves you 158,000 square feet for all the other things, not deducting the things that will be already here, the cafeteria and the other items that we cited.

Again, you can fool some of the people some of the time. You can BS people some of the time. And you are not going to BS—I will find a way to—and the other thing, too, is that I want put on hold the NEH and also the Arts move into this building. I want that put on hold.

I want to talk to Moran. If we have to put it in appropriations, whatever we are going to do. You get me the list of other locations. And I want to see some locations in Virginia with actually lower rent than you are paying here. I know they are available, are they not?

Mr. WISNER. I am not familiar with that, sir.

Mr. MICA. Okay. Well, you don't know the D.C. rental market. I can tell you they are available. Probably some great places in Mr. Connolly's district or Mr. Moran's district.

Mr. WISNER. Sir, I must state that the NEA and NEH space is about 35 percent complete in this facility.

Mr. MICA. What? What did you say?

Mr. WISNER. The NEA and NEH construction in this building is about 35 percent complete.

Mr. MICA. You have no housing plan, according to staff, for NEH and NEA. You haven't provided it to us.

Mr. WISNER. I can look into that and get you that, sir.

Mr. MICA. Is this correct, what you gave me? We have no housing plan?

Mr. WISNER. It is committed, sir.

Mr. MICA. We have no housing plan. We do not have—can you get us that?

Mr. WISNER. I can get that, sir.

Mr. MICA. Again, I have see the jerry-rigging of the cost of moving spaces without any calculations or savings. Mr.—you want to go again, or do you want to let Mr. Meadows—

Mr. CONNOLLY. I have no further questions.

Mr. MICA. Mr. Meadows?

Mr. MEADOWS. Thank you, Mr. Chairman. Let me just ask a few things.

Mr. WISNER. Yes, sir.

Mr. MEADOWS. We have all this discussion, and you have already committed the space to NEH. Is it a moot point, is it not?

Mr. WISNER. The space is under construction currently, sir, yes.

Mr. MEADOWS. And so, you made that decision in spite of the fact that you knew the wishes of the American people was otherwise? Why did you make that decision?

Mr. WISNER. Sir, I cannot answer that.

Mr. MEADOWS. Were you aware that that was not the wish of the American people?

Mr. WISNER. No, sir.

Mr. MEADOWS. Are you aware of the 2011 resolution?

Mr. WISNER. Yes, sir.

Mr. MEADOWS. So you were aware. And you consciously made a decision to lease it to somebody else? Why would you do that?

Mr. WISNER. There was a requirement that we get out of the Old Post Office to avoid the cost in that location—

Mr. MEADOWS. That—

Mr. ROBBINS. If I may break in for one moment?

Mr. MEADOWS. Sure, Mr. Robbins.

Mr. ROBBINS. Because I think the will of the American people is incredibly important. I know it has been mentioned a couple of times. I know on the Senate side there was language in the Appropriations Committee reports that actually would have prohibited our transferring the Apex Building to somebody else.

Mr. MEADOWS. Right.

Mr. ROBBINS. I realize it was only a committee report, but—so there were—obviously, we take seriously the will of the people, as expressed in Congress.

Mr. MEADOWS. I will remind the gentleman that one—

Mr. ROBBINS. Absolutely.

Mr. MEADOWS.—does not constitute the will of the American people.

Mr. ROBBINS. I completely agree, that Congress did have two bills over the past few years to consider. And after CBO's scoring of these things, I guess—although I obviously don't know—the net cost didn't outweigh the benefit to the American people, and so Congress decided, in its wisdom, not to pass those bills into law, which would have directed us all to take a different course.

Mr. MEADOWS. So, basically, you made the decision, or your agency made the decision to house NEH and—here.

Mr. WISNER. Yes, sir.

Mr. MEADOWS. And under what rationale? I mean is it cheaper for them to be here? Because it is obviously not cheaper for the FTC to be here.

Mr. ROBBINS. It is actually cheaper for us for those two leased facilities, but not for our own—

Mr. MEADOWS. Right, but they are in their own facility, as well. Is it cheaper?

Mr. WISNER. They are in federal space that must be vacated to allow for this renovation to occur.

Mr. MEADOWS. So we are making money?

Mr. WISNER. We—I will have to get back to you on the—

Mr. MEADOWS. Based on the numbers—you said \$250,000 was the lease in—

Mr. WISNER. The monthly income will be \$250,000, once we hand it over to the private-sector entity, yes.

Mr. MEADOWS. All right, \$250,000 a month.

Mr. WISNER. The agreement states—we will have to get back to you.

Mr. MEADOWS. Because here is what I find, and what I am troubled by. And while this sounds like this is water under the bridge and we need to just figure out a best way to accommodate Mr. Robbins and—but I don't want to further exacerbate that, and it sounds like that is what we are doing, we are making decisions for an Old Post Office that I love—I love that building—but we are not in the business, you know, of managed properties for profit. And you should be, but you are not. I mean I have looked at your numbers, and you are not.

And so, what I am troubled by is we are making decisions to house people here, getting rid of a federal building, so we can lease it to a multi-purpose use, I guess, is what you would say that that—the Old Post Office is. So we are moving them out, putting them in a leased facility. And yet we were in a hearing yesterday where they were talking about leasing—wanting to increase—buildings in this quadrant because we need more square footage for this and that. Do you not believe, Mr. Wisner, that there is a better, more cost-effective way to manage our public buildings than what is currently being utilized? Do you think the GSA could do a better job? Or do you think the private sector could do a better job of managing the federal assets?

Mr. WISNER. I think we do a good job of managing the private—

Mr. MEADOWS. I didn't say did they do a good job. Could they do maybe a better job?

Mr. WISNER. I think there is always room for improvement, sir.

Mr. MEADOWS. All right. So would—your recommendation is to do away with the GSA and let the private sector—

Mr. WISNER. No, sir. That is not what I said. I said there is always room for improvement.

Mr. MEADOWS. I didn't think you did, but—so, how do we make sure that we are most cost effective? Because a lot of this today is pent up frustrations is what we are hearing. It is saying we have made stupid decisions in the past, let's not make them again.

Mr. WISNER. Yes, sir.

Mr. MEADOWS. I am all for great space. I have got 12 people, at times, in an 800-square-foot office. And Mr. Connolly is more senior than I am, and so he has a bigger office than I have, and—

Mr. CONNOLLY. I probably have less space, I am in Cannon.

Mr. MEADOWS. Well, I have the smallest office on Capitol Hill. So—but that being said, I am all for giving—from a functionality standpoint, Mr. Robbins, I want you to have what you need. I have had nice offices that I paid for myself. But when it comes to managing—Mr. Wisner, if there is one thing I want you to take from that, it is that making decisions on behalf of the American people need to be made as if you were spending your own personal dollars.

Mr. WISNER. Yes, sir.

Mr. MEADOWS. And that is not happening. I am telling you decisions are being made every day in this city that we wouldn't make—moms, single moms back in my district, wouldn't make the same decisions. And they are not even trained to do this, but they know, dollars and cents, that it doesn't make sense.

And so, my admonishment to you and my encouragement to you is that it is time that you start working a cost-effective way for the American people to make sure that the cap rates we get are market—I am telling you. I go all over this city. The cap rate that you tell me is not an effective cap rate. It may be effective in terms of the Federal Government. But the private sector pays a whole lot more than that.

And so, I would challenge you to look at that, and let's go after this, make sure the FTC gets what they want, what they need—more what they need than what they want, because I think that what happens is that we all have—and Mr. Robbins, I challenge you. I want you to look for the future needs of 1,650—you would have plenty here. What I need you to look at is certainly the 5-year, 10-year plan. But in that is realize the other dollar that is spent is—somebody back home in my district is paying for.

Mr. ROBBINS. That is exactly what we have tried to do here.

Mr. MEADOWS. I yield back.

Mr. MICA. How many parking spaces are there at the Apex Building? Forty? Fifty?

Mr. ROBBINS. Give me one moment.

Mr. MICA. Forty, fifty. I have been down there. The staff—there is—

Mr. ROBBINS. I believe there is 44.

Mr. MICA. Forty-four. What kind of parking is available here? The 655 that are coming in here, I think almost all of them will have access to parking.

Mr. ROBBINS. I know that we will have—

Mr. MICA. Is that right, staff? What are we told?

Mr. ROBBINS.—from the parking that is available in the building. I think it is shared with—

Mr. MICA. How many spaces here will be available—

Mr. ROBBINS. Remember, we are consolidated from New Jersey building and M Street, and those folks already have parking, which they are accessing.

Mr. MICA. God forbid we should have someone other than the commissioners and 100 paid staff having a parking space. You are keeping them in the old—

Mr. ROBBINS. I share your concern of FTC employees, and we want to take good care of them in all that we do.

Mr. MICA. I am sure—just told Mr. Connolly it must be full of asbestos, too. I will have to check that. All right. Well—

Mr. ROBBINS. I am not aware of any asbestos issues within the headquarters building, Mr. Chairman.

Mr. MICA. Well, we will check that out. I haven't followed through all of the ceilings and stuff. I am sure I can find some or bring some in. You can tell I have a distinct interest in this. And there are some things that—you know, 600 people go in that building a day, 40 park there. The National Gallery will have four or five million people that don't need a car that will see the nation's treasures, which, again, we haven't for several generations done any upgrading of our National Gallery to house our national treasures.

Yes, it was an important building when Roosevelt dedicated it. And he did it to consolidate the scattered FTC operations in Washington. So, again, this is 2013, looking to the future, and consolidating at least three operations. And they came to our committee requesting a fourth, and that is when we came up with some of this proposal some years ago.

So, I think, in the long term, it would greatly benefit the FTC. I told Mr. Connolly more people will know about the FTC building and its headquarters and its operations once you move out from that location than ever, because four or five million people go in there, it will be a space dedicated to the history of the FTC and its use of that building and its function, far more—most people, they just put a few signs up in the last few years—

Mr. ROBBINS. The FTC seeks to serve every American citizen. There are hundreds of millions across this nation, for example, that have registered on the national Do Not Call registry. We serve every American citizen, whether they are visiting D.C. or not.

Mr. MICA. And you house the kind of—and you do a good job and you have a great purpose. No one is disputing that. What I am disputing is the utilization of the space and consolidation of the agency in a cost-effective manner, to the benefit of our citizens and taxpayers and all the rest.

So, without further ado, thank you for—I want to thank Mr. Connolly, particularly, for his endurance, and Mr. Meadows for his compliance. And thank our witnesses. This is not the end of this

story, but we will leave the record open for a period of 10 days. Without objection, so ordered.

Mr. CONNOLLY. Mr. Chairman?

Mr. MICA. Yes?

Mr. CONNOLLY. Just for the record, our two witnesses have promised to get back to us with several——

Mr. MICA. Oh, yes. Oh, yes. We will have a deluge of questions, and hopefully getting responsive answers.

This hearing of the House Government Reform and Oversight, Subcommittee on Government Operations is adjourned.

[Whereupon, at 11:45 a.m., the subcommittee was adjourned.]

APPENDIX

MATERIAL SUBMITTED FOR THE HEARING RECORD

**Opening Statement
Chairman John Mica
Government Operations Subcommittee Hearing
“FTC and GSA Thwart Cost Savings Consolidation”**

December 3, 2013

- Good morning. I would like to welcome Ranking Member Connolly, Members of the subcommittee, our witnesses, and members of the audience. Thank you for making the short trip over to this beautiful building.
- We are here to examine the merits of relocating the Federal Trade Commission to more efficient, modern office space -- namely, this building, the Constitution Center.
- Doing so will ensure that taxpayers do not have to foot the bill for renovating the FTC's aging headquarters, and eliminate the need for the National Gallery of Art to lease additional space. This proposal will save taxpayers nearly 283 million dollars.
- Throughout my time serving as a Member of Congress, I have worked to reduce waste and inefficiencies at many levels of the federal government, including in our public buildings. The use of the Apex Building—FTC's current headquarters--is no exception. My proposal to transfer the building to the National Gallery and relocate FTC personnel to the Constitution Center has enjoyed support from other Members of Congress. Last Congress, the Transportation and Infrastructure Committee passed a resolution approving of this proposal.
- The Apex Building once met the needs of the FTC. But today, the FTC is scattered around the city in three different locations. The Apex Building is aging, and in need of several renovations. In fact, it is so inefficient that the agency only uses a little over half of its 306,000 square feet. It simply does not facilitate modern-day office operations.
- The National Gallery of Art, which is a federal entity, badly needs space. It cannot meet all of its space requirements at its primary facility. The federal government is in a position of having to spend more money leasing additional space to address the Gallery's needs.
- There is a simple solution to both of these problems. The Constitution Center has more than enough square footage to accommodate the Apex Building and New Jersey Avenue personnel, and will result in a much more efficient utilization of federal office space. The Apex Building employees would be giving up less than 2 useable square feet per person, and still have more space than those at many other federal agencies.
- This building has been fully renovated, and offers an updated configuration and state of the art amenities. It even houses enough parking for FTC's employees, compared with just around 40 parking spaces for 671 employees at the Apex building.

- Relocating the Apex building personnel will allow for retained federal ownership of the building while significantly improving the National Gallery's ability to store and display the many works of art given to our nation.
- Most importantly, the National Gallery would fund the necessary renovations of the Apex building with private donations rather than taxpayer dollars, eliminating the need for the government to continue paying to lease additional space to meet its needs.
- Despite the numerous benefits of this proposal, GSA and the FTC continue to stonewall efforts to implement these cost savings.
- I would like to welcome the witnesses on our panel--
 - Mr. David Robbins, Executive Director of the Federal Trade Commission, and
 - Mr. Chris Wisner, General Services Administration Public Buildings Service Assistant Commissioner for Leasing.
- We appreciate you appearing before the subcommittee today. I look forward to hearing your testimony and getting to the bottom of the FTC and GSA's opposition to this common sense plan.

Statement of Congressman Gerald E. Connolly (VA-11)
Ranking Member
Subcommittee on Government Operations
Committee on Oversight and Government Reform
Federal Trade Commission and General Services Administration
Thwart Cost Saving Consolidation

December 3, 2013

Chairman Mica, thank you for holding this morning's hearing to examine proposals that would consolidate the U.S. Federal Trade Commission (FTC) offices in the Constitution Center and transfer the historic FTC Apex Building headquarters to the National Gallery of Art (NGA). I also want to express my appreciation to the Constitution Center facility for hosting today's Government Operations Subcommittee hearing.

The historic Apex Building and the NGA's East and West Buildings form an iconic streetscape at the end of the "Federal Triangle," and I can certainly understand why proposals to modify the current set up might generate a diverse range of views and opinions among interested stakeholders and citizens, including my constituents who reside in the Commonwealth of Virginia's 11th Congressional District and work for the FTC and NGA.

Recognizing that I arrive at this issue with a relative clean slate compared to the Chairman and agency stakeholders who have developed significant experience and expertise while working on this matter for six years running; I am interested in hearing from all sides today on the potential savings, potential costs, and operational impacts associated with the proposed FTC consolidation and associated transfer of the Apex Building from the FTC to the NGA.

My understanding is that the Chairman, an avowed supporter of the arts, has long sought to give the Apex Building to NGA. By expanding the museum to occupy three buildings, NGA would be able to grow and expand its program offerings to better serve the American public, while consolidating leases and cutting costs.

However, I have also come to learn that the FTC and the U.S. General Services Administration (GSA) believe this transfer would not be advisable with respect to operational or financial considerations. For example, analyses conducted by the FTC and GSA found that the moving costs alone of consolidating the FTC into a leased space would add up to approximately \$95.9 million, while GSA's available space in the Constitution Center of 358,537 rentable square feet would not meet the FTC's minimum space requirement of 446,054 square feet. In addition, the FTC has also expressed concerns with respect to historical considerations, since former President Franklin Delano Roosevelt built the celebrated Apex Building in 1938 specifically to serve as the home for the newly-established FTC.

I want to thank our witnesses for participating in our hearing this morning, and I look forward to examining these complex real property management issues. I hope we can have a constructive discussion focused on how we can best serve the respective missions of the FTC and the NGA; the interests of the national capital region; and most importantly, the American taxpayer.

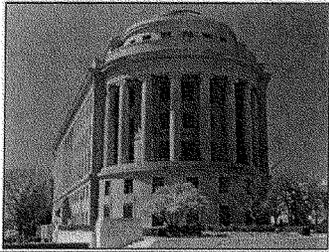
ABP-Print Plans

DC0019ZZ
 600 Pennsylvania Avenue NW
 WASHINGTON, DC 20580-0001

FEDERAL TRADE
 Triangle Service Center

10/29/2013 10:29:30 AM

Owned Building Profile

	GSF:	305,782		
	GSA RSF:	252,141		
	USF:	160,297		
	R/U Factor:	1.57		
	Indoor Parking:	44		
	Outdoor Parking:	0		
	No. of Floors:	9		
	Land Acreage:	1.8		
	Year Built:	1938		
	Historic Status:	NATIONAL REGISTER LISTED		
	Asset Manager:	[REDACTED]	FY13 Tier:	2B
	Property Mgmt:	[REDACTED]	Vacant:	0 USF - 0%
	Realty Services:	[REDACTED]	Major Agency:	FTC (2900)
	R&A:	[REDACTED]	Facility:	N/A
	DHS/FPS:	[REDACTED]	Holding Period:	>15 long term
Historic Contact:	[REDACTED]	Inventory Segmentation:	Core under/non performing	
		Pricing Method:	N/A	
		First Impressions:	No	

Description **Last Updated:** 06/24/2015 **By:** ASprull

Since 1938, the Federal Trade Commission (FTC) has been headquartered in the Apex Building. The Federal Trade Commission headquarters is housed in a structure whose cornerstone was laid with the same silver trowel that President George Washington used to lay the cornerstone of the U.S. Capitol in 1793. As he lay the cornerstone for the Apex Building with that historic silver trowel in 1937, President Franklin D. Roosevelt remarked, "May this permanent home of the Federal Trade Commission stand for all time as a symbol of the purpose of the government to insist on a greater application of the golden rule to conduct the corporation and business enterprises in their relationship to the body politic.

The subject building was constructed in 1937 and 1938 on a 1.67 acre property located in the Northwest quadrant of Washington, DC, at the intersection of 7th Street and Constitution Avenue, on a triangular shaped parcel of land. The site is bounded by 7th Street on the West, Pennsylvania Avenue on the north, 6th Street on the east, and Constitution Avenue on the South and east. The site is improved with an eight story, above ground, and one story below grade (with a small sub-basement area used to house mechanical equipment) limestone clad structure with 305,781 square feet of gross floor area, 252,141 square feet of rentable floor area (as measured by the GSA), and 160,297 square feet of usable floor area. Built as an apex to the Federal Triangle, the building was originally named the Apex Building- so named because it sits at the apex of Washington, D.C.'s Federal Triangle—at 600 Pennsylvania Avenue, NW. It is considered a Class B office building.

Since 1938, this asset has served as Headquarters for the Federal Trade Commission and the building is a monumental asset in NCR's portfolio. GSA recognizes and respects the building's historical and cultural value as the last Federal Triangle building constructed in the Depression-era. As stewards for this asset, GSA has kept the building much the same as it was in the 1930's.

The building essentially has a triangular footprint with a semicircular portico at the east end. An interior courtyard provides natural light to interior offices. The subject property is part of the National Historic "Pennsylvania Avenue 'Federal Triangle' Site" as designated by Congress.

in 1966. Two nearly identical allegorical sculptural groups called "Man Controlling Trade" are located at the east ends of the two avenues. Michael Lantz designed the sculptures in the Art Deco style. In each, a muscular man holds a rearing stallion, symbolizing the enormity of trade and the government in its role as enforcer. The sculptures have become the agency's informal logo.

The exterior walls are clad in large, smooth blocks of Indiana limestone laid in a regular pattern. There are midsection bays that are divided by pilasters (attached columns) or colonnades that form a loggia. The seventh story of the building has a slight recess from the balance of the building. There is a low hipped roof on the building that is covered with red terra-cotta tiles. The interior of the building has relatively few finishes but is in a good state of repair. There are three lobbies on the main level of the building with large, dark green terrazzo panels with black borders. Walls are clad in Neshobe gray marble. Plaster covers the ceiling and cornice. The subject building was one of the first Federal buildings to have central air conditioning designed when it was developed.

Performance Measures And Financial Status

Last Updated: 10/29/2013 By: CKnode

The Federal Trade Building has been classified as a Tier 2b asset for FY13 by GSA's National Office. Each year every owned asset is subjected to a series of financial performance tests used to segment the portfolio into tiers. Tier 1 assets are strong financial performers and have low reinvestment needs. Tier 2a assets are good financial performers but require large capital investment. Tier 2b assets are underperforming financially and fail to return a 6 percent on equity. Tier 3 assets are non-performing assets that fail to recover operating costs and basic reinvestment needs. This asset is classified as a tier 2b as the asset's return on equity is 5.7%.

This property is a long-term hold for GSA. The asset provides approximately \$5M to the FBF and is not a drain on GSA's limited resources.

In FY12, the FFO totaled \$4.7M. In FY13, the FFO is approximately \$5M due to a decrease in repair and alterations and National G&A and Regional G&A. The annual FFO is projected to be \$5M in FY14. The Federal Trade Building has been a significant financial performer in GSA's portfolio. This is a Delegated Facility and the expenses should be stable.

FTC has not expressed dissatisfaction with this building and the site is part of GSA's long-term hold strategy. GSA has a significant stewardship responsibility to preserve historic buildings and legal obligations under the National Historic Preservation Act and Executive Order 13006. Both the law and Executive Order call on the Federal Government to choose historic buildings first and to make every effort to put historic buildings to Government use and to keep them viable. The Federal Trade Building is a long-term hold for GSA.

The value estimated for the subject property is as follows:
Market value, as of October 26, 2011, was \$95,000,000

[Note: The last market value appraisal of this asset examined the value using existing OAs (\$95 million) and the value as if this property was exposed to the open market (\$92.8 million). The ABP uses the value which is based on existing OAs.]

The Federal Trade Building should continue to be a Tier 2B performing asset into the near future. The Occupancy Agreement (OA) went into effect on 9-15-2009, and will remain in effect until 9-15-2014.

Tenants

Last Updated: 06/19/2013 By: Aspruin

The Federal Trade Commission (FTC) has occupied the building since 1938 and occupies 100% of the space as the sole tenant. with the balance of space being joint use (daycare/cafeteria).

The mission of the FTC is to prevent business practices that are anticompetitive, deceptive, or unfair to consumers, as well as to enhance informed consumer choice and public understanding of the competitive process. Today, the FTC is the only federal agency with both consumer protection and competition jurisdiction in broad sectors of the economy. It pursues law enforcement efforts; advances consumers' interests by sharing its expertise with federal and state legislatures and other U.S. and international government agencies; develops policy and research tools through hearings, workshops, and conferences; and creates educational programs for consumers and businesses. One of its best-known programs is the National Do Not Call Registry, which helps consumers limit the number of telemarketing calls they receive. The FTC deals with issues that touch the economic life of every American by pursuing vigorous and effective law enforcement and creating practical and plain-language educational programs for consumers and businesses in a global marketplace with constantly changing technologies.

Operations

Last Updated: 06/19/2013 By: ASpruin

Responsibility for daily operation of the building has been delegated to the agency. The GSA/NCR Delegation's Liaison for FTC is Donna i Wells ((202)- 205-0126j. The property is within the inventory of the Triangle Service Center.

Washington DC Area Office Market

The Washington metropolitan area office market has been enduring a slow and sluggish recovery period following the recession in 2007 and 2008. Net absorption, though it has remained positive on an annual basis, has decreased each year from 5.4 million SF in 2010, to less than 1.7 million SF in 2011 and less than 275,000 SF in 2012. By way of comparison, the long-term annual average net absorption in the Washington metro area is 5.7 million SF. Average asking rents have increased during that time in Class A and Class B office but have fallen in the Class C segment. The rent increases shown do not include concessions. Delta and Associates has estimated that effective rents were down as much as 2.9% during 2012. Class A vacancy rates have been largely stable since 2010, as have Class C; Class B vacancy rates, on the other hand, have increased by over 27% from 11% to 14% during that time. The overall vacancy rate at the end of 2012 was estimated at 13.5%, higher than the previous two years but still the seventh lowest vacancy rate among the largest metro areas in the US. Currently, there is more than 7.5 million square feet of new office space under construction. On average, this space is 52% pre-leased.

Present demand factors which are combining to keep potential office space users on the sideline include: the uncertainty associated with sequestration and the federal budget issues; the federal government mandate to shrink its overall real estate footprint; on-going BRAC related move-outs; general tenant downsizing upon lease renewal; and the trend (in both the private and public sectors) to reduce office square footage per employee through desk sharing and teleworking.

East End

The East End is a principal downtown submarket in D.C., extending from 15th Street to 3rd Street and from Constitution Avenue to P Street (all in NW). There are a total of 404 office buildings with nearly 47.2 million SF of rentable area in the East End. At the end of first quarter 2013, this submarket had a vacancy rate of 9.9% which has held steady since year end 2010. There are currently 817,470 SF of office space under construction, with just under 43,000 SF having been delivered to market in the first quarter of 2013. This submarket had one of the highest average asking rental rates in the region at \$51.33/SF. The table below summarizes the key market factors and trends over the last three years and up through the most recent, completed quarter.

FOR INTERNAL GSA USE ONLY

Strategy & Action Plans

Holding Period: >15 long term **Inventory Segmentation:** Core under/non performing

Long Term Strategy Last Updated: 09/11/2013 By: ASpruill

The Federal Trade Building has been classified as a Tier 2b asset by GSA's National Office. The building is a Historic Landmark and remains in fairly good condition, much the same as it was in the 1930's. Since 1938, this asset has served as Headquarters for the Federal Trade Commission and the building is a monumental asset in NCR's portfolio. FTC has not expressed dissatisfaction with this delegated asset and therefore the building should be retained by GSA for an indefinite holding period. Future development of the site is limited given the building's historic designation.

The Investment Program's long-term objectives will need to address the Repair and Replacement of the Buildings Major Systems, while maintaining and preserving the Historic nature of the Building. Additionally, GSA's long - term strategy should focus on retaining the FTC Building in its inventory through appropriate capital investment. This can also be achieved through the financial support of the annual building maintenance program. Every year GSA considers minor repair and alteration projects and these projects will change annually. The following projects are under consideration but final decisions have not been made to repair and restore exterior doors and windows; replace the boiler room piping; roof coverings and terminal and package units.

Because of the Building's location in the Historic Federal Triangle and its proximity to major public activity generators, i.e., the Pennsylvania Avenue Corridor, White House, National Mall, DC Retail Core area, Metro Rail Station Stop, Historic Properties and the Ronald Reagan Building's International Trade Center, funds will need to be programmed for expenditures on the Exterior of the Building, to address the facade, landscaped areas, pedestrian pathways and signage, more so than for other Federal properties with locations in less prominent locations.

Action Plan Last Updated: 06/24/2013 By: ASpruill

Action Item	Completion Date		Responsible Party	Estimated Cost	Budget Activity	Description
	Estimated	Actual				
Historic Preservation/Arc			Project Manager			REPAIR AND RESTORE NIGHT GATES AND EXTERIOR DOORS The historic exterior doors and night gates need repair and conservati on. Hardware failures have led to security concerns and all aluminum surfaces need to have corrosion removed and be recoated with a protective coating.
REPLACE THE PARKING GARAGE EXHAUST AND CONDENSATE PUMPS			Project Manager			REPLACE THE PARKING GARAGE EXHAUST AND PUMPS
REPLACE THE ELECTRICAL SWITCHGEAR			Project Manager			REPLACE THE ELECTRICAL SWITCHGEAR

Additional Action Plan Remarks Last Updated: 06/19/2013 By: ASpruill

The short term strategy focuses on serviceability projects to repair and restore night gates and exterior doors. Projects scheduled for FY-12 include replacing the steam pressure reduction station, the parking garage exhaust and condensate pumps and the electrical switchgear.

FOR INTERNAL GSA USE ONLY

Asset Financial Summary

IFB: 178 Data Through 09/21/13

Last Updated: 4/24/2013 By: ASPRUILL

General Information

County: DISTRICT OF COLUMBIA	Congressman: Eleanor Holmes Norton	Senator: None
Senator: None	Cong. District: 98	Mayor: Vincent C. Gray
National Landmark (Y/N): 0	PBS RSF: 0	FRY (PBS Calculated): 95,987,347
Bldg Predominant Use: General	Customer Satisfaction Rating: 82.19%	Undeveloped Land: NO
Security Level: 3	Delegated Building (Y/N): Y	Last Major Renovation: 2007 Leaks
Environment Risk Index (ERI): 41.12	Facility Condition Index (PCS/FRV): 0.01	GSA's likelihood of being liable for Environ. Liab.: Probable
Environment Liability Cost Estimate: Gross: \$12,000 per GSF: \$0.04		

Type	Actuals 2011	Actuals 2012	YTD Actuals Aug 2013	Budget 2013	Budget 2014	Budget 2015
Direct Revenue	5,716,395	5,738,926	5,253,311	6,077,156	5,742,715	6,077,156
Operations and Maintenance	84,763	93,007	78,533	39,738	40,930	42,158
Repair and Alterations	0	219,573	2	24	24	25
Rental of Space	0	0	1	0	0	0
Protection	0	0	0	0	0	0
National G&A	231,965	218,091	78,982	105,156	108,311	111,560
Regional G&A	255,890	259,498	85,51	118,128	121,672	125,322
Fed Protect Service G&A	0	0	1	0	0	0
Field Office G&A	11,095	4,433	1,20	22,891	23,577	24,285
Purchase Contracts	0	0	0	0	0	0
Real Estate	0	157,409	39,765	157,409	162,131	166,995
Other Expenses	192,635	31,681	52,997	82,579	85,056	87,608
Funds from Operations	4,940,046	4,755,234	4,916,301	5,551,232	5,201,013	5,519,203
NOI:	5,427,901	5,232,824	5,080,795	5,774,516	5,430,996	5,756,085

Budget Activity	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
BA54	235,315	53,884	0	116,189	195,988	410,603
BA55	0	0	0	0	0	0
Total	235,315	53,884	0	116,189	195,988	410,603

Notes: Last Updated: 6/19/2013 By: ASpruill

Since 1938, the Federal Trade Commission (FTC) has been headquartered in the Apex Building so named because it sits at the apex of Washington, D.C.'s Federal Triangle-at 600 Pennsylvania Avenue, NW. The Federal Trade Commission headquarters is housed in a structure

whose cornerstone was laid with the same silver trowel that President George Washington used to lay the cornerstone of the U.S. Capitol in 1793. Since 1938, the Federal Trade Commission (FTC) as been headquartered in the Apex Building.

The interior spaces are relatively restrained; only public spaces and hearing rooms are afforded a measure of distinction. Three lobbies on the first floor share similar features. Floors are covered with large, dark green terrazzo panels with black borders. Walls are clad in Neshobe gray marble with black marble on fluted pilasters, and plaster covers the ceiling and cornice. The FTC building was one of the first federal buildings in Washington to have an integral air-conditioning system and a basement parking garage.

Built as the apex to the Federal Triangle, this building serves as an elegant focal point and monumental asset in NCR's portfolio.

All projects must be submitted to the Regional Historic Preservation Officer for coordination with the State Historic Preservation Officer as project is being developed.

		Last Updated: 2/15/2013 By: CREED	
Property Value: 595,000,000			
Determined by (mark appropriate box):			
El Market Value Appraisal	<input type="checkbox"/> GSA Direct Cap	<input type="checkbox"/> Construction Cost	<input type="checkbox"/> ROI Value
Fair Market Valuation Analysis (By Independent Appraiser):			
Methodology:		Date of Valuation: 10/26/2011	
Appraisal:		Amount	S/RSF
Sales Comparison Approach:	<input type="checkbox"/>	94,130,020.1	373.28
Income Capitalization Approach:	<input type="checkbox"/>	95,500,900.0	378.76
Cost Approach:			
Bldg Value and use	<input type="checkbox"/>	178,000,000.0	
Total Cost Approach	<input type="checkbox"/>	178,000,000.0	705.95
Bldg Replacement Cost:			
Fair Market Value Appraisal Assumptions:			
Discount Rate(%):			
Growth Rate(%):			
Overall Cap Rate(%):			
Final Property Value:		95,000,000.4	376.7

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