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GSA TENANT AGENCIES: CHALLENGES AND OPPORTUNITIES IN REDUCING COSTS OF LEASED SPACE

(113–80)

HEARING

BEFORE THE

SUBCOMMITTEE ON
ECONOMIC DEVELOPMENT, PUBLIC BUILDINGS, AND EMERGENCY MANAGEMENT

OF THE

COMMITTEE ON
TRANSPORTATION AND
INFRASTRUCTURE
HOUSE OF REPRESENTATIVES

ONE HUNDRED THIRTEENTH CONGRESS

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Committee on Transportation and Infrastructure
U.S. House of Representatives

Bill Shuster Chairman	Washington, DC 20515 July 25, 2014	Nick J. Rahall, II Ranking Member

Christopher P. Bertram, Staff Director — James H. Zoia, Democrat Staff Director

SUMMARY OF SUBJECT MATTER

TO:	Members, Subcommittee on Economic Development, Public Buildings, and Emergency Management
FROM:	Staff, Subcommittee on Economic Development, Public Buildings, and Emergency Management
RE:	Oversight Hearing on "GSA Tenant Agencies: Challenges and Opportunities in Reducing Costs of Leased Space"

PURPOSE

The Subcommittee on Economic Development, Public Buildings, and Emergency Management will meet on Wednesday, July 30, 2014, at 10:00 a.m., in 2167 Rayburn House Office Building to examine the U.S. General Services Administration's (GSA) leasing program, the real estate strategies of key tenant agencies, and the challenges and opportunities that exist to take advantage of the current real estate market and reduce costs to the taxpayer. Participants will include the GSA and key federal agencies that lease commercial office space through the GSA.

BACKGROUND

GSA's Leased Portfolio

Nationwide, the GSA owns or leases over 9,600 assets, totaling more than 377 million rentable square feet of space. More than 7,400 of those assets are leased, accounting for 195 million rentable square feet -- more than half of the GSA's total space inventory. In the National Capital Region alone, the GSA leases 57.5 million rentable square feet. In addition, the cost of leasing space accounts for more than half of the GSA's Federal Buildings Fund (FBF)[1] annual expenses, totaling more than $5.4 billion annually.

Opportunity for Costs Reductions

On July 15, 2014, the Subcommittee held a roundtable with the GSA and private sector experts that confirmed there is a unique opportunity in the next few years to save taxpayer dollars through taking advantage of the market, improving space utilization, and negotiating

[1] The FBF was established under 40 USC § 592 and pays for all of the expenses for GSA's Public Buildings Service (PBS), including costs associated with construction, acquisition, and maintenance of federal buildings, PBS's salaries and expenses, as well as lease payments for commercial space. Tenant agencies pay GSA a rent for both owned and leased space and, for leased space, GSA in turn pays the private sector landlord.

good lease deals through longer lease terms. Integral to doing this are the GSA's tenant agencies. Much of the preliminary work for preparing for expiring leases, including the development of the program of requirements and assessments of space needs, occurs at the tenant agency level. Currently, this process, particularly for larger prospectus-level leases, must begin no later than two years prior to lease expiration to ensure the process can be completed in time to run a full and open competition.

As highlighted during the roundtable, there is an opportunity to reduce costs through negotiating good terms and leasing rates. In fact, there is a unique opportunity in the near term to produce real savings in GSA leasing. Over the next five years, leases representing 98 million square feet of space in the GSA's inventory will be expiring – 50 percent of the GSA's total leased portfolio.

The large amount of leased space in expiring leases in the near term coupled with the current market rates, creates an opportunity for the GSA and tenant agencies to reduce costs through improving utilization rates, negotiating longer term leases to lock in lower rental rates, and negotiating other concessions that benefit taxpayers.

Longer Term Leases

The cost difference between short-term lease extensions (one to three years) and leases with longer terms (10, 15 years, or longer) is stark. The current weighted cost difference between the GSA's short-term and longer term leases is almost 20 percent. Longer term leases also provide the GSA the ability to negotiate additional concessions or savings. For example, in the recent case of a new lease for the National Science Foundation (NSF) headquarters, the GSA awarded a lease at a rental rate of more than 30 percent below the market rate and included $35 million to the government that can be applied to further reduce rent costs and address costs associated with relocating the NSF. The GSA estimates that the taxpayer will save $65 million over the 15-year term of the lease.

Current Rental Market

Taking advantage of the opportunity presented by the large percentage of leases expiring in the near term would also allow the GSA and tenant agencies to lock in current rental rates. Most of the top markets where the GSA has leases have rates still below their peak rates in 2007 and 2008. For example, New York City rates are 13.8 percent below its peak rates, Washington, D.C. rates are 5.7 percent below, Northern Virginia rates are 5.4 percent below, and Suburban Maryland rates are 15.1 percent below. The real estate market is continuing to grow strong and could very likely return to close to or at its peak rental levels.

Potential Savings for Departments and Taxpayer

The federal agencies testifying at the hearing represent 52 percent of the GSA's leased space, $3.3 billion of annual rent payments for commercial leases, and 61 percent of lease payments from the Federal Buildings Fund.[2] Table 1 summarizes the size and cost of leases expiring for each department in the near term. If lease costs were reduced for these agencies --

[2] Based on data reported in GSA's FY2013 State of the Portfolio Snapshot.

through negotiating better rates on longer term leases and improved utilization -- by just 10 percent, there would be at least $300 million saved annually, and $3 billion saved over 10 years.

Table 1.

Agency[3]	Expiring Next 5 Years (Rentable Sq. ft)	Percentage of total leased space	Expiring Next 5 Years (Annual Cost)	Prospectus Level (Sq. ft.)	Prospectus Level (Annual Cost)
DHS	32.2 million[4]	71%	$1 billion	8.9 million	$393 million
DOJ	15.5 million[5]	49%	$545 million	5.9 million	$257 million
SSA	10.6 million[6]	52%	$309 million[7]	N/A	N/A
HHS	8.4 million[8]	68%	$213 million	2.7 million	$102 million
DoD	5.2 million[9]	62%	$167 million[10]	N/A	N/A
Totals:	*71.9 million*		*$2.2 billion*		

Opportunity for Cost Savings through Improved Space Utilization

Both the Committee and the Administration have been working to reduce the costs of leased space by improving the space utilization rates of agencies and reducing their space footprint. Large leases over $2.85 million annually must be authorized by the House Committee on Transportation and Infrastructure and the Senate Committee on Environment and Public Works. During this Congress, through efforts to get the GSA's tenant agencies to improve their space utilization, the Committee has authorized leases that will potentially result in over $1 billion in savings to the taxpayer over the terms of those leases.

On March 14, 2013, the Office of Management and Budget (OMB) issued a Management Procedures Memorandum prohibiting agencies from increasing the total square footage of their domestic office and warehouse inventory compared to their fiscal year 2012 baseline -- in effect requiring agencies to freeze their federal real property footprint. In addition, the memorandum requires federal agencies to offset any proposed new growth in space with corresponding reductions in existing total office or warehouse space.

Agencies were required to submit annual plans to the OMB on progress they have made towards reducing their space to fiscal year 2012 levels or lower. In June of 2014, those annual updates were submitted. The plans included both owned and leased office and warehouse space. Table 2 summarizes the office and warehouse space for each department as of the end of fiscal year 2013, their target baseline for the purposes of the OMB's Freeze the Footprint directive and the department's stated target utilization rate.

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[3] Data for the State Department not available by date of Memorandum.
[4] Through FY2019
[5] Through FY2020
[6] Through FY2019
[7] Estimate based on 52 percent of total annual rent paid to GSA by SSA reported in GSA's FY2013 State of the Portfolio Snapshot.
[8] Through FY2018
[9] Through FY2017; does not include U.S. Army Corps of Engineers.
[10] Estimate based on 62 percent of total annual rent paid to GSA by DoD reported in GSA's FY2013 State of the Portfolio Snapshot.

Table 2.

Agency	Total Space[11] (Leased/Owned) (Usable Sq. Ft.)	Freeze the Footprint Baseline (FY2012)	Target Utilization Rate ("All-in" usable square feet per person)
DHS	48.5 million	48.4 million	200 (target 150 for office)
DOJ	48.4 million	48.4 million	240 (target 130 for office)
SSA	26 million[12]	26.4 million	150 (average)
HHS	19.9 million	19.7 million	170
State	6.8 million	7.1 million	Below 200
DoD	295 million[13]	306 million	Utilization Rates are determined by branch and category of space.

ISSUES

There are a number of challenges to reducing the size and costs of federal office space and taking advantage of the unique opportunity presented by the large number of expiring leases, low financing costs, and the current down market. Some common challenges include:

- Tenant agency reluctance to relocate, relinquish space, or improve utilization rates;
- Upfront agency relocation and replication costs (e.g. tenant improvements, information technology, furniture, and move costs);
- A complicated and time consuming GSA leasing process;
- Slow tenant agency and GSA decision making processes;
- Work capacity – at every phase of the lease replacement process (e.g. tracking expirations in a timely manner, Program of Requirements (POR) development, lease procurement, negotiation, and execution);
- Communication and coordination between tenant agencies and the GSA; and
- Delegated GSA leasing authority.

CONCLUSION

With the large amount of space in expiring leases, the hearing will focus on the opportunity this presents to reduce costs and negotiate good lease deals for the taxpayer. The hearing will explore tenant agency plans to reduce their leased inventory, lower their costs, and to identify challenges that may exist to achieving this goal.

[11] Total space includes that space counted for purposes of the Office of Management and Budget's Freeze the Footprint Directive (office and warehouse space).
[12] Reported in usable square feet.
[13] DoD's space calculated as part of Freeze the Footprint does not include military bases and installation.

WITNESS LIST

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Public Buildings Service
U.S. General Services Administration

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Assistant Secretary for Administration
U.S. Department of State

Mr. Michael H. Allen
Deputy Assistant Attorney General for Policy, Management and Planning
Justice Management Division
U.S. Department of Justice

Mr. Jeffery Orner
Chief Readiness Support Officer
U.S. Department of Homeland Security

Mr. Peter Spencer
Deputy Commissioner of Budget, Finance, Quality and Management
Social Security Administration

Mr. E.J. Holland, Jr.
Assistant Secretary for Administration
U.S. Department of Health and Human Services

Mr. William E. Brazis
Director
Washington Headquarters Service
U.S. Department of Defense

GSA TENANT AGENCIES: CHALLENGES AND OPPORTUNITIES IN REDUCING COSTS OF LEASED SPACE

Wednesday, July 30, 2014

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

The subcommittee met, pursuant to notice, at 10 a.m., in Room 2167 Rayburn House Office Building, Hon. Lou Barletta (Chairman of the subcommittee) presiding.

Mr. BARLETTA. The committee will come to order. First, let me thank Commissioner Dong and our agency witnesses for all being here today. Together, your agencies occupy over half of GSA's expiring leased inventory.

Today's hearing is the second step in our committee's GSA leasing initiative to save taxpayer dollars through right-sizing Federal real estate. Step 1 was our July 15th roundtable where GSA agreed to partner with our committee to improve office utilization, lock in low rental rates and help agencies protect their employees from shrinking budgets.

The purpose of today's hearing is threefold: One, to set expectations for what it will take to approve agency leases. Two, to learn what challenges agencies face to shrink their footprint and use long-term leases to get the best prices. And, three, to learn how Congress can help GSA and the agencies achieve this goal.

I believe we have a unique opportunity to work together and save a tremendous amount of taxpayer money. We have the same objective. The President wants to save money through real estate and so does Congress. And it is not just me who sees this opportunity. Private sector tenants are taking advantage of the market and negotiating good, long-term leases that cut their costs.

So what are these conditions? One, inventory turnover. Two, low interest rates. And, three, a buyer's market. Let's take a closer look at these conditions.

Inventory turnover. If you look at slide 1, you will see almost 100 million square feet of GSA leases expire in 5 years. That is half of GSA's leased inventory. It is also the size of 32 of the new World Trade Center buildings in New York.

Low interest rates. Financing costs are near historical lows. Literally billions of dollars of cheap and abundant capital are sitting

on the sidelines waiting to help reshape the Government's leased inventory.

A buyer's market. Vacancy rates are high and rental rates are low in almost every market GSA has a presence.

So what is the key to realizing this potential? Long-term leases of 10 years or more. Why is the length of the lease so important? At the most basic level, a longer lease lowers risk, lowers finance costs and provides certainty for the landlord who can then offer lower rents.

If you look at slide 2, you will see GSA pays a 20-percent premium for short-term leases of 3 years or less compared to longer leases. But long-term leases do much more than just lower rental rates. They allow the Government and the building owner to spread out the upfront costs of moving or reconfiguring space to accommodate more people. You cannot do this with a short-term lease. For example, slide 3 shows three recent GSA leases. The 3-year lease has a high rent and no concessions. The longer leases have lower rents and significant concessions.

Unfortunately, slide 4 shows a significant amount of GSA leases are for 3 years or less. And that number is growing every year. There is clearly room for improving those numbers and saving taxpayer dollars.

I also believe this is a win/win opportunity for everyone involved. Agencies can get new office space that better meets their needs, lowers their rent and allows them to protect their staff from budget cuts. The taxpayer gets significant savings, which the President and the committee wants.

In order to get these types of good deals, planning must start well in advance. In particular, prospectus level leases require significant time to develop and execute. Tenant agencies need to embrace the President's savings goals and run competitive procurements to replace their leases.

Today, I hope to hear how GSA and its tenant agencies are going to replace 100 million square feet of expiring space with long-term deals that improve utilization rates and lower costs. That is a lot of leases and today's market opportunity is not going to last forever.

What are the challenges or obstacles that prevent agencies from moving or reducing their real estate footprint? As chairman of the subcommittee, I am open to suggestions to simplify and speed up the leasing process so that taxpayers can benefit from this opportunity.

This Congress, we have already saved $1 billion by simply reducing the size of prospectus level lease replacements by up to 20 percent.

Given the larger number of expiring leases, the opportunity for additional savings is even larger. For example, if the agencies before us here today lower their lease replacement costs by 10 percent through a combination of space reduction and good long-term rates, we can save $3 billion over the next 10 years. That is a goal worth achieving, and I look forward to working with all of you to get it done.

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

Mr. CARSON. Thank you, Chairman Barletta. And good morning to you, sir, and to the legendary, the incomparable Madam Eleanor Holmes Norton and my good friend, Mr. Walz and my other colleagues, Dr. Shultz, over there, my buddy.

You know, subcommittee members and witnesses, welcome to today's hearing. We are following up essentially on last year's hearing when we examined the GSA's implementation of the administration's freeze on the Federal footprint dealing with real estate policy.

We heard details from several agencies about their work to reduce their real estate footprint. The agencies testified about their efforts to increase utilization rates, release unneeded property and maintain their fiscal year 2012 real estate footprint. Today, we hope to get a better understanding of how agencies have executed their plans to maintain their baseline and how they plan to tackle expiring leases over the next 5 years within the "Freeze the Footprint" framework.

According to GSA, over the next 5 years, over 100 million square feet of leases will expire. As Chairman Barletta mentioned, this is nearly 50 percent of their leases. As the Federal Government's landlord, GSA has a responsibility to work with other Federal agencies to make good decisions that reflect both the will of the administration and Congress. The sheer volume of expiring leases over the next 5 years present a great opportunity to accelerate current efforts to reduce the Federal footprint by cutting existing space requirements.

In the wake of the great recession, we have watched the private industry downsize and become more efficient in utilizing space as a result of economic pressure. We expect Federal agencies to do the same.

Although the "Freeze the Footprint" policy currently applies only to office and warehouse space, we look forward to an update on broader efforts by GSA and other agencies beyond those two space classifications. If there is unneeded property that can be sold or redeveloped, it is very important for the committee to know about those properties. We also want to know about any assistance that we can offer these agencies in disposing of assets in their real estate portfolio. If an agency has a unique mission that needs to be impacted by your ability to "Freeze the Footprint" policy, we need to hear about them. We want GSA to help those agencies reduce their footprint, but we want them to be very smart about it.

So thank you, Mr. Chairman. I look forward to hearing from our witnesses today.

Mr. BARLETTA. Thank you, Mr. Carson. At this time, I would like to recognize the chairman of the full committee, Mr. Shuster.

Mr. SHUSTER. Thank you, Mr. Barletta. And I want to thank the subcommittee chairman for holding this hearing today. And also to thank Ms. Norton, who has really been a champion for utilizing these Government spaces, saving money by doing things smarter, utilizing leases. So thanks to Ms. Norton, not just for the past couple of years but for over a decade or so, she has been really pushing the issue. And I appreciate it greatly.

I want to thank all of our panelists for being here today, especially Mr. Dong. Thank you for coming. And I am very encouraged

by what I hear from Mr. Dong. He has only been on the job about 4 months, so he cannot fix it basically overnight. But, again, I have been encouraged in our discussions, by what I see him doing at the GSA, at the Public Building Service.

And the time is ripe. I do not want to go all over the numbers, which Mr. Barletta put out there so well, but this is a great opportunity for us to save a billion dollars. It is a great opportunity for us to look at things and do them in a different way. And it is not something that we want to do, it is something we have to do.

And just a couple of days ago, I guess last week, the Old Post Office Building, groundbreaking with the Trumps coming in and redeveloping it. I understand that this is the first in a long period of time that we have done that. I guess the Hotel Monaco was the last one to my knowledge. And so again we need to be looking and learn from this opportunity. Talking with the Trumps and their organization, what was good, what was bad.

I know Mr. Barletta had a hearing in New York City on this issue, and Ivanka Trump testified. And she had some positives, and she had some negatives. And, again, we really need to learn from that as we move forward.

And, again, this billion-dollar savings I believe is the tip of the iceberg. There are many buildings around Washington, around the country, that we can have the private sector come in and utilize their money to rehabilitate these buildings and put them back into use, which I think is something, as former Chairman Mica always stresses, being a former developer, on the opportunity we have to do this.

So I am very pleased that everybody is here today. I am pleased that Mr. Carson and Mr. Barletta are exploring this and have been for many, many months now. So, again, thank you all for being here and thank you, Mr. Chairman.

Mr. BARLETTA. Thank you, Mr. Chairman. Before we begin, I would like to welcome Mr. Webster. Very happy he is participating today, he has a big interest in what is going on. And I ask unanimous consent that Mr. Webster of Florida, who is a member of the Transportation and Infrastructure Committee, be permitted to participate in today's subcommittee hearing. Without objection, so ordered.

On our panel today, we have Mr. Norman Dong, Commissioner, Public Buildings Service, General Services Administration; the Honorable Joyce A. Barr, Assistant Secretary, Bureau of Administration, U.S. Department of State; Mr. William Brazis, Director, Washington Headquarters Services, U.S. Department of Defense; Mr. Michael H. Allen, Deputy Assistant Attorney General for Policy, Management and Planning, Justice Management Division, U.S. Department of Justice; Mr. E.J. Holland, Jr., Assistant Secretary for Administration, U.S. Department of Health and Human Services; Mr. Jeffery Orner, Chief Readiness Support Officer, U.S. Department of Homeland Security; and Mr. Peter Spencer, Deputy Commissioner, Office of Budget, Finance, Quality, and Management, Social Security Administration.

I ask unanimous consent that our witnesses' full statements be included in the record. Without objection, so ordered.

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

Mr. Dong, you may proceed.

TESTIMONY OF NORMAN DONG, COMMISSIONER, PUBLIC BUILDINGS SERVICE, U.S. GENERAL SERVICES ADMINISTRATION; HON. JOYCE A. BARR, ASSISTANT SECRETARY, BUREAU OF ADMINISTRATION, U.S. DEPARTMENT OF STATE; WILLIAM E. BRAZIS, DIRECTOR, WASHINGTON HEADQUARTERS SERVICES, U.S. DEPARTMENT OF DEFENSE; MICHAEL H. ALLEN, DEPUTY ASSISTANT ATTORNEY GENERAL FOR POLICY, MANAGEMENT, AND PLANNING, JUSTICE MANAGEMENT DIVISION, U.S. DEPARTMENT OF JUSTICE; E.J. HOLLAND, JR., ASSISTANT SECRETARY FOR ADMINISTRATION, U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES; JEFFERY ORNER, CHIEF READINESS SUPPORT OFFICER AND AGENCY SENIOR REAL PROPERTY OFFICER, U.S. DEPARTMENT OF HOMELAND SECURITY; AND PETER D. SPENCER, DEPUTY COMMISSIONER, OFFICE OF BUDGET, FINANCE, QUALITY, AND MANAGEMENT, SOCIAL SECURITY ADMINISTRATION

Mr. DONG. Good morning, Chairman Barletta, Chairman Shuster, Ranking Member Carson and members of the subcommittee. My name is Norman Dong, and I am the Commissioner of the Public Buildings Service at GSA.

Our mission is to deliver the best value in real estate, acquisition and technology services to Government and to the American people. And when it comes to leasing, this means reducing costs and improving space delivery, which allows our partner agencies to focus their resources on core mission needs.

I would like to make three points this morning. First, GSA is focused on improving utilization throughout our portfolio, including in our lease space. We hold more than 375 million square feet of space, half of which is distributed among 9,000 leases across the country. And we are working with Federal agencies to improve utilization throughout our owned and leased portfolios. And, as a result, we have saved millions of dollars for our Federal partners and for the American taxpayer.

For example, in our fiscal year 2014 prospectus level leases, GSA and our partner agencies proposed a 13-percent square footage reduction, going from 4.3 to 3.7 million square feet. We are doing this by helping Federal agencies adopt new workplace arrangements and develop mobile work strategies so more people can work in less space.

Our client portfolio planning process helps agencies identify opportunities to co-locate and consolidate their space and right-size their inventories. And our Total Workplace Program helps agencies address the cost of furniture, IT and other upfront expenses that would otherwise prevent them from consolidating their space.

Second, within our leasing program, our top priority is to reduce cost by improving long-range planning and broadening competition. As this committee has pointed out, GSA has an unprecedented opportunity to reduce the cost of Federal real estate needs over the

long term. More than 59 percent of GSA's leases will expire over the next 5 years. And this year we have 10.7 million square feet of lease space expiring in the National Capital Region alone.

We still can capitalize on favorable market conditions while average rates remain below their peak levels. As I mentioned earlier, our strategy for leasing requires better workload management and better improved long-range planning. We need to start working with agencies to develop requirements at least 36 months prior to lease expiration and to issue advertisements at least 18 months prior to expiration. And we will be managing to these benchmarks to allow more time for competitive procurements that prevent costly holdovers and extensions.

And at the same time, we must broaden delineated areas and simplify specialized requirements to generate greater competition and more favorable rates.

In addition, GSA is moving away from the days of replacing expiring leases at a one for one ratio. Many of our fiscal year 2014 prospectuses address three or more lease expirations. For example, we are seeking a lease for the Department of Justice that will replace four different expirations across the District of Columbia. And we are improving utilization from 184 square feet to just 130 square feet of office space per person through this process.

By improving our upfront planning, taking a more flexible approach to delineated areas and seeking longer term lease arrangements, we are better positioning the Federal Government to take advantage of existing market conditions.

My third point is this: While today's hearing is about our shared efforts to reduce leasing costs, GSA's first priority is to maximize the use of our federally owned inventory. Our fiscal year 2015 capital plan continues our work to consolidate agencies out of expensive leases and into federally owned space.

In Detroit, for example, we are exercising an option to purchase a lease property on Michigan Avenue. This will allow GSA to renovate and backfill the building with agencies housed in four other leases. And this project will save the Federal Government about $11 million each year.

GSA will also continue DHS consolidation at St. Elizabeths. Last year, we opened a new headquarters building for the Coast Guard. And our fiscal year 2015 budget request allows us to complete the infrastructure needed to fully occupy the Center Building Complex and to move additional DHS components to St. Elizabeths.

And we are also maintaining our emphasis on large-scale consolidation projects. Our budget request this year reflects another $100 million to support agency efforts to co-locate, consolidate and reduce their footprint. As with current projects, we are showing how these upfront investments and agency consolidation will help reduce the real estate footprint and save money on agency leasing costs.

These investments are absolutely central to GSA's and this committee's work to reduce leasing costs and to shrink the Government's real estate footprint. We appreciate the fact that this committee approved 27 GSA prospectuses earlier this month.

Thank you for the opportunity to speak with you. Our work at GSA continues to benefit from our strong partnership with this

committee. I look forward to continuing to work with you, and I welcome your questions.

Mr. BARLETTA. Thank you for your testimony, Mr. Dong. Ms. Barr, you may proceed.

Ms. BARR. Chairman Barletta, Ranking Member Carson and members of this subcommittee, my name is Joyce Barr, and I am the Assistant Secretary of the Bureau of Administration at the State Department. Thank you for inviting me to testify today.

The State Department is a relatively small part of GSA's overall real estate holdings, accounting for approximately 2 percent of its nationwide portfolio. Approximately half of the domestic real estate that the Department occupies is Government-owned space and half is leased, primarily in the metropolitan areas. State Department personnel are housed in about 150 facilities across the country. We are the sole tenant in roughly half of these locations. In the remainder, we are co-located with other Federal organizations and other entities, mostly in Federal space. In addition, under special legislative authority, we own nine properties.

We have a close relationship with the GSA to acquire space to meet our operational needs, and we depend on their expertise and experience in real property management to meet U.S. mission requirements domestically.

The Bureau of Administration, which I head, is responsible for defining and validating the Department's evolving real estate requirements, coordinating with GSA in acquiring facilities and in managing the costs of those assets effectively. Our many missions shape and add complexity to our overall domestic real estate strategy.

As a member of the national intelligence community, the Department must meet certain operational security directives, which can increase costs under certain circumstances, such as when we move operations. Bureaus within the State Department are heavily integrated and must continually collaborate to effectively support the numerous policy and operational requirements of 275 U.S. embassies and consulates abroad. Therefore, we strive to co-locate bureaus together to foster that collaboration. And depending upon the need, place them as close as possible to headquarters in Foggy Bottom.

At the same time, back office functions, like passport production and financial activities, are located in lower cost areas, like Portsmouth, New Hampshire or Charleston, South Carolina. Mail and shipping operations supporting overseas posts, along with the Department's IT support, are also located outside of the Washington, DC, metropolitan area.

These operational factors have guided State's overall domestic real estate strategy for 25 years. We wholeheartedly endorse the goal of reducing leasing costs to the greatest extent possible. We recognize the need to minimize our real estate footprint and have been reducing our space allocation per person within our properties as opportunities arise. For example, GSA recently leased the Old World Bank Building on our behalf, enabling us to consolidate our Bureau of Consular Affairs from five separate locations. By incorporating space utilization benchmarks consistent with Federal and

private sector trends, we can now accommodate approximately 30 percent or 600 more personnel in the same space.

The Department has also made it a priority to operate facilities smartly by integrating energy conservation and environmental sustainability principles into our day-to-day activities.

We have a great partnership with the GSA. They have been instrumental in helping us to identify the most suitable real estate opportunities to meet our long-term office space needs.

On behalf of the American taxpayer, we practice good stewardship of the Department's real estate assets, and we will continue our efforts to increase efficiencies in order to obtain the best value for each dollar spent.

Thank you for the opportunity to appear today. And I welcome any questions you may have.

Mr. BARLETTA. Thank you for your testimony, Ms. Barr. Mr. Brazis, you may proceed.

Mr. BRAZIS. Good morning, Chairman Barletta, Ranking Member Carson and members of the subcommittee. Thank you for the invitation to discuss the Department of Defense's lease space portfolio, particularly in the National Capital Region, and especially to express the Department of Defense's commitment to continue to substantially reduce our lease footprint and lease costs.

I am Bill Brazis, Director of the Department of Defense Washington Headquarters Services—WHS—and responsible for managing key Government-owned facilities, as well DOD's leased facilities here in the National Capital Region—NCR. This portfolio includes the Pentagon Reservation, the Mark Center, and a number of other smaller Government-owned buildings. And in addition, the Department of Defense has, at the end of fiscal year 2013, nearly 6.5 million square feet of leased space, secured by over 100 leases in 82 buildings here in the National Capital Region. Together, these facilities house over 70,000 Defense personnel, supporting the military departments and the Defense agency missions.

The current lease portfolio in the National Capital Region reflects substantial recent reductions that have occurred in our leased facilities since 2005. Under BRAC 2005, by the end of 2012, the Department of Defense has shed over 3 million square feet of our leased space inventory in the National Capital Region, primarily by relocating to Government facilities on military installations, both within the NCR and outside of the NCR.

Today, WHS is engaged heavily with the General Services Administration and our plan is to continue to substantially reduce DOD's overall NCR leased space portfolio and our cost over the next 5 years.

In the current program budget review, the Secretary of Defense has directed another 20-percent reduction from our 2013 NCR leased space levels, commensurate with reductions in DOD headquarters.

DOD works in direct and strong partnership with the GSA to strategically optimize our leased space to satisfy DOD's mission requirements. To do so, the Department plans on continuing to leverage GSA's expertise to achieve cost-effective and quality leases while transitioning from expiring leases.

In addition, we are leveraging GSA's leading edge space management tools to optimize space usage and improve our utilization of all our facility spaces, both Government-owned and leased.

DOD is committed to effectively managing and drawing down its lease space inventory while executing its national defense mission. Our twin goals of improved utilization of existing Government-owned space while minimizing our leased space inventory permits shifting of taxpayer resources to support the mission and reduce our overhead costs.

Thank you for the opportunity to appear hear today. I am happy to answer any questions.

Mr. BARLETTA. Thank you for your testimony, Mr. Brazis. Mr. Allen, you may proceed.

Mr. ALLEN. Good morning Chairman Barletta, Ranking Member Carson, and distinguished members of the subcommittee. I appreciate the opportunity to discuss with you today the Department of Justice's challenges and opportunities in reducing the cost of real property leased through GSA. We certainly share your commitment to achieving taxpayer savings in today's real estate market.

Given the Department's size, number of locations and unique mission requirements, leasing through GSA is delegated to each of the Department's major components and bureaus, including the FBI, DEA, BOP, ATF, Executive Office for U.S. Attorneys, U.S. Marshals Service, Executive Office of Immigration Review, and Office of Justice Programs.

The Justice Management Division provides departmentwide real property guidance, policy and oversight. We also manage GSA leasing for the headquarter components in the National Capital Region, amounting to approximately 15 percent of DOJ's portfolio.

Under the leadership of Attorney General Eric Holder, DOJ has been committed to cost savings by effectively managing our real property and improving utilization efficiencies. For instance, the Department successfully reduced our overall square footage in fiscal year 2013 from the fiscal year 2012 benchmark level. In addition, we continue to work closely with GSA to acquire leases that offer more efficient and cost-effective space to meet DOJ's varied mission requirements.

As this subcommittee has emphasized, we too support negotiating longer term leases wherever possible to maximize savings. In fiscal year 2013, the Department developed a revised real property cost savings and innovation plan to support OMB's "Freeze the Footprint" initiative. The Department's plan focuses on office and warehouse space, covers new construction and renovation projects, lease consolidations, replacement and succeeding leases, as well as disposal of owned and leased assets.

The plan covers fiscal years 2013 through 2015 and highlights the benefits of effective real property management and initiatives and the substantial savings that can be generated through space and operating cost reductions.

I would also like to take this opportunity to thank the subcommittee for its support and approval earlier this year for the first in a series of prospectus level projects here in Washington, DC. These projects will dramatically reduce our space usage by more than 25 percent for our headquarter litigating divisions. We

also have other projects now in the pipeline that will continue our efforts to reduce our square footage and provide substantial cost savings in the out years.

As to the number of GSA leases expiring in the near future, we also recognize the challenges and opportunities identified by this subcommittee. Between fiscal years 2015 and 2020, the Department will have nearly 900 leases expiring nationwide. Our components have been working diligently with GSA on renewal and replacement strategies that identify opportunities for improved efficiencies and take advantage of today's favorable real estate market conditions.

We continue to work with our components as well to manage both our owned and leased real property while also pursuing new workplace strategies to better utilize our portfolio and save money.

Thank you again for the opportunity to discuss the Department of Justice's important work in this area, and I look forward to answering any questions you might have.

Mr. BARLETTA. Thank you for your testimony, Mr. Allen. Mr. Holland, you may proceed.

Mr. HOLLAND. Good morning, Chairman Barletta, Ranking Member Carson, and members of the subcommittee. My name is E.J. Holland, Jr. I am the Assistant Secretary for Administration at the U.S. Department of Health and Human Services.

Under the leadership of former Secretary Kathleen Sebelius and our new Secretary Sylvia Burwell, the Department has continued its commitment to save taxpayer dollars through effective management of our real property assets, improve utilization through reduced space requirements and pursue alternative workplace strategies that increase utilization and reduce costs.

At the end of fiscal year 2013, HHS had over 4,000 real property assets. We recognize that moving from GSA-leased space to GSA-owned space will save taxpayer dollars and have taken steps to consolidate space from leased locations into GSA-owned space where it is available.

A prime example is the ongoing consolidation of the Food and Drug Administration on its White Oak Campus. Completion of the current master plan and consideration of further consolidation under that campus will further reduce our leased footprint.

The Mary E. Switzer Building, a few blocks from here, consolidation is another project and an example of moving current leases into GSA-owned space. The Switzer Building was identified to accommodate not only the headquarters of the consolidated Administration for Children and Families but also the Administration for Community Living, the Office of the National Coordinator for Health Information Technology, the Departmental Appeals Board, several components of the Office of Assistant Secretary for Health and other components of the Office of the Secretary.

They were scattered in seven leased locations and two federally owned buildings across the Southwest Complex area just a bit west and south of here. This project will reduce HHS's footprint of leased space by over 349,000 rentable square feet. And HHS is moving what would have been more than $17 million in private sector lease payments to the Federal Building Fund payments.

We also have taken advantage of the GSA's fiscal year 2014 omnibus appropriations for consolidation activities, which funds loans to agencies for consolidation projects. We submitted funding to consolidate the Office of the Chief Information Officer—OCIO—another group which reports to me, into an alternative workplace pilot within the Humphrey Building, again about two blocks from here, creating a more effective and collaborative work environment for the OCIO team.

As a result, OCIO's usable square feet will be reduced by approximately 34,000 square feet or 50 percent. After consolidating into the Humphrey Building, the Office of the Chief Information Officer's utilization rate will be reduced from 207 square feet per person to 103 square feet per person.

As evidenced by that low rate, this is our first opportunity to create a showcase space for employee mobility in our headquarters building, a strategic goal for HHS in its efforts to reduce its footprint. Additionally, this project will save HHS approximately $750,000 in annual rent cost and further reduce our footprint of leased space by over 35,000 square feet for the OCIO portion.

We submitted our initial "Freeze the Footprint" plan for fiscal year 2013 through 2015 in September of 2013. An update was submitted in May of 2014. As outlined in that plan, we face several challenges in adhering to our plan. There were a number of large lease acquisitions and construction projects that were underway but not included in the baseline. Those projects will add 1.8 million square feet of space to our footprint over the next 2 years.

Other challenges for us are the recent legislative mandates from this Congress that have asked us to do additional things and require increases in staff. This means there will in fact be some temporary additions to our real property footprint, but we will achieve the reduced footprint effort by 2016.

We also find that a significant challenge is the upfront costs needed to support consolidations and more efficient space utilization. We simply do not have a realistic way to do capital improvements. As a result, we have taken advantage of GSA's Total Workplace Program for a number of our larger projects. However, not funding upfront capital investments in furniture, fixtures and equipment has a direct impact on the immediate return on investment and short term, 3 to 5 years, it actually increases our operating costs.

We are committed to generating savings for the taxpayers through better utilization of our real property assets. The President's management agenda benchmark recently demonstrated we are making progress in improving utilization of our office assets, but we also know opportunities remain for even better utilization.

We recognize that our leased inventory is an opportunity to reduce costs, and we continue to work closely with GSA to identify opportunities for improved efficiencies in our lease portfolio.

Thank you for the opportunity to appear today. And I do welcome your questions.

Mr. BARLETTA. Mr. Holland, I am very impressed. Your agency is a good example of what we are trying to achieve. You are not only talking about it, but you are actually doing it.

Mr. HOLLAND. Thank you, sir.

Mr. BARLETTA. Thank you for your testimony. Mr. Orner, you may proceed.

Mr. ORNER. Thank you, Chairman Barletta, Ranking Member Carson, and members of the subcommittee for the opportunity to testify today. I am DHS's Chief Readiness Support Officer and Senior Real Property Officer. I am a career civil servant with 32 years' experience in the Federal Government, including positions in the Department of the Navy, Coast Guard and now DHS headquarters.

I manage DHS real estate, mobile assets, environmental compliance and logistics with a goal of providing your dedicated workforce with the operational tools and support they need to keep our Nation safe at a reasonable cost to the taxpayers.

Today, I will discuss how the Department, with General Services Administration support, will consolidate our footprint and save money while supporting the DHS mission.

DHS's real property portfolio consists of 38,000 properties with 99 million square feet of space. Half of our real property is DHS owned and the remainder is leased. Additionally, half of our space is operational mission space and personnel housing. And the other half is predominately office space. Lease payments account for 82 percent of our annual real estate costs at $1.7 billion annually.

In support of our frontline mission, we at DHS continue to improve our management of real property with the support we receive from GSA. In addition, the administration's "Freeze the Footprint" initiative has proved to be of immense value to the Department of Homeland Security.

In 2010, DHS and GSA began a partnership to improve our use of space by conducting a space use analysis in the National Capital Region. That partnership was delivering benefits and specifically the workforce recommendations report, which validated that an average office utilization rate of under 150 square feet per person is a reasonable and achievable target, and more so when mobility and telework becomes part of the equation.

It also reinforced that real estate decisions are long lead time decisions. Additionally, this partnership and report is assisting with educating, training and change management throughout the Department in our space decisions.

The key is that our organization has internalized the concept of efficient use of space, which is a critical step required to understanding and delivering a new way of managing space.

We in DHS view lease expirations as an ideal opportunity for consolidation and economy. Over the next 5 years, 15 million office square feet nationally will be expiring. This is 27 percent of our total leased building portfolio and 48 percent of our office leased buildings. We have a 5-year plan, and we are monitoring all expirations to ensure that the Department's footprint and lease costs are optimally managed to deliver footprint reductions.

We started with my own offices in DC whereas the successful proof of concept, we reduced our footprint by 60 percent for over $1 million in annual savings.

Another example of DHS and GSA as partners in delivering real estate solutions is the significant efficiencies that we will be achieving in the new space at One World Trade Center in lower Manhattan. CBP will realize a 45-percent reduction in occupied space by

implementing more flexible space design and incorporating mobile work for place concepts. This occupancy will result in space that meets mission needs at a cost avoidance of $5 million annually as a result of space compression. Despite challenges related to distance, culture, changed management and adopting new work practices, DHS headquarters, Customs and Border Protection and GSA worked together to achieve this.

A 10-year period of growth in the DHS lease portfolio has leveled off. We expect modest declines in the footprint in the short term, but the 10-year opportunity created by lease expirations will build momentum towards significant future reductions as a result of the Department's 150 square foot per person requirement. Particularly over the next decade, 70 percent of our office space leases will expire, and we plan to achieve a 20-percent reduction and meet our mission while paying for 4.4 million square feet less than we occupy today.

Real estate reduction strategies for the Department's office locations are the focus of our fiscal year 2015 work plan. Ten major cities contain in excess of 7 million square feet of DHS office space. For those top 10 field locations, we have assessed the requirements cost and expiration dates of existing leases to develop plans for lease compression, consolidation and cost reduction.

The National Capital Region currently has 10 million square feet of DHS office space. Here, DHS continues to work with GSA on our headquarters consolidation project. Consolidation will allow the strategic realignment of the real property portfolio in the National Capital Region to more effectively support our mission.

DHS continues currently to occupy over 50 separate locations in the National Capital Region at an average space utilization of 200 square feet per person. Consolidation will contribute to reducing the number of locations and will bring our utilization rate below the 150 square feet standard, lower facility costs and provide quality work space for our workforce.

Finally, I am happy to point out that DHS submitted our revised real property cost savings and innovation plan to OMB in September 2013 and established its 48 million square feet of fiscal year 2012 office space as our baseline. And we provided an update in May of 2014 that indicates we are meeting the "Freeze the Footprint" guidelines.

In closing, DHS will continue to aggressively pursue real property strategies in partnership with GSA. We will lead departmental efforts to exceed the "Freeze the Footprint" objectives and our ultimate goal remains to perform our mission support with effectively designed space for the way we work today without sacrificing mission effectiveness for our employees on the front line of Homeland Security.

I very much appreciate the opportunity to testify before you today, and I look forward to answering your questions.

Mr. BARLETTA. Thank you for your testimony, Mr. Orner. Mr. Spencer, you may proceed.

Mr. SPENCER. Chairman Barletta, Ranking Member Carson, members of the subcommittee, thank you for inviting Social Security to testify today. My name is Pete Spencer. I am the Deputy Commissioner for Budget, Finance, Quality and Management. I am

also the agency's Chief Financial Officer. I retired after 44 years of service in 2011 and came back last March because I am concerned about the budgets that we face and how we can restrict spending to make sure we meet both the needs of the American public for Social Security services and at the same time protect the investment of the American taxpayer.

We are delighted to be part of this discussion this morning. We are looking forward to learning about proven practices that you all, as members of this subcommittee, can share with us as we move forward here.

I have three main points that I want to discuss today. First, we fully support and appreciate the work of this subcommittee. There is no question about the number of issues that you have identified for us, and we look forward to learning the proven practices from others.

Number two, we have a strong relationship with GSA, and we are working together to reduce our usable square footage and our annual rent costs. Unlike other agencies, however, we do not own property nor do we have direct leasing authority. GSA handles all of that for us.

Third, I think you all know that we have a unique community-based organization that requires a strong national network of field facilities in order to serve our public, whether that is in Hazleton or whether it is in Indianapolis or whether it is in Orlando or whether it is in the District or whether it is in Glen Burnie. Our local offices are there to serve, and that is part of our real estate footprint.

Few programs touch as many lives as ours do. To help the millions of people we serve, we must maintain this network of offices across the country. It is not surprising then that we are GSA's fourth largest customer in commercial leases and the fifth largest customer in rent costs. We are fully committed to maintaining our local field facilities across the country in order to serve the public. Our "Freeze the Footprint" plan is not based on consolidating local offices in our communities.

I want to underscore the fact that we continue to be an efficient organization. Our administrative costs are only 1.4 percent of the benefit payments we pay each year. We are very proud of our efficiency at Social Security.

Given the unique characteristics of our real estate portfolio, we are pleased to report that we have decreased our usable square footage by more than 330,000 square feet in fiscal year 2013 compared to the 2012 baseline. We will reduce our square footage by the end of 2014 by 1 million square feet and by the end of 2015 by 2 million square feet.

GSA has worked with us to achieve our goal of freezing our footprint, and they have also worked with us to lower our current annual rental costs. For example, we collaborate with GSA, as you have suggested Mr. Chairman, to identify opportunities to reduce our rent in targeted markets by extending the lease terms and negotiating a lower rental rate in our existing leases. So, for example, in Salinas, California, GSA extended the lease terms and was able to lower the rent by $7.50 per square foot. Based on that reduced rent, the projected rent savings over the subsequent 5-year period

is about $3 million. That is a good example of doing what you have asked us to do.

That example, in addition to initiatives I have outlined in my written testimony, will help us reduce total usable space. I need to quickly add, however, that these savings may not be good enough to offset projected increases in rent costs. In many cases, cost increases are due to the cost of improvements that must be made to many of our local offices in order to provide security for the in-person service that we give. But the savings mentioned above certainly will help us offset most of those costs.

In conclusion, we are delighted to have the opportunity to work with you, Mr. Chairman, and the subcommittee. We look forward to your ideas on how we could better manage our lease property in an efficient and cost-effective way.

Thank you, and I will be glad to answer any questions you may have.

Mr. BARLETTA. Thank you for your testimony, Mr. Spencer. I will now begin the first round of questions, limited to 5 minutes for each Member. If there are additional questions following the first round, we will have additional rounds of questions as needed.

To start, this question is for all panelists. Each of your agencies have been directed by the President to cut your real estate costs. You also have heard there is a limited window of opportunity to replace your expiring leases with good long-term deals that improve utilization rates and save significant dollars. Will you commit to work with our committee to seize this opportunity, replace these leases on time and achieve the President's savings goal? And I would appreciate a response from each agency.

Ms. Barr?

Ms. BARR. Of course. We have for the last 25 years been guided by a strategy where we are trying to make sure that we serve the taxpayer by offering the lowest cost for the longest term lease. And we also, in order to facilitate the way we work together, provide opportunities for our bureaus to collaborate since much of our business is conducted overseas.

In that vein, we have consistently for a number of years tried to get into owned space. And recently we were able to acquire property across the street from the State Department, Potomac Annex from the Navy. It took us quite a while to finally finalize this transfer, but it is 7 acres. It will give us an opportunity to look at all of our real estate in the DC metro area and move them out of high-cost space into lower cost space.

Mr. BARLETTA. Thank you. If I could have a brief answer as we go through. Thank you for that information. Mr. Brazis?

Mr. BRAZIS. Mr. Chairman, yes, the Department of Defense is committed. We, in fact, have been working with the GSA very closely in looking at the 82 buildings that we are in today to come up with a strategic plan with them, looking over the next 5 years to aggressively achieve that 20-percent drawdown. And GSA has really helped lead us in this analysis, looking across the portfolio, to commit longer term leases, and use anchor buildings that we are trying to move folks into to help get out of more leases.

Mr. BARLETTA. Thank you. Mr. Allen?

Mr. ALLEN. Mr. Chairman, yes, we commit and we believe we have already begun that process with our latest prospectus here in the Washington, DC, area.

Mr. BARLETTA. Thank you. Mr. Holland?

Mr. HOLLAND. Yes, Mr. Chairman, we commit to that. We will continue doing precisely what you have suggested we ought to be doing.

Mr. BARLETTA. Mr. Orner?

Mr. ORNER. Absolutely, we enthusiastically make that commitment, and we appreciate the subcommittee's leadership on this issue.

Mr. BARLETTA. Thank you. Mr. Spencer?

Mr. SPENCER. Absolutely, Mr. Chairman. Fifty-two percent of our leases expire in the next 5 years. I have a list of them right here. We are working through the list as we speak.

Mr. BARLETTA. Very good, thank you. Short-term leases cost your agencies and the taxpayer an extra 20 percent in lease costs. Leases over 10 years can save an additional 10 percent or more and cover much of your upfront relocation costs. Yet, the number of short-term extensions is growing each year. Will you commit to replacing your long-term lease requirements with leases that are at least 10 years? And I would appreciate a brief response from each agency. Ms. Barr?

Ms. BARR. Yes.

Mr. BRAZIS. Yes, to every extent possible.

Mr. BARLETTA. OK. Mr. Allen?

Mr. ALLEN. Yes.

Mr. HOLLAND. Yes, sir, that is our objective.

Mr. BARLETTA. Mr. Orner?

Mr. ORNER. Yes, we make that commitment.

Mr. SPENCER. Yes, sir.

Mr. BARLETTA. Each of your agencies have 50 percent to 70 percent of your leases expiring in 5 years. Reducing these costs by even 10 percent will result in a $300 million saving annually. How far in advance does the work need to begin to prepare for expiring leases, particularly larger prospectus level leases? And are your agencies on track with your expiring leases so that we do not see holdovers or costly short-term extensions? Ms. Barr?

Ms. BARR. The first part of your question was how far are we on track?

Mr. BARLETTA. Yes, how far in advance does the work need to begin to prepare for these expiring leases, particularly the larger prospectus level leases?

Ms. BARR. We usually start working with GSA like 3 years in advance, like Mr. Dong mentioned before. And we are in constant conversations with GSA about these leases and trying to put them into more cost-effective——

Mr. BARLETTA. And are you on track with your expiring leases so that we do not see holdovers?

Ms. BARR. We are now.

Mr. BARLETTA. OK, thank you. Mr. Brazis?

Mr. BRAZIS. We need 2 to 5 years in advance, and we are working with GSA right now looking down range in the next 3 to 5 years. There are some leases that we may end up vacating entirely

that may require some short-term periods so that we can get into the longer term strategy. Our goal is to get into anchor buildings that have longer term leases. Our more recent ones do. To the extent that we need some time to get out of situations we are in now to get into longer term leases, they require some shorter term leases.

Mr. BARLETTA. Mr. Allen?

Mr. ALLEN. We agree with the 36 months. And I would say that where we are trying to consolidate leases, there may be some short-term extensions to marry up the expirations.

Mr. BARLETTA. Mr. Holland?

Mr. HOLLAND. Mr. Chairman, I am not sure there is a date that I could say 36 or 48. When I arrived here 5 years ago after having been safely ensconced in Kansas for a long time, I found that we had a major project that we are still working on that started in 2006. So my view is that we should be doing what GSA asked us to do 4 years ago, and that is to participate in an ongoing portfolio review.

I received a call out of the blue one morning from somebody I did not know, and he said, "Mr. Holland, will you do this?" I did the wrong thing as a manager. I did not go down the hall and talk to my folks. I said, "Yes." And we have been doing that ever since.

And so I view it as an ongoing project. There will be some holdovers because as we try to consolidate two, three, four, six different divisions into a single space, the lease expirations will not be at the same time. So in some cases, we will have to have short-term extensions. We have no choice. But if the ultimate objective is to get a bunch of different functions into a single building, I think it will be worth that effort.

Mr. BARLETTA. Mr. Orner?

Mr. ORNER. We begin working with GSA on lease expirations at least 3 years in advance of the lease expiring. That can be up to 5 years if it is a particularly complex project. And we are interested in long-term leases to save money for the taxpayers. And we would only allow a short-term extension in order to synchronize projects so that we can consolidate our operations.

Mr. BARLETTA. Mr. Spencer?

Mr. SPENCER. Yes, sir, Mr. Chairman. We certainly want to start well in advance, and we do that. We have very few short-term leases. I will just say in defense of GSA that in some situations—and this is a place where I think the subcommittee can help us—we find that not always are we able to find someone who is willing to give us space on the commercial market. Believe it or not, some of the areas in which we have to locate our offices are lower economic areas—not necessarily areas in which somebody wants to build a building or give us space that we might be able to use.

But the bottom line is each situation requires us to look well in advance to make sure we do not have short-term leases. It is our goal not to have any.

Mr. BARLETTA. Thank you. I would like to recognize Ranking Member Mr. Carson for questioning.

Mr. CARSON. Thank you, Chairman Barletta. Mr. Dong, can you please discuss the selection of the three sites for the new FBI headquarters and how that fits into the "Freeze the Footprint" initia-

tive? And are you building a building or are you building a campus? And if you are unable to receive the full cost of a replacement facility with the value of the current headquarters, how will GSA and the FBI effectively make up the difference?

You might need to use Madam Barr's microphone, sir. Thank you.

Mr. DONG. One more time, OK.

Mr. CARSON. There we are.

Mr. DONG. There we go.

Mr. CARSON. Alright.

Mr. DONG. As you mentioned, GSA announced the short list of potential sites for the FBI headquarters yesterday. That process was the product of a thorough review and evaluation of sites submitted by private bidders as well as federally owned sites against criteria that were clearly stated in our initial advertisement thing such as delineated area and access to transportation and minimum acreage. And through that process the evaluation committee and the source selection official identified what they thought were the three most viable sites that would meet the FBI requirements.

You talked about the swap construction process where we would be taking the value of the Hoover Building and trading that for construction services towards the development of the new FBI headquarters facility. What we want to be able to do is to let the market tell us what the value is for that building. If there is a potential valuation gap, we want to be able to come back to this committee to talk about options for bridging that gap.

Mr. CARSON. Thank you. Madam Barr, given the increase in cost to real estate in the Foggy Bottom area of DC and Rosslyn, Virginia, do you believe it is in the taxpayers' interest to reevaluate the State Department policy of consolidating in these particular markets?

Ms. BARR. Well, I would like to take 1 minute to just explain how we accomplish our mission. Since we are primarily focused on supporting operations overseas, unlike bureaus and other agencies, we have to collaborate closely in order to fulfill that mission. For example, when we have to reduce staffing because of security or a natural disaster, it takes more than just the Diplomatic Security Bureau. It also involves the regional bureau because sometimes when we pull people out, that has an impact on our bilateral relationship with those countries. It involves Consular Affairs because we have to make sure that we treat private American citizens the same as we treat ourselves when it comes to assessing whether there are problems there.

We often have other types of programs, like democracy building, that involve other functional bureaus. So when we need to make a complicated decision in a short period of time, it often is better if we can do it together.

In addition to that, because we often have security requirements and these conversations are easier in those cases if they take place in a classified environment, being able to bring people quickly together helps us to do that. We recognize that it is expensive to have things located in the Foggy Bottom or Rosslyn area. So for those routine things, we make a concerted effort to push them elsewhere.

For example, we own a facility in Charleston. We have HR and financial services there. We pushed some of our Consular Affairs production facilities down there because we do recognize that money is important, so we only put our high-value things close to the Foggy Bottom area.

Mr. CARSON. Thank you, ma'am. Mr. Spencer, with the over 43 million Americans visiting your offices annually, the SSA is somewhat different from other agencies before us today because of the level of interaction that the SSA has with the public. How does that guide your decision as you look to reduce your Federal footprint?

Mr. SPENCER. It is a challenge for us because we do have to account for the fact that we do have visitors coming into our offices. They bring family members with them. So we need space for them. As we set our space standards in a local field office, we have a standard for the individual employee but also for the individuals who are going to be visiting our offices. We have to put both of those factors into place when we decide how much space we need in a particular office.

I will also say that we are looking for alternative means of exchanging information with the public, using the Internet more and so on. That certainly does guide us as well.

Mr. CARSON. That is great. Thank you all.

Mr. BARLETTA. The Chair would like to recognize former chairman of the full committee, Mr. Mica.

Mr. MICA. Thank you, Mr. Barletta and thank you for carrying on an important subcommittee role and conducting this important hearing today about trying to get the best deal for the taxpayers, particularly on leased property.

Mr. Dong, how long have you been now in your position?

Mr. DONG. At GSA? I have been at GSA just 4 months.

Mr. MICA. Four months, OK. Well, you are not aware of some of the history of what has taken place with some of the leases and all. But actually back with Mr. Oberstar, I was reminding staff, the staff came on some years ago, at the bottom of the recession, I had been in real estate. So Mr. Oberstar and I got in a van, maybe Dan Mathews was with us. And we looked at vacant properties around Washington, DC, because there was a fire sale going on, prices were down. And we looked at different places, leases expiring. Not too much was done, unfortunately. There were some new leases cast but now you are back up again in price.

This is a list that I was given of vacant properties in just the District. And they start from 374,000 contiguous square feet, prices from here is $28.78 a square foot. The highest I see up is about $61, but most of them in the $40s.

What are you paying now on average in the District, do you know? Guess?

Mr. DONG. Do not have the exact figure, but I am happy to follow up.

Mr. MICA. But there is lots of property available. There are still some good deals, not like there used to be. We will submit that for the record and also if staff will provide Mr. Dong with a copy, it would be appreciated.

Mr. BARLETTA. Without objection.

[The provided material follows:]

Building Address	Building Name	Contiguous	Contiguous	Space	(Office)
1015 Half St SE		374,258	43030	391592	Withheld
250 E St SW	One Independence Squa	322,036	36757	322036	48
1301 K St NW	One Franklin Square	321,177	50094	321177	34.57
1201 Pennsylvania Ave NW	Heurich Bldg	269,943	39136	81404	Withheld
1201 Eye St NW		265,629	23047	265629	55.56
601 New Jersey Ave NW		260,694	31306	260694	61.11
2001 M St NW		195,090	29920	195090	52
64 New York Ave NE		181,811	31562	193667	46.56
600 13th St NW	600 Thirteenth Street	177,680	22666	211477	Withheld
1050 Connecticut Ave NW	Washington Square	159,497	56465	185123	63
899 N Capitol St NE	Union Square	153,655	36319	163599	46.5
1299 Pennsylvania Ave NW	Warner Building	151,064	38014	196707	Withheld
2099 Pennsylvania Ave NW	2099 Pennsylvania Avenu	146,631	17806	146631	Withheld
1001 Pennsylvania Ave NW		140,000	70000	193500	44.5
400 6th St SW		133,679	27437	133679	Withheld
51 N St NE		132,430	17674	132430	28.78
1099 14th St NW	Franklin Court	123,591	41627	145860	51.5
1250 Maryland Ave SW	The Portals Ph I	118,858	59461	187287	Withheld
1800 M St NW		115,511	57766	355724	55.18
440 1st St NW		110,260	14712	112760	56.2
1701 Pennsylvania Ave NW		106,321	18531	106321	Withheld
1625 Eye St NW		102,822	34299	170439	Withheld
815 Connecticut Ave NW		95,524	20000	96775	49.04
1401 New York Ave NW		94,786	17719	120123	Withheld
1620 L St NW		85,544	18640	135036	49.48
1522 K St NW		84,996	7083	84996	Withheld
1133 21st St NW	Two Lafayette Centre	84,880	14881	100353	46.94
1300 Eye St NW	Franklin Square	81,847	38916	98470	41.47
1717 Rhode Island Ave NW		81,362	19551	85769	47.27
1800 K St NW		80,232	20261	149413	66
1325 G St NW		79,072	30879	111413	47.99
1201 Maryland Ave SW	The Portals Ph III	78,637	52400	183940	56.5

1250 H St NW	Herald Square	77,566	18399	97271	49.31
800 17th St NW	PNC Place	76,468	30954	80380	49.37
1875 K St NW		75,169	16663	75169	39.43
740 15th St NW		74,439	17385	97644	50.24
325 7th St NW	Liberty Place	72,715	15012	72715	Withheld
100 M St SE		72,474	21459	72474	48.5
650 Massachusetts Ave NW		70,977	35556	89596	50.5
1775 Eye St NW	Paramount Building	68,668	17712	81186	55.63
1400 K St NW		67,018	16764	77475	48.12
1100 Vermont Ave NW		66,770	6289	66770	47.8
1900 Half St SW		65,168	65168	86554	39
1275 Pennsylvania Ave NW	Pennsylvania Bldg	64,899	18379	64899	43.12
1331 Pennsylvania Ave NW	National Place	63,061	42904	120473	43.66
501 3rd St NW	Communications Workers	62,994	20998	94347	46.27
1100 New Jersey Ave SE	Federal Gateway	62,286	31143	71925	Withheld
1125 15th St NW		61,546	23772	84005	39
555 12th St NW	The Thurman Arnold Bldg	59,770	59770	118770	Withheld
500 E St SW	International Trade Comm	55,745	27932	55745	52
1722 Eye St NW		54,771	18259	90349	40.98
1899 Pennsylvania Ave NW	1899 Pennsylvania	54,175	18285	54175	Withheld
111 K St NE		53,876	8980	55021	54.17
395 E St SW	Patriots Plaza I	49,804	24902	49804	52.5
1025 F St NW	The Woodies Bldg	48,410	48410	52502	57
1776 Eye St NW		47,979	24042	71722	62.43
1111 19th St NW		46,986	23494	122519	51.5
1875 Eye St NW	International Square 2	46,826	25046	0	-
655 15th St NW	Metropolitan Square	45,910	45910	64388	Withheld
1 Massachusetts Ave NW	National Guard Memorial	45,614	22807	45614	57.5
401 9th St NW	Market Square North	43,600	21918	56027	50.84
1100 15th St NW		42,924	14308	65506	40.93
1220 12th St SE	Maritime Plaza II	42,868	42868	66122	46.5
1333 H St NW		42,753	22696	55621	51.23
131 M St NE	One NoMa Station	42,025	42025	42025	29

425 Eye St NW		40,634	40634	52021	46.5
601 13th St NW	Homer Building	40,428	40428	127251	Withheld
1900 K St NW		39,213	27198	70520	44.58
600 Maryland Ave SW	Capital Gallery East Bldg	38,740	38740	48299	53
999 N Capitol St NE	Union Square	38,353	20005	62275	47.5
375 E St SW	Patriots Plaza II	38,325	22255	38325	50
1000 Connecticut Ave NW		38,216	33083	44356	52.04
1211 Connecticut Ave NW		37,865	15883	43476	45.51
810 1st St NE	Union Center Plaza Phas	36,728	18364	39044	45.5
1200 19th St NW	1200 Nineteenth	35,594	20385	46157	41.47
2020 K St NW		35,479	35479	58288	57.42
1 Thomas Cir NW	One Thomas Circle	35,399	18628	54147	42.47
555 11th St NW	Lincoln Square	34,890	34890	63947	55
90 K St NE	Sentinel Square Phase I	34,719	25402	63537	53.5
500 N Capitol St NW	McDermott Building	34,103	26198	34103	47.01
955 L'Enfant Plz SW	L'Enfant Plaza North	33,466	33466	100589	47.85
2001 L St NW		33,406	17179	83576	53
2055 L St NW	2055 L	33,380	33380	44072	46.5
1401 Eye St NW	Franklin Tower	32,934	19515	76223	40.53
1919 M St NW		32,858	32858	23157	53.5
1201 F St NW		32,011	19812	51260	45.25
840 1st St NE	Union Center Plaza Ph 5	30,969	22111	30969	48
2030 M St NW		30,758	15379	30758	44.5
1152 15th St NW	Columbia Center	30,029	30029	78952	Withheld
370 L'Enfant Promenade SW		29,770	29770	52128	52.77
1717 H St NW		29,109	29109	0	-
1001 G St NW	Washington Center West	28,985	28985	112738	40.59
900 7th St NW	IBEW	28,684	28684	52139	46.86
1850 K St NW	International Square 1	28,485	18830	32647	52.73
1101 Vermont Ave NW		28,412	14206	33781	45.55
1100 16th St NW		28,366	5832	28366	Withheld
1101 K St NW		27,750	27750	28123	48.42
1101 New York Ave NW		27,093	27093	44294	49

1747 Pennsylvania Ave NW		26,888	13444	7860	54.69
1090 Vermont Ave NW		26,356	13178	37853	47.93
300 New Jersey Ave NW	Americas Square	26,317	26317	15091	75
1333 New Hampshire Ave NW		25,983	25983	25983	Withheld
555 New Jersey Ave NW	Capitol Place 1	25,774	12887	25774	49.75
2000 K St NW		25,021	20693	31064	Withheld
1800 Eye St NW		24,960	3120	25690	Withheld
575 7th St NW	Terrell Place	24,722	12546	24722	Withheld
1750 H St NW		24,720	12360	29598	Withheld
701 Pennsylvania Ave NW	Market Square - East Tov	24,448	24448	38578	55.04
1615 L St NW		24,352	24352	81165	48.21
1725 Eye St NW	Farragut Center	24,312	24312	36433	51
25 Massachusetts Ave NW	Republic Square	24,309	24309	62752	55.38
1201 M St SE	Maritime Plaza I	23,487	17525	25545	46.5
1341 G St NW	Colorado Building	23,280	11640	25697	48.5
901 K St NW		22,789	22789	54473	41.23
700 13th St NW		22,785	22785	66754	67.46
1800 Massachusetts Ave NW	SEIU Headquarters Proje	22,132	22132	4481	-
77 K St NE	Capitol Hill	21,504	21504	21504	48
80 M St SE	Navy Yard Metro Center	21,466	16879	58354	Withheld
999 E St NW	Rubicon NGP - Washingt	21,003	21003	21003	Withheld
1850 M St NW		20,696	20696	33584	45.61
601 Pennsylvania Ave NW	601 Pennsylvania Ave - S	20,651	20651	44425	69.82
800 K St NW		20,509	20509	45118	47.91
1101 Pennsylvania Ave NW	Evening Star Bldg	20,425	20425	40685	56.51
2025 M St NW		20,404	20404	23113	41.38
20 M St SE		20,040	20040	4176	-
1730 M St NW		19,797	19797	43634	44.41
1100 G St NW		19,568	9808	49598	42.5
1615 M St NW	Sumner Square	19,518	19518	3625	48
1225 Eye St NW		19,046	19046	92460	44.22
1300 Pennsylvania Ave NW	Ronald Reagan Building	18,932	18932	51178	42.46
1425 K St NW	One McPherson Square	18,836	18836	57188	60

1155 F St NW	1155 F St NW	18,751	18751	36008	47
1120 20th St NW	One Lafayette Centre	18,749	18749	50944	46.5
805 15th St NW	Southern Building	18,603	18603	28048	48.18
777 6th St NW		18,137	18137	21492	49.5
10 G St NE		17,779	17779	0	-
20 F St NW	Capitol Hill	17,638	17638	36539	42.72
1101 17th St NW	Morris B. Hariton Building	17,472	17472	33245	45.38
501 School St SW		17,300	8650	8650	38.5
1133 19th St NW	MCI Building	17,078	17078	0	-
529 14th St NW	National Press Building	16,581	16581	92186	43.71
800 Connecticut Ave NW		16,498	12905	43849	49.5
355 E St SW	Patriots Plaza III	16,473	16473	16473	50
1717 Pennsylvania Ave NW		16,374	16374	27712	55.94
1025 Connecticut Ave NW	Blake Bldg	16,355	16355	50081	43.89
1919 Pennsylvania Ave NW		16,282	16282	34190	53.33
1455 Pennsylvania Ave NW	Willard Office Bldg	16,258	16258	51676	68.39
820 1st St NE	Union Center Plaza Ph 2	16,172	16172	26973	39.9
600 14th St NW	Hamilton Square	16,164	16164	8002	42
1030 15th St NW	The Executive Building	16,152	16152	17079	55
400 Virginia Ave SW	400 VA Avenue	16,046	16046	50457	46.66
1801 Pennsylvania Ave NW		15,952	15952	25786	42
750 9th St NW	The Victor Building	15,840	15840	11466	46.08
701 13th St NW	One Metro Center	15,517	15517	0	-
1444 Eye St NW	McPherson Place	15,466	6322	26799	35.43
2021 K St NW		15,164	15164	38830	48.2
1920 N St NW		15,149	15149	24143	40
1250 Eye St NW		15,144	15144	30748	52.06
875 15th St NW	Bowen Bldg	15,139	15139	7757	55
1101 Connecticut Ave NW		14,964	14964	25906	51.31
1133 Connecticut Ave NW		14,900	14900	16734	54.4
1101 15th St NW		14,846	14846	30431	42.48
50 F St NW	Capitol Place 3	14,841	14841	14841	Withheld
1301 Pennsylvania Ave NW		14,828	14828	0	-

1399 New York Ave NW	The Executive Tower	14,727	12459	21918	52.92
900 19th St NW	Presidential Plaza	14,718	14718	22248	52
801 Pennsylvania Ave NW	Market Square - West To	14,588	14588	39399	51.35
750 1st St NE		14,159	14159	24501	52
1750 Pennsylvania Ave NW		14,039	14039	32994	49
525 School St SW		13,750	6875	14398	33.55
1501 M St NW	1501 M St	13,500	13500	30359	51.56
555 13th St NW	Columbia Square	13,336	13336	14359	44
1432 K St NW	Three McPherson Square	13,185	2637	13185	39.5
1660 L St NW		13,135	13135	22493	44.17
55 M St SE	Half Street	12,846	12846	31561	Withheld
1775 Pennsylvania Ave NW		12,731	11063	27370	48.76
1201 Connecticut Ave NW		12,544	12544	23114	Withheld
2001 K St NW		12,418	8940	12418	Withheld
1730 Pennsylvania Ave NW		12,280	12280	23020	54.58
1233 20th St NW	Lion Bldg	12,213	12213	12213	45
1100 13th St NW	Franklin Square North	12,129	12129	19641	Withheld
475 School St SW		12,129	12129	12129	35
1001 G St NW	Washington Center East	12,126	4042	24252	55
1250 Connecticut Ave NW		12,000	12000	523	115
700 14th St NW	Commercial National Bar	11,959	11959	0	-
1889 F St NW	Building of the Americas	11,785	11785	31585	49.17
1220 L St NW		11,728	11728	26670	41.5
300 M St SE		11,679	11679	2087	45
901 15th St NW	McPherson Bldg	11,657	11657	28169	44.44
409 12th St SW	Portal Bldg	11,572	11572	17572	50.66
800 N Capitol St NW		11,472	11472	18701	48.5
2000 L St NW		11,377	11377	15810	41
1100 Connecticut Ave NW	Rizik Bldg	11,239	11239	6454	45
1120 Connecticut Ave NW	Bender Bldg	11,101	11101	27508	42.76
1620 Eye St NW		11,077	11077	22846	39.46
1140 19th St NW		11,072	9572	36955	48.32
1750 K St NW		10,879	10879	21972	39.38

1150 17th St NW		10,875	10875	37259	44.64
1900 M St NW		10,747	10747	14842	48.45
1140 Connecticut Ave NW		10,622	10622	30140	45.75
1101 14th St NW		10,575	10575	27541	41
2000 Pennsylvania Ave NW	Shops at 2000 Penn	10,446	10446	13276	-
100 Indiana Ave NW	Vincent R. Sombrotto Bui	10,000	10000	8900	44
1440 New York Ave NW	Washington Building	9,996	9996	0	-
1100 17th St NW		9,929	9929	12942	41.47
1212 New York Ave NW		9,887	9887	23787	43.72
1155 Connecticut Ave NW	The Demonet	9,675	9669	34768	47.71
1600 K St NW		9,623	9623	12380	46
25 E St NW		9,600	4800	10000	37
1725 DeSales St NW		9,589	9589	20547	39.75
1824-1826 Jefferson Pl NW		9,465	3293	9465	39
455 Massachusetts Ave NW		9,355	9355	10849	57.5
400-444 N Capitol St NW	Hall of States Bldg	9,352	9352	35534	58.07
1999 K St NW		9,314	9314	0	-
1150 Connecticut Ave NW	The Connecticut Building	9,309	9309	25565	45.3
1825 K St NW		9,294	9294	21209	44.19
470-490 L'Enfant Plz SW	L'Enfant Plaza East	9,285	9285	23033	39.75
1401 H St NW	City Center	9,236	9236	11267	49.48
1990 M St NW		9,157	8257	33535	43.46
1130 Connecticut Ave NW		9,073	9073	56447	48.53
1100 1st St NE		8,988	8988	8988	49
1220 19th St NW		8,940	8940	8940	-
950 F St NW	The Atlantic Bldg	8,907	8907	0	-
1700 K St NW		8,906	8906	5899	44.44
1901 Pennsylvania Ave NW		8,729	8729	13485	47.18
1015 15th St NW		8,667	8667	13573	50.77
801 17th St NW	Lafayette Tower	8,664	8664	15223	43.14
910 17th St NW	Barr Building	8,637	8637	583	38.5
1445 New York Ave NW	SunTrust Bank Bldg	8,633	8633	0	-
1350 Connecticut Ave NW		8,627	8627	10714	45

1775 K St NW	Suffridge Bldg	8,592	8592	12770	37.96
818 Connecticut Ave NW		8,458	8458	14094	45.36
1801 K St NW		8,363	8363	10181	58.5
419 7th St NW	Odd Fellows Temple	8,339	8339	16678	45.5
1156 15th St NW	Marshall B. Coyne Bldg	8,326	8326	15625	33.84
1400 Eye St NW		8,189	8189	26271	46.71
1121 14th St NW		8,086	8086	8086	48.25
1501 K St NW	The Investment Building	8,077	8077	8077	60
1100 New York Ave NW		7,937	7937	8970	55.33
1808 Eye St NW		7,932	3966	11898	Withheld
1301 Connecticut Ave NW		7,849	7849	20499	39.59
1313 L St NW	NAEYC Building	7,650	7650	7650	Withheld
800 F St NW	Historic Row	7,641	7641	14029	49.13
1200 G St NW	Metro Center	7,500	7500	4192	-
750 17th St NW		7,460	7460	7460	38
600 Maryland Ave SW	Capital Gallery West Bldg	7,434	7434	0	-
625 Indiana Ave NW	Indiana Plaza	7,400	7400	7400	Withheld
1110 Vermont Ave NW		7,260	7260	11321	26.5
1667 K St NW	Flagship of Farragut Squ	7,215	7215	29192	43.16
1310 G St NW		7,200	7200	7200	48
900 17th St NW	Farragut Bldg	7,074	7074	15557	53.51
1147 20th St NW		7,000	7000	7000	Withheld
2029 K St NW		6,982	6982	9468	32.91
701 8th St NW	The Portrait Bldg	6,897	6897	10114	59.5
1705 DeSales St NW	Broadcast Building	6,860	3430	6860	34.75
801-803 7th St NW	Arch Square	6,830	6830	0	-
1200 18th St NW	Ring Bldg	6,800	6800	22049	38
1275 K St NW		6,763	6763	22920	40.05
1300 L St NW	American Postal Workers	6,758	6758	12389	43.5
1820-1822 Jefferson Pl NW		6,700	2250	8950	Withheld
1000 Vermont Ave NW		6,524	6524	21097	43.42
1430 K St NW		6,508	6508	8601	41.84
111 Massachusetts Ave NW	Union Labor Life Bldg	6,495	6495	6495	43

2001 Pennsylvania Ave NW	James Monroe Bldg	6,453	6453	0	-
1413 K St NW		6,366	2122	10610	29.5
509 7th St NW		6,283	3142	6283	49.5
607 14th St NW	The Westory	6,268	6268	22094	51.44
1015 18th St NW		6,265	6265	18499	39.16
1225 19th St NW	Jefferson Bldg	6,121	6121	7336	45.77
733 10th St NW	10th and G	6,102	6102	10048	22.5
1901 L St NW		6,094	6094	17561	43.25
734 15th St NW	Walker Bldg	6,057	6057	27684	41.1
1100 H St NW	Gas Light Building	6,037	6037	19248	36.82
101 Q St NE		6,000	6000	7650	25
777 N Capitol St NE	Walter Scheiber Center F	5,992	5992	5992	44
1350 Eye St NW	1350 I Street On Franklin	5,934	5934	8351	42.17
1133 15th St NW		5,928	5928	5928	42.5
1120 G St NW		5,890	5890	10157	48.42
722 12th St NW		5,875	5875	5875	49.5
21 Dupont Cir NW		5,810	5810	5810	44
1213 K St NW		5,752	5752	5752	Withheld
1155 15th St NW	Madison Office Building	5,735	5735	21377	46
122 C St NW		5,656	5656	2937	46.5
1627 K St NW		5,632	5632	24940	41.58
1025 Vermont Ave NW	Global Bldg	5,595	5595	14121	39.75
1050 17th St NW		5,592	5592	11157	36
1001 11th St NW		5,589	1863	5589	Withheld
1020 19th St NW		5,577	5577	14224	41.7
1215-1217 17th St NW	Sumner Annex	5,563	3225	5943	46.05
1112 16th St NW	Calomiris Building	5,484	5484	16329	34
1010 Vermont Ave NW		5,316	5316	17736	41
1320 19th St NW	Sunderland Bldg	5,306	5306	5306	47
1101 2nd St NE		5,283	5283	10547	33
1518 K St NW		5,272	3258	5272	39
1120 Vermont Ave NW		5,269	5269	8269	40.44
729 15th St NW	Securities Building	5,225	3000	17225	42

700 6th St NW	700 Sixth Street	5,214	5214	5214	Withheld
1133 20th St NW	63 Upshaw Place @ 113	5,200	5200	4594	44
505 9th St NW		5,200	5200	0	-
501-509 G St NW	Moran Bldg	5,113	1773	5113	55
924 5th St NW		5,100	1700	6500	38.27
1730 Rhode Island Ave NW	OFC Bldg	5,063	5063	12751	45.49
888 16th St NW		5,000	5000	0	-
1319-1323 Connecticut Ave NW		5,000	5000	5000	42
1 Constitution Ave NE	One Constitution	4,998	4998	4998	65
800-808 7th St NW		4,969	4969	8037	Withheld
101 Constitution Ave NW		4,894	4894	4894	24.5
1146 19th St NW		4,883	2820	7703	45.18
1201 New York Ave NW		4,872	4872	4903	52
801 Eye St NW		4,825	4825	4825	48
623-625 H St NW		4,801	4801	0	-
1128 16th St NW		4,800	2400	6000	Withheld
1411 K St NW		4,764	4764	20051	40.35
2013 H St NW	National Youth Transition	4,736	4736	4736	48
1705 N St NW		4,574	1145	4574	45
1726 M St NW		4,573	4573	1860	39.5
709-711 D St NW	Union Hardware Bldg	4,571	4571	4571	54
1023 15th St NW		4,463	4463	6828	35.23
1331 H St NW		4,450	4450	4450	37.75
1700 Pennsylvania Ave NW	Mills Bldg	4,360	4360	0	-
1150 18th St NW		4,348	4348	15201	51.48
1120 19th St NW	Wheeler Bldg	4,324	4324	7496	45
1701 K St NW	Farragut Park	4,300	3300	6059	44.5
704-708 7th St NW		4,256	4256	6444	51
1012 14th St NW	Continental Bldg	4,157	4157	11990	39.63
1101 4th St SW	West 4th Street Bldg	4,130	4130	4130	-
1500 K St NW	Southern Railway Bldg	4,100	4100	0	-
1634 Eye St NW	One Farragut Square So	3,985	3985	9101	44
819 7th St NW	Headquarters Building	3,874	3874	21952	Withheld

1029 Vermont Ave NW		3,849	3849	6816	39
1625 K St NW	Commonwealth Bldg	3,844	3844	11424	40.75
1201 15th St NW	National Association of H	3,829	3829	5146	44.5
1715 N St NW		3,768	942	3768	39
1900 L St NW		3,759	3759	4785	42.82
1325 Massachusetts Ave NW	National Air Traffic Contr	3,700	3700	3700	35
1818 N St NW		3,649	3649	6760	39.83
1401 K St NW	Tower Bldg	3,638	3638	10251	47.86
1420 K St NW		3,600	3600	3600	41
2011 Pennsylvania Ave NW		3,571	3571	6664	39.08
900 2nd St NE	Railway Express Building	3,567	3567	10451	33.83
1909 K St NW	The Millennium Building	3,565	3565	0	-
1629 K St NW	Davis Bldg	3,532	3532	6002	41.88
901 New York Ave NW		3,500	3500	1086	-
1737 H St NW		3,424	3424	5401	52
1819 L St NW		3,389	3389	6603	37.7
1331 F St NW		3,353	3353	5314	48
2033 K St NW		3,348	3348	3348	-
1575 Eye St NW	A.S.A.E. Bldg	3,294	3294	3294	35
810 Potomac Ave SE		3,261	3261	9437	34
1100 Pennsylvania Ave NW	The Old Post Office Pavil	3,248	3248	10502	-
725 15th St NW	Folger Bldg	3,092	3092	3092	35
919 18th St NW	Farragut West	3,074	3074	5929	44.7
3938 Benning Rd NE		3,000	1000	3000	19.2
601 Pennsylvania Ave NW	North Building	3,000	3000	3000	72
2112 F St NW	Metropolitan Medical Cer	2,987	2987	7075	35
401-409 7th St NW	Gallery Row	2,950	2950	2950	30
1400 L St NW		2,944	2944	2335	Withheld
1424 K St NW	Orme Building	2,915	2915	5169	29.5
1627 Eye St NW	Army and Navy Club Buil	2,882	2882	2882	41
1300 Connecticut Ave NW		2,879	2879	2879	52
1126 16th St NW	Raul Yzaguirre Building	2,870	2870	2870	39.5
1707 L St NW		2,802	2802	0	-

701-705 H St NW	Gallery Court	2,752	1376	9892	-
145 N St NE	Two Constitution Square	2,740	2740	2740	-
1111 14th St NW		2,726	2726	4570	36.81
1325 Pennsylvania Ave NW	National Theatre Bldg	2,631	2631	2631	48
457 Massachusetts Ave NW		2,628	657	2628	42
1003 K St NW	Carpenters Union Bldg	2,610	2610	4277	36.7
1612 K St NW	The City Bldg	2,607	2607	4071	36.72
1710 Rhode Island Ave NW		2,606	2606	5212	39.75
1145 19th St NW	1145 Medical Office Build	2,527	2527	10652	43
727 15th St NW		2,527	2527	4295	41
2000 M St NW	2000 M St NW	2,510	2510	0	-
1129 20th St NW	The Liberty Building	2,500	2500	0	-
500 New Jersey Ave NW	NAR DC Headquarters B	2,500	2500	1598	43.5
1050 K St NW		2,486	2486	2263	39
1776 G St NW		2,461	2461	3119	-
950 L'Enfant Plz SW	L'Enfant Plaza South	2,448	2448	5624	20
1776 Massachusetts Ave NW		2,437	2437	2437	37
1899 L St NW		2,430	2430	2430	47
1001 Connecticut Ave NW		2,413	2413	9210	43.64
1108 K St NW		2,089	2089	3617	27
316 F St NE		2,000	2000	2000	20
1666 K St NW		1,972	1972	1972	-
1320 18th St NW		1,900	1900	1500	39.75
613 2nd St NE		1,800	900	1800	45
1215 Connecticut Ave NW		1,800	1800	1800	-
818 18th St NW		1,774	1774	0	-
201 Pennsylvania Ave SE		1,700	1700	0	-
229-231 Pennsylvania Ave SE	Capitol Lounge	1,625	1625	0	-
616 H St NW	The Offices at Gallery Pla	1,547	1547	3094	39
412 1st St SE	Capitol Hill Office Bldg A	1,500	1500	0	-
1200 1st St NE	Capitol Plaza I	1,494	1494	2459	48
400 7th St NW	Jennifer Bldg	1,419	1419	2365	38
1100 4th St SW	East 4th St Building (DC	1,230	1230	1230	-

707-709 H St NW		1,225	1225	1225	Withheld	
1400 New York Ave NW	The Bond Building	1,186	1186	1186	-	
236 Massachusetts Ave NE	Congressional House	1,127	1127	2023		42
4025 Minnesota Ave NE		1,100	1100	2200		24.55
1101 16th St NW	American Beverage Assc	1,096	1096	1096		33
1712 Eye St NW		1,049	1049	1654		41
1020 16th St NW	The Gaslight Building	944	944	944		37.5
888 17th St NW	Brawner Bldg	825	825	0	-	
301-325 7th St NW		800	800	800	Withheld	
1829 M St NW		800	800	0	-	
819 L St SE		750	750	1500		25
1150 15th St NW	Washington Post Building	700	700	700		60
1016 16th St NW		678	678	678		38
519 H St NW		600	600	0	-	
1712 N St NW		573	573	573		52.25
1800 G St NW	Northwestern Bldg	512	512	512	-	
1118 9th St NW		500	500	500		36
1220 16th St NW		500	500	500	Withheld	
503 D St NW		435	435	435		52.28
810 L St SE		400	400	400		25
205-207 Pennsylvania Ave SE		400	400	0	-	
312 Massachusetts Ave NE		300	300	300	Withheld	
1912 Sunderland Pl NW		200	200	200	Withheld	

Mr. MICA. Thank you. Yesterday, I conducted a hearing, and I have been trying to get information that our committee has I think back to this subcommittee from OMB on the amount of vacant space. Finally, after issuing a subpoena and some threats, we did get—I did get a response and got a report just recently on the amount of vacant space.

Now, there are some big offenders here with vacant space. DOD is one of the worst. They have a huge inventory of vacant space. In fact, this report from OMB identified 7,500 properties or buildings, 3,292 excess buildings or properties and 4,208 underutilized. One of things we found from that report is it was incomplete. So it is actually much worst than that.

What are you doing, Mr. Dong, to make certain that we have excess Federal properties—here in the District we have excess Federal properties vacant that we fill them with some of the activities. Is that an agenda item that you are looking at—and across the country of course?

Mr. DONG. Absolutely. We want to be able to look at our Federal buildings to identify those assets that are underutilized or underperforming and to make sure that at the end of the day, we are seeing highest and best use of all of our Federal assets.

Mr. MICA. OK.

Mr. DONG. So some examples, we talked about the Old Post Office Building. That is a situation where we saw that that building——

Mr. MICA. Well, we have held hearings, this subcommittee, my first hearing as chairman, we dragged the staff down there in the vacant portion of the building, the Old Annex had been vacant for 15 years. And nearly half of the 370,000 square feet were vacant and losing around $6 million to $8 million a year. Very familiar with that one. That is a turnaround.

But in politics and in GSA, you cannot sit on your laurels or your assets, so I am more interested in what we are going to do to move forward to fill some of these.

One of the problems too, you have very limited area. I mean you have thousands of buildings and properties but the Federal Government, a lot of them outside your jurisdiction, for example, DOD, DOD has huge assets. We do not have a good inventory.

Now, I just got an inventory of eight vacant or underutilized but a good current inventory too of the leased properties, and that is something we need to haul OMB in here, Mr. Barletta, and see that each agency reports specifically on leased and where they are with their leases, et cetera. So what you are doing, we would have some handle on how we can get them to move forward.

And then there are impediments the agencies face. And that is something else we need to deal with so they can get rid of those things.

I will give GSA, there is a new—some new kids on the block including Mr. Dong. And some of your folks, the last few months, are now looking at more creative ways of leasing and actually of not circumventing but dealing with the impediments that Congress or law has in place by creatively singling out. We are very supportive of that because if it makes sense for the taxpayers, it is very important.

DHS, I have done everything. I can close down any further new buildings for you. We have done—we made a huge mistake, it was a committee across the hall, in creating DHS in its current form. It is too big. Anyone who ever thought that combining 22 agencies and over 200,000 people would be more efficient is not dealing with common sense or ability to manage agencies.

Very concerned. I want to do everything I can to make certain you do not build another—a monument to bureaucracy at the St. Elizabeths site. We needed to do something with the Coast Guard and that has been done and adequate. And we might even look at putting some of that property up for sale or leased to the private sector.

Consolidation of some of your leases is a goal, is that right?

Mr. ORNER. That is correct.

Mr. MICA. OK.

Mr. ORNER. We are looking at consolidating our leases nationwide.

Mr. MICA. Some of that may look—makes sense. And maybe we will also have the committee provide you with a copy of some of the properties that are available at still some pretty reasonable rates. But, again, big bureaucracies require big spaces. My goal is to get the size of the bureaucracy down, consolidate the space and save taxpayers money.

I yield back.

Mr. BARLETTA. Thank you, Mr. Chairman. The Chair recognizes Ms. Holmes Norton for 5 minutes.

Ms. NORTON. Thank you, Mr. Chairman, and I appreciate this hearing. I would like to find out from Mr. Orner, I suspect that is who I should be asking, the Coast Guard building was planned before the requirement for space utilization reduction. How are you reducing space in the Coast Guard building? And will that mean you are able to consolidate more of the Coast Guard—into the Coast Guard headquarters?

Mr. ORNER. Congresswoman, you are exactly correct. We did plan that before we had our new space standards. It is my estimate that we can put up to an additional 1,000 people into the Coast Guard headquarters building. Our plan is the Coast Guard has various offices and lease space in Arlington. Our plan is to move all of those people as those leases expire into the new Coast Guard headquarters building.

Ms. NORTON. So you think you could get the entire Coast Guard into that one building?

Mr. ORNER. The entire National Capital Region Coast Guard.

Ms. NORTON. Yes, of course.

Mr. ORNER. Yes, and that will save the Coast Guard roughly $7 million a year in rent. And we may be able to put a couple of other offices on top of that. So we will achieve over the next 1½ to 2 years significantly greater density in that building.

Ms. NORTON. Excellent. Mr. Dong, what is the effect of reducing the footprint or reducing the utilization for employees for these agencies that remain in place or are reluctant to move? There is this outstanding requirement, their space remains as it is, holdover or whatever, especially if they do not move, say they cannot move, do not have the money to move? Is there any way to enforce this

standard or is the only way to enforce it is to have the agency move?

Mr. DONG. We have seen examples of how agencies are able to improve their utilization as they stay in their existing space. So if we look, for example, at FEMA where their headquarters is at 500 C Street, they have been able—that is their headquarters building. They have been able to dramatically improve the utilization of that building.

Ms. NORTON. That leased space, that was not lease—that was leased space?

Mr. DONG. That is a leased space, but that is an example where they had a number of different facilities across the National Capital Region. They were able to reduce the number of facilities by putting more of their staff within that headquarters building. So I think we are seeing examples across the Government of how agencies recognize that excess spending on real property comes at the expense of mission-critical activities.

Ms. NORTON. So you are requiring the reduction in space even for agencies that are remaining in the space and have no intention of moving?

Mr. DONG. We are working with agencies to help them reduce their footprint, whether they are in leased space, whether they are owned space, we are looking for any and all opportunities to help them reduce their spending on real property.

Ms. NORTON. Mr. Dong, as you know, you own buildings—sorry, you lease buildings where the agency has no intention of ever moving. We are virtually buying these buildings. Is there a purchase option in every lease or new lease today?

Mr. DONG. We do not have purchase options in every lease, and I would say that the days of bargain purchase options are behind us. And we recognize that purchase options are not free. But again——

Ms. NORTON. Nor is leasing the space over and over again free to the taxpayers.

Mr. DONG. You are absolutely right.

Ms. NORTON. So I want to know what you are doing with purchase options? What are you doing to acquire space so you have to lease less space? You say in your testimony that GSA hopes to demonstrate the value of investments that reduce the real estate of the footprint. Ms. Barr talked about apparently owning or buying space across from the State Department. Are you looking at public-private partnerships, for example, to complete the Department of Homeland Security?

That first building, the Coast Guard, was finished on time and on budget because of annual appropriations. It has been slowed, especially with the reduction in appropriations. But even if there had been appropriations as planned on an annual basis, it is very hard to build a complex asking the Government to put the money down each year. Now, you know, that is not the cheapest way to build a building but is there a way to complete, at least some of the buildings, using a public-private partnership? And are you investigating that alternative as a way to complete some of the Department of Homeland Security?

Mr. DONG. Congresswoman Norton, let me come back to the first part of your question. As my colleagues have testified, we are seeing some great examples of how agencies are moving from leased space into owned space. Assistant Secretary Holland talked about the consolidation at the Switzer Building. I mentioned earlier about what we are trying to do in Detroit by moving four different lease locations into what would be a federally owned building. We are seeing some good examples across the Federal——

Ms. NORTON. You bought a building in Detroit?

Mr. DONG. Correct. In terms of St. Elizabeths——

Ms. NORTON. That was a purchase option, wasn't it?

Mr. DONG. That was a purchase option. In terms of St. Elizabeths, we recognize the current constraints that we are operating under. We are open to exploring any and all innovative approaches that would allow us to support——

Ms. NORTON. Are you exploring a public-private partnership to complete the St. Elizabeths complex?

Mr. DONG. We are open to any and all options for——

Ms. NORTON. You are not exploring, you are just open?

Mr. DONG. We want to make sure that we are looking at all viable options for completing this project. And I know that this is an important issue to members of this committee, and we look forward to working with you on this.

Ms. NORTON. I think it was Mr. Holland that mentioned the upfront capital as an impediment to reducing the space. Are you amortizing the cost for any agency that wants to do so and can do so in order to take advantage of the need, in order to enforce your mandate to reduce the space of each agency?

Mr. DONG. We want to be able to help——

Ms. NORTON. Because this will be the first excuse given, that we cannot pay for the upfront costs.

Mr. DONG. The upfront costs in the past have been a significant obstacle that have prevented agencies from doing the right thing in terms of co-locating and consolidating and reducing their footprint. We see two things that change that dynamic. One is the Total Workplace Program that I mentioned before that allows us to amortize the cost of furniture and IT and other upfront expenses that had previously been an obstacle to be able to make that move.

Two, is in our fiscal year 2015 budget, we request $100 million to support agency consolidation efforts. The amount that we received in fiscal year 2014, the $70 million, has been a force multiplier for us in terms of being able to work with agencies to reduce their footprint.

Ms. NORTON. Mr. Chairman, I know my time is out. Mr. Holland indicated that he was having difficulties with the program and yet the answer here has been that they are able to move ahead. So I am not sure that I understand that Mr. Holland's needs are being met by what Mr. Dong has just said.

Mr. HOLLAND. Congresswoman Norton, we in fact are taking very aggressive advantage of what Mr. Dong just described, both at the Parklawn project in Rockville and at the Switzer project here. We could not have done those projects without that help. My observation was to the point that this is a problem all the time. We have ways to solve the shortfall here, and we have. But I will have

other opportunities, and even $100 million is not unlimited and Mr. Dong will not always be able to meet our needs. A more thoughtful private sector type way of handling capital investments would be helpful.

Mr. BARLETTA. Thank you. Mr. Webster?

Mr. WEBSTER. Thank you, Mr. Chairman. Thank you for allowing me to attend this meeting, and thank you panelists for your presentation.

When we had our last prospectus level project approval, I was the only voice vote no because I was somewhat shocked at a couple of the examples I saw there of the new leases. One in particular was in a metropolitan area. It was in the same building as an expiring long-term lease. They were just going to re-up the lease. And the cost over the lease period was around $1,100 to $1,200 per square foot for the entire lease. So I figured, I was just sitting there at my desk, this distance here to here would be around $5,000 to $6,000.

And I was really concerned about that because the lease that was being completed, the only option was to either leave or re-up. There was no lease purchase or anything. And then the new lease, there was also no agreement. So by the end of the full term from the start to the finish, there would have been paid out about $2,200 per square foot. The building would probably be, if it is a normal building, would be about half its life cycle had been expired. And yet you could have built, you know, five times, four times, three times the building if it had been built and owned by the Federal Government. And you still at the end of that timeframe would have had only used half the life of the building.

So, Mr. Dong, my question would be what criteria do you use to determine whether or not there will be a lease purchase agreement? When you start 3 years ahead and you begin planning out, are there things that you—is there a checklist that you go down to determine what is the best buy life-cycle cost, energy cost, lease to own, all of those or just buying it outright? Is there a checklist that is a standardized checklist?

Mr. DONG. Our preference is to have federally owned buildings as opposed to leased buildings. There are situations, as you know, where we have to be in lease arrangements.

You mentioned earlier purchase options, and we want to be able to see those in more of our lease arrangements, but we recognize that again those come at a cost. So it really is dependent of the specifics of the transaction in terms of when a purchase option would be appropriate.

Mr. WEBSTER. But wouldn't a lease that expires and you re-up it and it expires again, there is a cost to that too because at the end of that timeframe, you have nothing to show for it except you have to go out and lease again. Wouldn't there be some consideration with that? I assume that is in your calculation, is that true?

Mr. DONG. Absolutely. And, again, we want to be able to kind of look more strategically at these transactions, not just to get caught up in the cycle of leasing but to really think through what is the longer term strategy for this asset and for the tenants in this asset.

Mr. WEBSTER. The last list of projects that we approved, most of them were in—those leases were in urban areas. Given technology

and other advances, can't you be just about anywhere you want to be including some less urban area that would be a lot less expensive to operate? And is that considered?

Mr. DONG. Absolutely. There are two things that we emphasize. First and foremost, it is about meeting agency mission requirements, but we want to make sure that we are doing so in a fiscally responsible way. So it really comes back to a collaborative dialogue with the agency in terms of what their specific requirements are, whether they need to be downtown in the central business district or they could be out in the suburbs and really understand what the trade-offs are given the requirements and look to balance both objectives in terms of meeting agency mission requirements but doing so in a fiscally responsible way.

Mr. WEBSTER. OK, Mr. Orner—Orner, sorry, could you—I have one question. You said you were about 50 percent owned, 50 percent leased. And you are the only one that mentioned that, so I would ask you is that a static number or is moving? Are you moving towards more owned or are you moving towards more leases?

Mr. ORNER. It is a relatively static number. The large majority of our owned spaces are Coast Guard and CBP. And the Coast Guard, we are talking about stations, Coast Guard stations, depos. We do not buy and sell a lot of those. So it is relatively static.

Mr. WEBSTER. Thank you, Mr. Chairman.

Mr. BARLETTA. Thank you, Mr. Webster. The Chair recognizes Ms. Edwards.

Ms. EDWARDS. Thank you, Mr. Chairman. And I want to say a special thanks to the ranking member because I had intentionally not planned to ask a question about the FBI and the land slot, but I appreciate the response.

It does raise a question that I had though and it is about process. And so I appreciate that, Mr. Dong, you have explained the process because sometimes I know we get confused and annoyed by process but in the case of GSA leasing, and I know this is true in the Metropolitan Washington area, process is in fact very important because it can lead to a better deal for the taxpayer if things are fair, if they are transparent and if there is a competitive process for leasing. And I think when that happens, it can also create an environment in which you do not invite protest, appeal and litigation.

And so I have been really interested in the process. I represent a district, as you know, right outside of the District of Columbia in Prince George's and Anne Arundel County, but I want to focus on Prince George's County because that has been a subject of some process.

The Office of Management and Budget through its approval of GSA rent requests is largely responsible for setting the prospectus rent caps nationwide. But nowhere is the scrutiny more draconian than I think it is here in the National Capital Region where OMB sets a one-size-fits-all cap for leasing in northern Virginia, the District of Columbia and suburban Maryland. And quite ironically, these caps are often well below those approved in other parts of the country, whatever the economy, despite the Washington region's higher prevailing market rents. In the District of Columbia, that cap is at about $50, in Maryland $35 and in Virginia $39. I am really hard-pressed to understand, and I have asked numerous

times when GSA and our agencies have been in front of us, what explains the disparity in one metropolitan region and why is that disparity only present in the Washington metropolitan region.

One of your predecessors, 2 years ago, in 2011 when I asked, could not explain that at all when he was in front of this committee. And I will tell you what he said to me in 2011. And this is a quote from Mr. Robert Peck, who was the GSA's Public Building—in charge of the Public Building Service. And he said, "I think that there is the opportunity to make some adjustments here or overhaul that system, and I am looking forward to doing it."

So I want to fast forward from 2011 to 2014, and the cap disparity that I described still exists without any other explanation. And I know we have talked about this before, but I have to get your commitment on the record that GSA will provide an answer and a response and something that is acceptable that gives relative competitive weight in the region for each of the jurisdictions that compete in this region. While one can understand the District of Columbia, it is a city, I do not understand the disparity among all of the suburbs. And that has not been explained sufficiently, and it has to be resolved because it creates such a disadvantage to those who want to develop and provide a taxpayer-based resource for the Federal Government.

So, Mr. Dong, I will ask you on the record, do I have your commitment within a time certain to get back to this committee on that question?

Mr. DONG. Yes, you have my commitment. I want to come back to the whole notion of competition and getting the best deal for Federal agencies and for the American taxpayer. I am still looking into this issue of rent caps. As I mentioned earlier, I have only been on this job for about 4 months. There is a lot more that I need to learn about rent caps. I know that this is a critically important issue to you and to other members of the subcommittee. I am looking into it, and I commit to get back to you on this.

Ms. EDWARDS. I appreciate that because if we look at the millions of lease space that is going to be available, this element of this rent cap could end up costing the taxpayer millions of dollars if we do not resolve the issue. And so I would appreciate that.

And I want to just say lastly if you would indulge, Mr. Chairman, to Mr. Holland, you raised an interesting question. And I believe that when you referred to the success in Rockville, you were referring to Parklawn. And I just have to ask whether you think the appropriate role of the agencies, and this can be open to other members on the panel, whether the appropriate role for the agency is to dictate the details to such minutia in the requirements that it could in fact constrain decisionmaking? And I would point specifically to the Parklawn lease in which HHS was insisting that we identify requirements such as location near dry cleaners. Do you think that is an appropriate conversation for a Federal Government agency to be engaged in to get a good deal for the taxpayers when it comes to lease requirements?

Mr. HOLLAND. First of all, Congresswoman Edwards, that was before my time, so I do not know——

Ms. EDWARDS. I know, the problem is you work at the agency.

Mr. HOLLAND. Yes, I inherited it. I inherited that project. That is the one I alluded to that had been going on since 2006. I will say that the Department, as you know, will have four operating divisions going into that facility. The Department does need to provide oversight, otherwise we have so many different desires and views that we cannot ever achieve consensus. And with GSA's help, we have been doing that. I would not think that I need to dictate where dry cleaners are, and I am pretty confident I would not be able to make that stick. But I do think we have to provide standards, and that is what I have tried to ensure.

Ms. EDWARDS. Thank you. And with that, I am going to yield just by saying to the chairman, we have had the experience on this committee of looking at potential leases and seeing those kinds of things being dictated wherever it is coming from within agencies. And it really hampers the ability of the taxpayer to get the best deal for the dollar. And I think that there should be some way that GSA, whether it is using—needs additional oversight authority so that GSA is in the driver's seat for the taxpayer. And not that we should not consider the concerns of the agencies, but the driver has to be the GSA in making determinations about baselines for requirements and about standardizing a process so that the taxpayer can have the confidence when that lease is let, that we have gotten a good deal. And I do not know that that is always the case.

And I think those are the kind of things that we, this subcommittee, should be looking at for the future given the amount, the number of leases and the value of the dollar that is coming up in this committee.

Thank you.

Mr. BARLETTA. I agree with you. They do it with ceiling heights in the District, which also limits competition and a good rate. So it is a good point.

Before we begin our second round, the Chair is going to recognize Mr. Mica for an additional 30 seconds. He has another hearing to attend to. Mr. Mica?

Mr. MICA. Well, thank you. And, Mr. Dong, yesterday we did a hearing. You sent Mr. Gelber, the Deputy Commissioner of the Public Buildings Service, I mentioned to him that this actually starting back with the work on this committee, we got Dorothy Robyn, she was the former Public Buildings Service Commissioner, to consider putting together a panel of experts for GSA who have great skills in disposing or best practices for utilizing property, vacant and otherwise. You actually have that panel in place. They have been selected in May 2013, this came out. Mr. Gelber said he not met with this panel. I said, "Would you meet?" He said he would. I said, "Could you get Mr. Dong to also meet?" Will you meet with the panel because they have some great ideas, great experience.

They have only dealt with a dozen properties or so and a couple hundred thousand dollars. But these people have the expertise and knowledge that I think would be helpful. Will you meet with them?

Mr. DONG. I will meet with the panel. I want us to be aggressive on this question of property disposition.

Mr. MICA. Great, and I will get you a copy of this and that will avoid another subpoena. Thank you.

Mr. BARLETTA. We will now begin our second round of questioning. Mr. Dong, the upfront cost of an agency move an lead an agency to stay in place without any reductions in space, improvements to the utilization rates or a competitive procurement, re-location and replication costs regularly run between $100 and $200 per square foot, yet GSA's internal policy only allows $40 per square foot to be amortized into the lease. Since these costs are stopping agencies from getting good long-term leases that save millions of dollars, will GSA consider changing this policy?

Mr. DONG. I think it comes back to the larger commitment that we have to breaking down the barriers that prevent agencies from co-locating and consolidating and reducing their footprint. And we want to find any and all opportunities to do that.

Mr. BARLETTA. Again, Mr. Dong, you have a—there is 100 million square feet of expiring leases in the next 5 years, and that is obviously a tremendous amount of work. To take advantage of this opportunity, it must be an "all hands on deck" effort at GSA and at the tenant agencies. You have a no-cost contract that gives you access to the best commercial real estate talent in the country. Your own data shows that they negotiate better deals for the taxpayer on leases over 50,000 square feet. Yet, GSA's use of the brokers has declined every year to where they are not being used anywhere close to their potential.

Given your responsibility to replace 100 million square feet of leases in the next 5 years, please tell me and the committee how you are going to maximize the use of the brokers to seize this opportunity and benefit the taxpayers?

Mr. DONG. If we look at the bow wave of expiring leases, I need to utilize every resource at my disposal to make sure that we are getting on top of that workload and that we are getting out of the cycle of holdovers and extensions. You talked about the national broker contracts, I think that is an important resource that we need to bring to bear on this problem, particularly as we look at the larger markets with more complex procurements.

Mr. BARLETTA. Anyone can answer this questions, any of the panelists. What are some of the other major challenges preventing your agency from getting your leases replaced on time with good deals? And what can GSA or this committee do to overcome those challenges? Anyone who wants to jump in.

Mr. HOLLAND. Mr. Chairman, I have already suggested to you what I think is the biggest problem. As we solve the problem with GSA's help, it creates another problem and that is the operating expenses of our divisions have to be inflated for 3 to 5 years, depending upon whether it is technology or furniture and equipment. So that is the biggest gap.

The other is something that again I would give GSA credit for helping us is helping employees understand that the changes we are going to make are in fact appropriate changes and in the end they will think they are good changes. I assume the committee members have visited 18th and F and seen where Mr. Dong and Mr. Tangherlini have their offices. I have taken multiple people from my Department over there.

We have to educate people. I come from the private sector. I spent 41 years in the private sector before I came here 5 years ago,

and what we are doing here is SOP, standard operating procedures, in the private sector. We need to educate more and more of our employees that that is the right way to do things. And in the end, frankly, they like it. And if we do more of that, we will have fewer problems doing the consolidations.

I think Congresswoman Norton asked about doing things while we are in place. We are doing several things while we are in place. It is not ideal, frankly, because we actually disrupt operations during the time we are doing reconstruction while people are still there. But it can be done, if and only if, the employees, their managers and their leaders accept that risk and understand what we can do for them.

Mr. BARLETTA. Mr. Dong, in recent years, GSA has pulled back delegated leasing authorities from tenant agencies. If GSA's delegated leasing authority was managed to ensure proper oversight, including application of prospectus process, that may address problems that have occurred in the past. Has GSA examined whether lease delegations could help with the workload?

Mr. DONG. Our view is that we have developed a center of excellence and a core competence in the issue of leasing. That is GSA's core competence. We want agencies to be able to focus on their core mission functions. We believe that leasing is our core mission function, and we believe that we do that well. And we want to be able to support agencies, whether we do it or that they have delegated leasing authority. We still feel that we can provide strong support in the process.

Mr. BARLETTA. Has any of your agencies used the delegation authority in the past? And do you think such authority could help get these leases replaced on time?

Mr. HOLLAND. Well, Mr. Chairman, the Department of Health and Human Services does in fact use the delegated authority for a variety of things, although 70 percent of our space, 70 percent of our overall 55 million square feet of real estate is owned by the Federal Government. We do it both ways. I am frankly not sure there is magic either way. And even in that case, we look to GSA to use its expertise to help us.

Mr. BARLETTA. Anyone else want to——

Mr. ORNER. Well, speaking for DHS, I agree with Mr. Dong that they do have a center of excellence for leases, particularly for generic office space. I am perfectly happy with the existing arrangement. They are able to meet our needs.

Mr. BARLETTA. The Chair will recognize Ranking Member Carson.

Mr. CARSON. Thank you, Mr. Chair. Mr. Allen, the DOJ has significantly reduced its space standards by 25 percent. What was your most effective argument to your employees in getting them to accept a new normal with respect to space allocations?

Mr. ALLEN. I do not think there is a single argument. I think that we all want to work together to accomplish our mission in the most effective and efficient means possible. And we have had that conversation about how can we do things differently today than we have done in the past to make us more effective and efficient and use taxpayer resources wisely. So those conversations have occurred, and they need to continue to occur to make this happen.

Mr. CARSON. Mr. Holland, if HHS were to receive capital funding for renovations, furniture and fixtures, do you believe you would be able to gain even more savings in your real estate program?

Mr. HOLLAND. Yes, sir, I do.

Mr. CARSON. Yes. Madam Barr, can you please commit to the committee, ma'am, to reevaluate the State Department's strategy to locate the majority of its leased space in the Foggy Bottom and Rosslyn area—I am going back to that again—and report back to us respectfully on the cost and benefits of such a strategy?

Ms. BARR. Yes.

[The Department of State responded to Hon. Carson's question with the following information:]

In response to Representative Carson's request, the Department continues to evaluate its strategy of locating most of its leased space in the Foggy Bottom and Rosslyn area. We appreciate this opportunity to explain the fashion in which our personnel collaborate to perform our country's many foreign policy missions, and how those personnel interactions impact our real estate decisions.

Virtually all of the activities in the decision-making process of the Department's offices and bureaus require interdependency; as a result, Department of State offices in Foggy Bottom and Rosslyn operate as a centralized hub that supports staff all over the world, at over 275 embassies and consulates, on a 365/7/24 basis. The proximity of the Department's bureaus to leadership in the Harry S. Truman (HST) Building, and to one another, results from the interrelated nature of diplomatic missions and the requirement to effectively represent U.S. government interests overseas. However, we realize that some bureaus and offices can perform effectively outside the Foggy Bottom-Rosslyn hub, and when possible, the Department locates functions in more cost-effective locations. In fact, almost half (45 percent) of the Department's commercially leased space is located outside of Foggy Bottom and Rosslyn. For instance, the vast majority of our passport services, financial services, information technology services, and warehousing are located in less expensive space outside of major metropolitan areas.

Whether it is managing responses to crises such as Ebola, threats to our nation's security, longer term engagements such as coalition building in the fight against the Islamic State of Iraq and the Levant (ISIL), or overseeing grants and policymaking, different bureaus with equities in a particular issue are engaged in developing appropriate solutions; thus the requirement for constant contact and inter-bureau communications, some of which must be carried out expeditiously and in strict confidence as the outcomes of these decisions often have national security implications. Many of our day-to-day discussions involve information that cannot be discussed over the phone or other unsecure means.

Given the breadth of the Department's portfolio and the corresponding structure of its bureaus and offices to support those missions, a long-standing management goal continues to be the alignment of the real estate portfolio with the space and proximities Department staff need to perform their functions effectively. The Department prioritizes the proximity of its various bureaus to HST based on their involvement in diplomatic matters. Regional bureaus (e.g., Western Hemisphere Affairs, African Affairs, Near Eastern Affairs, etc.) are directly and intricately involved in policymaking, coordination with overseas posts, and negotiations with foreign governments. Certain functional bureaus (e.g., Population, Refugees and Migration; Economic and Business Affairs; Democracy, Human Rights and Labor; Counterterrorism; International Narcotics and Law Enforcement) perform their missions in conjunction with the regional bureaus necessitating that their offices be located in the HST Building or within a short walk of HST to allow for direct personal engagement in policymaking. Additionally, the management bureaus (e.g., Diplomatic Security, Consular Affairs, Overseas Buildings Operations, Human Resources Management, Information Resource Management, Medical Affairs, Administration, etc.) support a very wide range of activities, including those of Foreign Service Officers over-

seas, the security of our overseas facilities, all civil service employees, other agency personnel, foreign nationals, and family members.

Most of the personnel in the management bureaus are also required to be close to HST and the regional and functional bureaus, but may locate in Foggy Bottom or Rosslyn depending upon their primary collaborators. For example, Overseas Buildings Operations, Diplomatic Security, and key elements of the Bureau of Administration collaborate intensively to provide safe, secure, and functional facilities that represent the U.S. government to the host nation and support our staff overseas as they work to achieve U.S. foreign policy objectives. In these times of increasing security threats overseas, the levels of coordination among these bureaus are constant and significant, and much of the work involves the Department's largest contracts, and/or is of a classified nature. Over time, these bureaus have collocated in several buildings proximate to one another in Rosslyn.

Likewise, the payroll and financial functions of the Department operate from Charleston, South Carolina, where they work in close proximity with several human resources activities that relocated to that area in recent years. This is a great example of the Department's efforts to relocate complementary personnel and functions, to the extent possible, to more cost-effective areas away from the Foggy Bottom-Rosslyn hub.

The Department's real estate asset management program is geared towards solutions that best reflect and support the realities of the way in which the Department manages the nation's foreign policy objectives. In making real estate decisions the Department assesses the total cost to government approach, seeking results that yield the lowest long term cost to the taxpayers, while still fulfilling the needs of the mission. Whether expansion, new construction, or a lease replacement; the costs, options, mission needs, the current and proposed tenant mix, location, and housing plans are all taken into consideration, reviewed, and evaluated before final decisions are made.

For leased spaces, direct costs such as Move and Replication, Information Technology, and Security are accounted for, as are indirect costs such as additional administrative support necessary in ancillary locations, and the productivity and financial costs of commuting between locations. The Department continually seeks to reduce costs by improving utilization rates in existing space, as leases expire, and through other consolidation activities. Thus, in recent years the Department has been meeting and in many cases exceeding evolving government space utilization standards. For example, following the Bureau of Consular Affairs (CA) Foggy Bottom consolidation in 2013 (with an 'all in' total square feet/person of less than 200 USF/person), its former space in Columbia Plaza is being backfilled by various bureaus consolidating out of expiring leases, and out of HST due to the modernization of this 50+ year old building. Each of these backfill projects are being built to an 'all in' total square feet/person of less than 170 USF/person, well below the government median of 265 square feet/person, as reported in the President's Management Agenda "Benchmarks for Mission-Support Functions in September 2014." The Department's *current* portfolio also scores below the median in all three utilization rate metrics in this report.

As noted, security costs are a strong consideration when evaluating a new facility lease or purchase. The Department's facilities are protected through strong physical security measures as well as a robust security team of the Diplomatic Security Service. The Department has evaluated the possibility of leasing vacant space in Crystal City, but, in addition to increased travel time and lost productivity, any such location would need to have physical security measures installed. We also note that the prime reason for the Department of Defense's move away from Crystal City was the inherent lack of security of their buildings there.

The Department of State remains committed to taking a careful approach to its real estate activities, and managing its portfolio to best support the many missions entrusted to it by the American public in the most efficient, effective, and economical ways possible. We appreciate the opportunity to provide the committee with this additional information in order to clearly demonstrate the real estate acquisition process used by the Department of State.

Department of State occupied, prospectus-level leases expiring between 2014 and 2019:

(1) 1701 North Fort Myer St., Rosslyn, VA, expires December 2014 (Prospectus has been submitted to House Transportation and Infrastructure Committee);
(2) 2121 Virginia Avenue, NW., Washington, DC, expires October 2017;
(3) 400 C Street, SW., Washington, DC, expires January 2018;
(4) 2200 C St., NW., Washington, DC, expires June 2019;
(5) 515 22nd St., NW., Washington, DC, expires September 2019.

This report was prepared by the U.S. Department of State's Bureau of Administration, Office of Operations, September 2014.

Mr. CARSON. OK. Thank you, Mr. Chairman.

Mr. BARLETTA. The Chair recognizes Ms. Norton.

Ms. NORTON. Thank you, Mr. Chairman. Mr. Dong, under Administrator Tangherlini, we have seen the agency operate more like a real estate agency. That has not much been the history of GSA. It has been more innovative, for example. I mean the FBI trade is an example of that.

I was troubled therefore that this week I had to introduce a bill to ask the GSA to do what it already has the authority to do. You will recall that the Old Post Office came out of a bill I had to introduce because GSA just would not develop the property. I have not had to introduce a bill to develop property that the Government owned since the Old Post Office Building, but this week I introduced a bill to redevelop the entire Department of Energy Forrestal Complex. And I felt I had to do that for the very same reason—well, not the very same reason, because GSA was not doing its complete job. It has indicated that it wants to develop part of, indeed the greater part of the nearby property, the Cotton Annex, the GSA regional office. But GSA left out some parcels.

There is not any professional party in real estate who would have a great big parcel and say, "We are going to develop this entire parcel." Understand, this part of GSA's own eco-district plan, which has been approved by the National Capital Planning Commission—the NCPC. Why would you leave out some parcels? Are we back into GSA doing what the agency wants to do instead of doing what your statute says to do and what the Congress says do? And you are not developing some small parcels. Some of it may be parcels that the Department of Energy wants to deal with on its own terms.

But why in the world would GSA leave out small parcels in a total section of land that can bring return to the Federal Government? Why are you not developing the entire Department of Energy Forrestal Complex? And what is the reason for the parcels that have been left out?

Mr. DONG. Congresswoman Norton, when we look at the parcel of property on Federal Triangle South, we want to make sure that we are getting the highest and best use for all of the parcels, not just the Cotton Annex and the regional office building.

Ms. NORTON. Well, you have got the GSA regional office. You have got the Cotton Annex. You have got some small parcels that are left out. My question is very particular, Mr. Dong. Why are those small parcels, which apparently—I cannot say are owned by the Department of Energy but in the possession perhaps of the De-

partment of Energy, at least one of them, why are they left out as a kind of pock mark in the total land that you wish to redevelop?

Mr. DONG. We want to make sure that we have got viable housing strategies for the agencies that are on those other parcels. When you mentioned the regional office——

Ms. NORTON. We will get housing strategies if you put it in there because then everybody will begin to look for the appropriate housing. You leave them out, then of course there is no incentive for them to find—especially when the parcels are so small. And of course we know, and if you want to complicate things for the Federal Government, we know as well that the railroad is coming in these adjacent parcels, that there is value for the Federal Government in those parcels because the railroad would obviously be one of those who wish to use those parcels. You have even negotiated with interests who are involved and yet you have left them out. It just makes no economic sense from the Government's point of view.

And if you want to find housing for the Government, do not tell me that again. Because that was the excuse of GSA for not developing the Old Post Office. They had agencies in there. So you have got an agency. That agency, the Department of Energy will get space. It will be able to reduce its footprint. You will get land and a return on that land for the Federal Government that you do not get now. What possible reason could there be for not putting the whole parcel out if you put most of it out?

Mr. DONG. I agree with you. We need to get highest and best use for all of the parcels in Federal Triangle South. Based on the RFI and the responses to the RFI that we issued last year, what the market was telling us is that we needed to move out on these two parcels first. But our plan and our commitment is not to ignore these other parcels in Federal Triangle South.

Ms. NORTON. You see what you force me to do? And the last time you forced me to put in a bill, the Congress passed this bill. So I want to just tell you right now I am going to press very hard for Congress to pass the bill to develop the entire parcel that I introduced this week.

Thank you, Mr. Chairman.

Mr. BARLETTA. Thank you. An important factor the committee considers before approving a lease prospectus is the all-in utilization rate. That means the total usable square footage of a building divided by the number of people working there. While we do not have a one-size-fits-all standard, we are looking for significant improvements and good utilization rates for how the building is used. Barring a few unique exceptions, the committee has not approved prospectuses with all-in utilization rates of over 200 usable square feet per person.

Mr. Holland, can you talk about how HHS has instituted the 170 usable square feet per person standard and is that departmentwide and does it include common areas in the calculation?

Mr. HOLLAND. Yes, sir, we adopted that 3 years ago. The Office of the Secretary issued instructions to that effect. We have had cooperation from several agencies. We operate through a federated system of many independent operating divisions. And they have been following it.

Now, I do not want to sit here and tell the committee that we always get to 170. Sometimes we will be below it. Sometimes we are not quite there. It depends on the shape and the scope of the building, for example, or if we are having a little trouble—Switzer is an example. It is not a modern contemporary building that is easy to lay out. So what we do is use that as a target. My project with my OCIO will get well under it. I have some others where we are a little over it. But we will generally speaking use that as a target. I am reminded of the old saying, "If you do not care where you are going, any road will get you there." That is why we use that as the target.

Mr. BARLETTA. To the other agencies, what are your all-in utilization rate targets and how are you applying them as the leases expire, Ms. Barr?

Ms. BARR. 200 usable square feet or less. We are renovating our building right now, our headquarters, and in the new space we expect to be able to put in 1,500 more employees. And I am actually doing this in my own section, which is not always easy, as referred to earlier, getting employees to understand. But we are full on board with this.

Mr. BARLETTA. Mr. Brazis?

Mr. BRAZIS. The Department of Defense, 200 also. Our most recent prospectus for Suffolk and other buildings, our longer term leases we have entered into, have consistently been at 200 and below. And below is really our target.

Mr. BARLETTA. OK, Mr. Allen?

Mr. ALLEN. We took a different approach in 2012 and mandated per person office size standards of 130 square feet for most people. Less than 100 for law enforcement agencies. Our latest prospectus that this subcommittee approved was at 240, reflecting special use needs for attorneys and litigating divisions. So we will vary, but we will meet our per person office standards across the Department.

Mr. BARLETTA. Mr. Orner?

Mr. ORNER. Our number is 150. Every time we—a lease expires, our commitment is to get under 150. Now, that is an average. In some cases, we have needs for highly specialized spaces, skiffs and whatnot, that will skew the numbers for a particular organization. But we are committing to an average of 150.

Mr. BARLETTA. Mr. Spencer?

Mr. SPENCER. Mr. Chairman, as was pointed out earlier, we have a range of kinds of opportunities in our organization. Certainly in our community-based field offices, we have a different arrangement there with the public needing to be considered. But when it comes to prospectus level leases, which we are going to be sending to you in the next 5 years, we have a number of those, and we are certainly going to be looking to make sure we are within the 200 square feet.

Mr. BARLETTA. Thank you. So far this year the committee has received three lease prospectuses for the fiscal year 2015 leasing program, including one for the State Department, one for the FBI. Given the amount of potential prospectus level leases expiring in the next 5 years, this seems a little low. Mr. Dong, will we be receiving more? And, if so, when can we expect them?

Mr. DONG. Mr. Chairman, you have my commitment that you will be receiving the balance of the lease prospectuses in the coming weeks.

Mr. BARLETTA. Great, thank you. The other panelists, each of your agencies should have prospective level leases before us soon. Where are those prospectuses in the process and which ones should we see this year?

Ms. BARR. Excuse me. We definitely have one with you now. I will have to get back to you on how many more we will send to you this year.

Mr. BARLETTA. Mr. Brazis?

Mr. BRAZIS. Mr. Chairman, I will have to get back to you on the record on the precise number pending.

[The information follows:]

The Department of Defense currently has one prospectus level lease package for this year being processed at the General Services Administration. Within the National Capital Region (NCR), GSA submits prospectus level lease packages on behalf of DOD.

Mr. BARLETTA. Mr. Allen?

Mr. ALLEN. I will get back to you on the precise number, but I know we have two for litigating divisions here in Washington coming soon.

Mr. HOLLAND. Mr. Chairman, the Department of Health and Human Services has none coming this year. And, in fact, we pulled one recently as part of our consolidation into the Switzer Building. There was a prospectus lease pending. And we were able to avoid that and not go back out to the lease market and instead move into a GSA-owned building. I will have to get back to you on whether we have any in the coming year. But, frankly, as I look at our lease expirations, a substantial number of them have happened or are in the process of happening. And I am not sure we have a significant number of prospectus leases. And, frankly, I will try to avoid those because I will try to work with Mr. Dong and Mr. Tangherlini to move into federally owned space wherever we can.

Mr. BARLETTA. Mr. Orner?

Mr. ORNER. Mr. Chairman, I will get back to you with a list of this year's lease prospectus.

[The information follows:]

- In the FY14 cycle, DHS had four (4) prospectuses totaling just under 1 million square feet in four (4) locations.

- For the FY15 cycle, DHS has one (1) prospectus in process.
  - This prospectus is for USCG within the National Capital Region; and it is currently under review in GSA's Central Office.
  - The prospectus is seeking authority for up to 15 years and up to 95,000 RSF; however, the Department is also working on options to eliminate this lease and move the personnel into the USCG Building on the St. Elizabeths campus.
- For FY16, only one (1) prospectus level project is planned:
  - The space requirement is for ICE Headquarters lease (located at 500 12th St., in Washington, DC), and is expiring in January 2018.
  - This occupancy currently contains 500,000 RSF, and going forward will be subject to the Department's new size standard (average 150 sqft per person).
- In FY17 DHS will have a major lease prospectus year due to twelve (12) locations; DC (3), VA (3), MD (2), NJ (2) and NY (2) will be coming due with more than 1.9 million square feet.
  - The Department, its components, and in partnership with GSA is examining all office space requirements with the objective of achieving DHS's size standard average of 150 usable square feet or less per person.
- The Department's effort to compress office space requirements is anticipated to result in fewer prospectus level projects.

Mr. BARLETTA. Mr. Spencer?

Mr. SPENCER. Mr. Chairman, Social Security does not have any this year.

Mr. BARLETTA. This is my final question. I think we have a tremendous opportunity to save taxpayers a lot of money and help your agencies get quality space that meets your needs and helps you protect your personnel. However, I am very concerned that we are going to miss this opportunity if we continue with business as usual. So I am open to considering a pilot program for a limited amount of time, which would simplify the leasing process and give you greater flexibility to cover your upfront costs. The leases would need to have good utilization rates, be long term and competitive. But in exchange, you get a fast track process. Do you think this could help us get the job done?

Mr. DONG. Mr. Chairman, I think it is important that collectively we look at the current process, and we identify any and all opportunities to streamline the process. And, as you said, take advantage of the current market opportunity.

Ms. BARR. I agree with Mr. Dong.

Mr. BRAZIS. As do I, Mr. Chairman.

Mr. ALLEN. And as I do.

Mr. HOLLAND. The same response, sir. I would say that we have two ongoing examples. The Parklawn project is now pushing 10 years old. And the Switzer project on the other hand is about 18 months old and will finish before Parklawn. So where we can get help, and GSA has been very helpful on Switzer, we can move more quickly. And any pilot project that the committee comes up with would be welcome.

Mr. ORNER. DHS would also welcome such a pilot. The opportunity to streamline the timeline and find a way of covering the upfront costs would be welcomed.

Mr. SPENCER. We absolutely would agree that we would be interested in pursuing this. One of the problems we have had, Mr. Chairman, is adequate, sustained funding where we know where we are going to be able to go in the long run. We had a prospectus level project that was approved as a prospectus level project, but

then funding was not available. And we actually had started moving people out of the building. We were left with lower utilization and no place to go. So absolutely we would be interested in pursuing this.

Mr. BARLETTA. Ranking Member Carson, do you have any more questions?

I want to thank you all for your testimony. Your comments have been helpful in today's discussion. If there are no further questions, I would ask unanimous consent that the record of today's hearing remain open until such time as our witnesses have provided answers to any questions that may be submitted to them in writing. And unanimous consent that the record remain open for 15 days for any additional comments and information submitted by Members or witnesses to be included in the record of today's hearing. Without objection, so ordered.

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

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

U.S. General Services Administration

Norman Dong
Commissioner
Public Buildings Service

"GSA Tenant Agencies:
Challenges and Opportunities in Reducing Costs of Leased Space"

Committee on Transportation & Infrastructure
Subcommittee on Economic Development, Public Buildings,
and Emergency Management
July 30, 2014

Introduction

Good morning Chairman Barletta, Ranking Member Carson, and Members of the Subcommittee. My name is Norman Dong, and I serve as the Commissioner of GSA's Public Buildings Service.

GSA's mission is to deliver the best value in real estate, acquisition, and technology services to government and the American people. When it comes to leasing, this means reducing costs and improving space delivery to allow GSA's Federal partner agencies to focus resources on their core mission needs.

I'd like to make three points today. First, GSA is focused on improving utilization throughout our portfolio. Second, within our leasing program, our top priority is reducing costs by improving our long-range planning process and broadening competition. Third, GSA's Fiscal Year 2015 Capital Investment & Leasing Program drives our efforts to support our Federal agency partners in managing government real estate.

Improving utilization of the Government's real estate inventory

GSA currently has an inventory of more than 375 million square feet of space, approximately half of which is distributed among 9,000 leases across the country.

As a part of the Administration's management agenda, GSA 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.

GSA is helping Federal agencies reduce space requirements by adopting new workspace arrangements and developing mobile work strategies that allow more people to work in less space. Our Client Portfolio Planning process identifies current, ongoing, and potential portfolio optimization opportunities to reduce the government's economic and environmental footprints while fully supporting agency missions. At the same time, our Total Workplace program helps agencies address the up-front costs of consolidation, like the furniture, fixtures, and equipment costs associated with a move.

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 and public transportation and the mission requirements of GSA's partners.

Since GAO identified real property as a high-risk area 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 2014 alone, GSA and our partner agencies have proposed a square footage reduction of approximately 13 percent, from a current requirement of 4.3 million square feet to a proposed 3.7 million square feet.

Reducing the Government's leasing costs

As this Committee has pointed out in previous hearings and roundtables, the Federal Government has an unprecedented opportunity to capitalize on markets and achieve long-term savings that save taxpayer money and allow agencies to focus more resources on mission needs.

Within GSA's inventory, more than 59 percent of our leases will expire over the next five years – meaning we'll need to find housing solutions for approximately 104.6 million square feet of government-occupied space. This year, we have 10.7 million square feet of leased space expiring in the National Capital Region alone.

GSA is planning to address these needs and meet this window of opportunity by focusing on consolidation and reducing requirements, improving our long-term planning processes, and broadening competition.

Our approach will no longer accommodate replacing expiring leases at a one-for-one ratio. And where possible, GSA is seeking solutions that will convert leased space to federal ownership. You can see these changes in our lease prospectuses over the past two fiscal years.

For example, we are in the process of seeking a lease for the Department of Justice in Washington, D.C., that will replace four different expiring leases across the District while improving the Department's utilization in this consolidated action from 184 square feet to just 130 square feet of office space per person.

Elsewhere in the District, we're renewing a lease for the Federal Energy Regulatory Commission that will allow us to exercise a favorable purchase option when the next lease term expires in 2025. GSA will have the opportunity to buy the building for $20 million – about $40 per square foot – far less than comparable market rates for commercial buildings in Washington, D.C.

We also must remain committed to maximizing competition to get the best deal for Federal agencies and the American taxpayer. Like our commitment to consolidation, this presents a valuable opportunity to reduce the cost of the government's space needs over the long term. While average rates in many markets remain well below peak levels, we can capitalize on favorable market competition by insisting on greater competition as our leases expire.

For GSA, this means better workload management with more emphasis on long-range planning. We need to start working with our Federal partners to develop their requirements as early as 36 months prior to lease expiration, with a goal of issuing advertisements by 18 months prior to expiration. We'll manage to these benchmarks, giving us more time to run a competitive procurement and avoid the holdovers and extensions that result from poor up-front planning.

At the same time, we must focus on broadening delineated areas and simplifying specialized agency requirements to allow for greater competition and more favorable rates. When we seek leases in narrowly defined delineated areas, or for overly specialized space needs, we often eliminate potential respondents and end up with higher rent.

GSA's FY 2015 priorities for consolidation and investment

While today's hearing centers on our collaborative efforts to reduce costs in government leasing, GSA's first priority remains maximizing utilization of the Federally owned inventory. At 47 years, the average age of the assets in GSA's inventory is approaching the 50-year life expectancy of most commercial office buildings.

In recent years, GSA has not had access to all of the annual revenues collected by the Fund, hampering our ability to meet agency needs.
GSA must center its real estate management strategy on utilizing existing space, helping our partner agencies reduce requirements, and seeking competitive leased solutions. Our Fiscal Year 2015 capital plan continues our efforts to consolidate agencies out of expensive leases and into Federally owned space.

In Detroit, Michigan, for example, GSA proposes to exercise an option to purchase a building we currently lease on Michigan Avenue. Once we purchase the Enterprise Computing Center, we'll renovate the facility and backfill it with tenants moving from four other leases into a single, Federally owned location, saving approximately $11 million in lease payments per year.

GSA's FY 2015 budget request also includes $250 million to continue the consolidation of the Department of Homeland Security at the St. Elizabeths Campus. Last year we opened a state-of-the-art new facility for the U.S. Coast Guard; this year's request allows us to complete the infrastructure needed to fully occupy the Center Building Complex and move additional DHS components to St. Elizabeths.

We are also continuing our focus on large-scale consolidation projects. In Fiscal Year 2014, we received $70 million of the $100 million requested to support these efforts throughout the government. GSA's Fiscal Year 2015 budget requests another $100 million to capitalize on these efforts. As with the FY 2014 consolidation projects, GSA hopes to demonstrate the value of investments that reduce the real estate footprint, save agencies money on their rent, and provide a quick payback.

These capital investments are absolutely central to GSA's – and this Committee's – focus on reducing leasing costs and shrinking the government's real property footprint. We appreciate this Committee's ongoing support for GSA's Capital Investment and Leasing Program; particularly the Committee's approval of 27 GSA prospectuses this month.

Conclusion

Thank you for the opportunity to speak with you today about our ongoing work to help our Federal partner agencies reduce overhead costs and focus limited resources on core mission needs. This effort continues to benefit from GSA's strong partnership with this Committee. The Federal Government's management of real property has improved as a result of your consistent oversight and inquiry. I look forward to continuing this collaborative effort, and I welcome your questions.

JOYCE A. BARR
ASSISTANT SECRETARY, BUREAU OF ADMINISTRATION
U.S. DEPARTMENT OF STATE
TESTIMONY BEFORE THE HOUSE SUBCOMMITTEE
ON ECONOMIC DEVELOPMENT, PUBLIC BUILDINGS, AND
EMERGENCY MANAGEMENT
HOUSE COMMITTEE ON TRANSPORTATION AND
INFRASTRUCTURE

JULY 30, 2014

Good morning Chairman Barletta, Ranking Member Carson, and members of this Subcommittee. My name is Joyce Barr, and I am the Assistant Secretary of the Bureau of Administration at the State Department.

Thank you for inviting me to testify today on this important subject. The State Department is a relatively small part of the General Services Administration's (GSA's) overall real estate holdings since we account for approximately two percent of its nationwide portfolio. In general, approximately half of the domestic real estate that the Department occupies is government-owned space and half is leased. Primarily in metropolitan areas, State Department personnel are housed in about 150 facilities across the country, and we are the sole tenant in roughly 50

percent of this space. In the remainder, we are co-located with other Federal organizations and other entities, mostly in Federal office buildings. Additionally, under special legislative authority we own about a half dozen properties. We have a close partnership with GSA to acquire space to meet our operational needs, and we depend on their expertise and experience in real property management to help us meet our mission requirements domestically.

The Bureau of Administration, which I head, is responsible for defining and validating the Department's evolving real estate requirements, coordinating with GSA in acquiring those facilities, and in managing the costs of those assets effectively. Our many missions shape and add complexity to our overall domestic real estate strategy.

As a member of the National Intelligence Community, the Department must meet certain operational security directives, which can increase costs under certain circumstances, such as when we have to move operations. Bureaus within the State Department are heavily integrated and must continually collaborate to effectively support the numerous policy and operational requirements of 275 U.S. embassies and consulates around the world. We therefore strive to co-locate

bureaus together to foster that collaboration, and depending upon their needs, place them as close as possible to headquarters in Foggy Bottom. At the same time, "back-office" or support functions like passport production and routine financial activities are located in lower-cost areas, such as Portsmouth, New Hampshire, or Charleston, South Carolina. In addition, mail and shipping operations that support U.S. overseas posts, as well as all of the Department's IT support, have been located outside of the Washington D.C. metropolitan area. These operational factors have guided State's overall domestic real estate strategy for 25 years.

We wholeheartedly endorse the goal of reducing leasing costs to the greatest extent possible. We recognize the need to minimize our real estate "footprint" and have been reducing our space allocation per person within our properties as opportunities arise. For example, the GSA recently leased on our behalf a building vacated by the World Bank, enabling us to consolidate our Bureau of Consular Affairs, which had formerly been located in five separate locations. By incorporating modern space utilization benchmarks consistent with Federal and private sector trends, we are now capable of accommodating approximately 30 percent or 600 more personnel in the same amount of space. Using the same methodologies, we are actively working with GSA to accommodate approximately 1500 more employees in our headquarters building at the end of our current

modernization project. We at the State Department have also made it our priority to operate our facilities smartly by integrating energy conservation and environmental sustainability principles into our day-to-day activities.

We have a great partnership with the GSA; they have been instrumental in helping us to identify the most suitable real estate opportunities and assisting us to meet our long term office space needs. We practice good stewardship of the Department's real estate assets on behalf of the American taxpayer, and we will continue our efforts to increase efficiencies in order to obtain the best value for each dollar spent.

Thank you for the opportunity to appear today and describe our program. I welcome any questions you may have.

STATEMENT BY

WILLIAM E. BRAZIS

DIRECTOR, WASHINGTON HEADQUARTERS SERVICES

BEFORE THE

HOUSE TRANSPORTATION AND INFRASTRUCTURE COMMITTEE

SUBCOMMITTEE ON

ECONOMIC DEVELOPMENT, PUBLIC BUILDINGS, AND

EMERGENCY MANAGEMENT

ON

GSA TENANT AGENCIES: CHALLENGES AND OPPORTUNTIES IN

REDUCING COSTS OF LEASED SPACE

July 30, 2014

NOT FOR PUBLICATION UNTIL
RELEASED BY THE SUBCOMMITTEE ON
ECONOMIC DEVELOPMENT, PUBLIC
BUILDINGS AND EMERGENCY MANAGEMENT

Thank you Chairman Barletta, Ranking Member Carson and Members of the Subcommittee for your invitation to discuss with you today the progress Department of Defense's (DoD) plans for managing and reducing DoD's leased space portfolio. My name is William E. Brazis. I am the Director of DoD's Washington Headquarters Services (WHS). The Department partners with the General Services Administration (GSA) to execute our leases. WHS is responsible for managing DoD space in the National Capital Region (NCR) and for planning and implementing DoD's ongoing efforts to reduce DoD's leased space portfolio and leased space costs in the NCR. This initiative comprises part of DoD's coordinated effort to achieve economies and efficiencies by reducing our headquarters and in managing the Department's facilities and leased space.

Recently, WHS, as part of DoD's overall streamlining efforts, was realigned under the Department's Deputy Chief Management Officer (DCMO). The move highlights DoD's commitment and focus on management and performance across the Department. The realignment combined WHS's primarily Headquarters-related efforts in the NCR with DCMO's broader Department-wide reach.

WHS is responsible for a broad spectrum of government owned facilities and leased space operations and management in the NCR. This portfolio includes the Pentagon Reservation, the Fort Belvoir Mark Center Complex, and leased space totaling approximately 6.6 million square feet secured by 103 leases in over 84 buildings. These owned and leased facilities house nearly 70,000 DoD personnel supporting the military

departments and defense agency missions. DoD works in direct partnership with GSA as the leasing authority to strategically utilize leased space to satisfy DoD's mission requirements.

As part of the overall planned drawdown and reductions across the DoD, the Secretary of Defense has directed that DoD components in the NCR achieve an overall 20% reduction in leased space over the next five years for headquarters operations. These are reductions in addition to those substantial reductions achieved from 2005-2012 under BRAC 2005. Thus, the Department is developing a business-based plan to reduce its footprint and costs. This plan is undergoing DoD leadership examination and approval as part of the Department's current Program Budget Review and FY16-20 Five Year Defense Plan (FYDP). The goal is to reduce our lease footprint in the NCR and also achieve efficiencies in our Government-owned DoD facilities.

The Department has long partnered with GSA to efficiently manage its space requirements in the NCR and continues to rely on that partnership in reshaping its lease portfolio. To do so, the Department plans on: 1) continuing to leverage GSA's experience as the federal government's leasing agent plus their leading-edge space management tools; 2) obtaining quality leases while transitioning from expiring leases; and 3) improving our utilization of our facility spaces.

1) **Continuing to leverage GSA's experience as the Federal government's premier leasing agent and its cutting-edge space management tools.** The Department relies on GSA's Public Buildings Service to solicit, acquire, and

help manage its leased space inventory in the NCR. This partnership provides the Department with tools and opportunities to achieve DoD's goals. DoD takes advantage of GSA's experience to enhance our planning process, as DoD did successfully in executing the BRAC 2005 recommendations.

- The BRAC 2005 recommendations significantly impacted DoD's leased space inventory. Combined with increases for warfighter support, the BRAC 2005 recommendations resulted in a net 3.4 million square foot reduction in NCR leased space.
- DoD looks forward to working with GSA to leverage GSA's emerging strategies including the use of shared work space and other work-space arrangements that can be applied to the Department of Defense's mission. This will help reduce physical space and associated costs while improving space utilization rates and flexibility.

2) **Obtaining quality leases while transitioning from expiring leases.** The Department's lease space inventory includes buildings that have been in service for decades and in many cases need major renovations. These lease spaces often do not provide a modern work environment for DoD personnel to execute their missions. As DoD works through lease transition with GSA, we consider the following themes:

- Modern spaces: New or renovated facilities allow us to adopt the use of shared space and other work-space arrangements to improve the utilization rate across our portfolio. These more energy efficient spaces not only

reduce operational costs but provide higher quality work places for personnel.

- Transportation: Whenever possible, the Department acquires leases in close proximity to mass transit to improve commuting options for DoD personnel and reduce the impact on the regional transportation network.
- IT: Investment in and upgrade of IT infrastructures is expensive yet critical to mission execution. New construction and major renovation provides the opportunity to install state of the art IT networks that serve as force multipliers for DoD personnel.
- AT/FP (Anti-terrorism/Force Protection): Providing appropriate secure and safe facilities for Department of Defense personnel remains a top priority.

3) **Improving space utilization.** The GSA is leading the effort to re-image and model the ways government agencies utilize office spaces, improving workplace quality while recognizing the changing work habits of an increasingly mobile Federal workforce. The Department intends to learn from GSA and other agencies and apply that experience as DoD updates its inventory.

Conclusion: DoD is committed to effectively and efficiently managing its leased space inventory while executing its national defense mission. Improved utilization of existing government owned space while minimizing its leased space inventory permit shifting of

resources to support the warfighter and reduce overhead costs. DoD anticipates making these improvements over the next few years in partnership with GSA.

On DoD's behalf, WHS's planning and analysis is geared toward achieving a 1.2 million SF space reduction, eliminating 12 buildings, consolidating into anchor buildings and reducing space in 40 other buildings. At this point, our analysis shows the potential net savings beginning in FY17, and significant annual savings from NCR leases beginning in 2020. DoD plans to address the investment needed to achieve this cost avoidance in the FY16 budget planning.

We are excited by the opportunity to achieve even more substantial efficiencies as DoD executes its plan.

Thank you for the opportunity to appear here today. I am happy to answer any questions.

Department of Justice

STATEMENT OF

MICHAEL H. ALLEN
DEPUTY ASSISTANT ATTORNEY GENERAL FOR POLICY,
MANAGEMENT AND PLANNING
JUSTICE MANAGEMENT DIVISION
U.S. DEPARTMENT OF JUSTICE

BEFORE THE

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

FOR A HEARING ENTITLED

"GSA TENANT AGENCIES: CHALLENGES AND OPPORTUNITIES IN
REDUCED COSTS OF LEASED SPACE"

PRESENTED

JULY 30, 2014

Statement of Michael H. Allen
Deputy Assistant Attorney General for Policy, Management and Planning
Justice Management Division, U.S. Department of Justice
Before the Subcommittee on Economic Development, Public Buildings, and Emergency Management
Committee on Transportation and Infrastructure
U.S. House of Representatives
July 30, 2014

Good morning Chairman Barletta, Ranking Member Carson, and distinguished Members of the Subcommittee. My name is Michael Allen and I am the Deputy Assistant Attorney General for Policy, Management, and Planning in the Justice Management Division at the U.S. Department of Justice (DOJ). Thank you for the opportunity to discuss with you today the Department's challenges and opportunities in reducing costs of real property leased through the General Services Administration (GSA).

Under the leadership of Attorney General Eric Holder, DOJ is committed to saving taxpayer dollars through effective management of our real property and improving utilization efficiencies throughout our portfolio. For instance, the Department successfully reduced its overall square footage in fiscal year (FY) 2013 from the FY 2012 benchmark level. As one of the largest GSA customers, we work collaboratively nationwide with our GSA representatives in acquiring leases to ensure that we provide the most efficient and cost effective space to meet the varying DOJ mission requirements.

Given the Department's size, number of locations, and the unique mission of our components, Real Property operations, including leasing, are delegated to each of the Department's major components and bureaus, including the Federal Bureau of Investigation (FBI), Executive Office for U.S. Attorneys, U.S. Marshals Service (USMS), Drug Enforcement Administration, Bureau of Prisons, Bureau of Alcohol, Tobacco, Firearms, and Explosives, Executive Office of Immigration Review, and the Office of Justice Programs. Each of these components manages its own leasing program with GSA. The Justice Management Division provides Department-wide Real Property guidance, policy and oversight and also directly manages the leasing program for the headquarter components in the National Capital Region, or what is about 15 percent of our overall portfolio. The FBI represents approximately 40 percent of the total Department office and warehouse portfolio, and the U.S. Attorneys and the USMS each represent approximately 15 percent.

Most of DOJ's real property portfolio of 112 million square feet falls into three major categories of uses: Office, approximately 40 percent; Prisons, approximately 30 percent; and Warehouse, approximately 5 percent. The remaining 25 percent represents various law

enforcement special use facilities. In FY 2013, the Department developed a revised Real Property Cost Savings and Innovation Plan to support OMB's "Freeze the Footprint" initiative. The Department's plan focuses on all activities related to office and warehouse space, including new construction and renovation projects, lease consolidations, replacement and succeeding leases, as well as disposals of owned and leased assets. The plan covers FY 2013 through FY 2015 and highlights the benefits of effective real property initiatives and the substantial savings that can be generated through space and operating cost reductions. The annual update to the plan was recently provided to this subcommittee.

I would like to thank this subcommittee for its support and approval earlier this year for the first in a series of prospectus level projects here in Washington D.C. that will dramatically reduce our space usage by more than 25 percent for our headquarter litigating divisions. We have other projects now in the pipeline which will continue our efforts to reduce our square footage and provide substantial cost savings in the outyears. The new space standards represent a major cultural and infrastructural shift within the Department. The new space standards are on average 25 percent lower than the previous office size allocations.

In FY 2016, DOJ will have 190 leases expiring nationwide representing 3.6 million square feet of space. Through FY 2020, DOJ will have nearly 900 leases expiring representing over 15 million square feet. As almost all of these leases are GSA issued, our components have been working diligently with GSA on renewal and replacement strategies that identify opportunities for improved efficiencies and take advantage of the current favorable real estate market conditions. DOJ is committed to generating savings for the taxpayers through better utilization of its real property assets. We continue to work with our components to manage both our owned and leased real property, while also pursuing new workplace strategies where possible to better utilize our portfolio and save money.

Thank you again for the opportunity to discuss the Department's important work in this area, and I look forward to answering any questions you might have.

Testimony of

E.J. Holland, Jr.

Assistant Secretary for Administration

U.S. Department of Health and Human Services

Before the

Subcommittee on Economic Development, Public Buildings, and Emergency Management

U.S. House Committee on Transportation and Infrastructure

July 30, 2014

Good morning Chairman Barletta, Ranking Member Carson, and members of this Subcommittee. My name is E.J. Holland, Jr. and I am the Assistant Secretary for Administration at the U.S. Department of Health and Human Services (HHS). I am honored to join you here today.

Under the leadership of former Secretary Kathleen Sebelius and new Secretary Sylvia Mathews Burwell, HHS has continued in its commitment to save taxpayer dollars through effective management of our real property assets, improve utilization through reduced space requirements, and pursue alternative workplace strategies that increase utilization and reduce costs. At the end of Fiscal Year (FY) 2013 HHS had over 4,000 real property assets; approximately 3,500 are buildings that encompass over 54 million gross square feet. Over 2,700 of these buildings are owned by HHS, reflecting just over 32 million gross square feet or 59 percent of our total real property footprint; and the balance of just under 800 buildings are leased, reflecting slightly more than 22 million gross square feet. Overall, just over 38 million gross square feet or 70 percent of our real property footprint is in federally-owned space, 59 percent HHS-owned space, as noted earlier, and 11 percent in GSA-owned space. Of our 16 million square feet of leased assets in non-federal space, the majority, over 11 million square feet, are acquired through the General Services Administration (GSA). The remaining leased assets total less than 5 million square feet and are either direct leases or interagency agreements.

HHS continues to work with GSA when acquiring space to ensure that we deliver the most efficient and cost effective space to meet the HHS mission requirements. We recognize that moving from GSA-leased space to GSA-owned space will save taxpayer dollars and have taken steps to consolidate space from leased locations into GSA-owned space where it is

available. A prime example is the ongoing consolidation of the Food and Drug Administration on the White Oak Campus into GSA-owned space. Completion of the current master plan and consideration of further consolidation onto the campus will further reduce our leased footprint.

The Mary E. Switzer Building consolidation project is another example of moving current leases into GSA-owned space. HHS currently houses five divisions, which comprise approximately 1,627 employees in 399,031 rentable square feet (RSF), in seven different leased locations and two federally-owned buildings throughout Washington, DC. HHS will consolidate these seven leased and two owned locations into the Mary E. Switzer Building (federally-owned) located at 330 C St SW; Washington, DC. The consolidation of the Administration for Children and Families headquarters was originally planned as a Prospectus Level Lease. Working with GSA and its Office of Client Solutions, the Switzer Building was identified as an alternative that accommodated not only the headquarters consolidation of the Administration for Children and Families, but also the Administration for Community Living, the Office of the National Coordinator for Health IT, the Departmental Appeals Board, and two components of the Office of the Assistant Secretary for Health that were scattered in leased locations across the Southwest Complex. The project will downsize these five divisions from 338,557 useable square feet (USF) to 298,774 USF - a reduction of 39,783 USF. The RSF will be reduced from 399,031 to 374,810 - a reduction of 24,221 RSF. This project will reduce HHS's footprint of leased space by 349,956 RSF; and HHS is moving what would have been $17,388,582 in private sector lease payments to Federal Building Fund payments.

HHS also took advantage of GSA's FY14 Omnibus Appropriations for Consolidation Activities, which funds loans to agencies for consolidation projects. HHS submitted this year not only funding for the Switzer consolidation, but also funding for the Office of the Chief

Information Officer (OCIO) consolidation into an alternative space-efficient workplace as a pilot within the Hubert H. Humphrey Building. HHS currently houses the majority of the OCIO in two locations: the Hubert H. Humphrey Building and Silver Spring Centre. While the Hubert H. Humphrey Building is federally-owned, Silver Spring Centre is a leased location. This project will consolidate these two locations, and a third, smaller location in the Wilbur J. Cohen Building, onto the third floor of the Humphrey Building, creating a more effective and collaborative working environment for the OCIO team. The project will result in OCIO's occupancy decreasing from 85,834 RSF to 58,339 RSF - a reduction of 27,495 RSF. Moreover, OCIO's USF will drop to approximately 33,700 from 67,828 - a reduction of 34,128 USF, or 50 percent. After consolidating into the Humphrey Building, OCIO's utilization rate (UR) will reduce from 207 USF per person to 103 USF per person. As evidenced by the low UR, OCIO's consolidation is HHS's first opportunity to create a showcase space for employee mobility in its headquarters building – a strategic goal for HHS in its efforts to reduce its footprint. This project will save HHS approximately $750,000 in annual rent costs and further reduce HHS's footprint of leased space by 57,165 RSF.

Where GSA-owned space is not available, we endeavor to reduce our real property footprint in acquiring replacement leases. A prime example is the replacement lease at 5600 Fishers Lane, formerly referred to as the Parklawn Building. This replacement lease consolidates the Agency for Healthcare Research and Quality, the Substance Abuse and Mental Health Services Administration, the Indian Health Service, and the Health Resources and Services Administration. The current planned facility will house 4,517 people in 823,924 USF. Over the term of the lease the Department expects to save in excess of $215 million in rent costs associated with the four operating divisions.

In response to OMB's Management Procedures Memorandum No. 2013-02 implementing the "Freeze the Footprint" policy, HHS submitted its initial Freeze the Footprint Plan for FY 2013 through FY 2015 in September 2013. An update of the Plan was submitted more recently in May 2014. As outlined in the Plan, HHS faces several challenges in adhering to its FY 2012 Freeze the Footprint Baseline. There were a number of large lease acquisitions and construction projects that were underway but not completed by the end of FY 2012 and therefore not included in the FY 2012 Baseline. These projects will add approximately 1.8 million square feet of space to the HHS footprint over the next two years. Another challenge for HHS are recent legislative mandates that are driving staff increases beyond what was projected in our original plan, such as the FDA Safety and Innovation Act. This means some temporary additions to our real property footprint.

Despite these challenges, HHS expects to offset increases and meet its FY 2012 Baseline by the end of FY 2016. This will be accomplished through continued implementation of HHS's target office utilization rate policy of 170 USF per person on average, ongoing development of targeted opportunities for potential savings through partnering with GSA on Client Portfolio Planning, and by employing strategies both internally and with GSA to improve the utilization of space.

We find, too, that a significant challenge is the upfront costs needed to support consolidations and more efficient space utilization. As a result, HHS has taken advantage of the GSA Total Workplace Program for a number of its larger projects. Under the Total Workplace Program, HHS has leased from GSA the furniture, fixtures, equipment and information technology needed for several regional office replacement leases as well as the Switzer and 5600 Fishers Lane consolidations. However, not funding upfront the capital investments in furniture,

fixtures, and equipment and information technology has a direct impact on the immediate return on investment and short term, three to five year, increases in operating costs.

More recently the benchmarking done under the President's Management Agenda (PMA) has reinforced that the strategies we have in place remain valid. We continue to work with GSA to create new bureau codes for each HHS component to allow for more granular analysis, tracking of performance and simplified billing. We are using the benchmarking data to further evaluate extreme high and low utilization rates; and, where appropriate, we intend to target assets for consolidation or increase in staffing levels to improve utilization. We also confirmed that over 37 percent of our inventory is small leases, supporting five or less staff. There is the potential to reduce costs by consolidating these assets either in other HHS locations or other federal locations.

HHS is committed to generating savings for the taxpayers through better utilization of its real property assets. The PMA benchmarking demonstrated we are making progress in improving utilization of our office's assets, but we also know opportunities remain for even better utilization. We recognize that our leased inventory is an opportunity to reduce costs; and we continue to work closely with GSA to identify opportunities for improved efficiencies in our leased portfolio, whether through consolidations, improved utilization costs, or innovative workplace solutions.

Thank you for the opportunity to appear here today. I welcome your questions.

Jeffery Orner

Chief Readiness Support Officer & Agency Senior Real Property Officer

U.S. Department of Homeland Security

Testimony

Before the Subcommittee on Economic Development, Public Buildings and Emergency Management of the House Committee on Transportation and Infrastructure

July 30, 2014

Thank you Chairman Barletta, Ranking Member Carson, and Members of the Subcommittee for the opportunity to explain how the Department of Homeland Security (DHS) manages its real estate to meet mission support requirements in an efficient and effective manner. Today, I will discuss the Department's management approach to reducing the costs and size of our real estate footprint while we maintain our support of the Department's important homeland security mission. This testimony will also address DHS's office lease strategy, particularly how we will address office lease expirations during the next 5 years. I will speak to the progress and the positive impacts of the "Freeze the Footprint" initiative on DHS lease expirations both nationwide and within the National Capital Region (NCR). Finally, I will discuss how the Department and the General Services Administration (GSA) collaborate to address lease expirations strategically, with a view to manage impacts and reduce risks to both the DHS mission and GSA's core real estate business.

The Portfolio

The DHS real estate portfolio includes 14,000 buildings containing an aggregate 99 million square feet. Leases through GSA, and directly from the private sector, account for a little more than half the total at 56 million square feet. Payments on these leases account for 82% of annual

DHS operating outlay for real estate at $1.7 billion. The owned building portfolio accounts for 43 million square feet, with annual operating and maintenance costs of approximately $363 million. The current replacement value of DHS owned assets is currently an estimated $29 billion. DHS manages a variety of real estate assets from offices, warehouses, military family housing, labs, shore facilities, and structures such as navigational aids and utility systems. Our two largest components, U.S. Coast Guard and U.S. Customs and Border Protection (CBP), occupy 90% of DHS real property assets.

Portfolio Planning

The Department develops multi-year plans and strategies focused on increasing utilization and reducing costs of real property. A fully optimized real property portfolio is an elusive goal because mission needs change, but conscientious portfolio planning identifies reductions in 'footprints' and efficiencies in real property as opportunities arise.

DHS views lease expirations as the ideal opportunity for consolidation and economy. Over the next 5 years, 15 million office square feet nationally will be expiring (27% of the total leased building portfolio or 48% of the leased office portfolio), with a five year rent cost of $545 million or an average annual rent of $36.15 per square foot. We use the Department's five-year plan to monitor all expirations and to oversee planning and governance to ensure that the Department's footprint and lease costs are optimally managed. To support the Department's space reduction efforts, we provide planning guidance and direction that new housing plans and space requirements for all new office space must have a utilization rate of 150 usable square feet per person, or less. This targeted utilization rate was developed in a study completed in 2012, conducted by DHS in partnership with GSA and all component headquarters. This study, known as the DHS NCR Workplace Recommendations Report (WRR), helped inform the DHS Workplace Standard. The WRR defined a range of planning targets to accommodate a mixture of work styles and practices, including mobile work. The Standard supports a significant transformation from traditional office space to a more mobile work environment. The study indicates that an average office utilization rate of 150 square feet per employee is a reasonable and achievable target.

GSA Collaboration

DHS and GSA are partners in this effort: their NCR Portfolio Management Office, DHS account managers, and the GSA Workplace Solutions groups assist the Department with the effective implementation of our new Workplace Standard. My office has also made itself available to assist DHS component groups as they go through this space reduction process for the first time. This type of collaboration was instrumental in achieving significant efficiencies in the new lease space being provided at One World Trade Center in lower Manhattan. Although the occupancy is still in progress, CBP (a DHS component) will realize a 45% reduction in occupied space by implementing more flexible space design and incorporating mobile workspace concepts. This occupancy will result in a base rent reduction of approximately $2.7 million annually, and an annual cost savings of $5 million. Thus, DHS headquarters partnered with CBP and GSA to achieve higher occupancy in one of the most iconic buildings in the world, despite the challenges of distance, component field culture, change management, and new work practices.

DHS also continues to work with GSA on our headquarters consolidation project. In support of this effort, the Department's FY 2015 budget request includes $57.7 million to complete the work necessary to fully occupy the Center Building Complex. Consolidation will allow the strategic realignment of the real property portfolio in the NCR to more effectively and efficiently support the DHS mission. In addition, consolidation will contribute to reduced facility costs and will provide quality workspace to attract and retain the best professional workforce.

Federal Real Property Plan

DHS submitted the DHS Revised Real Property Cost Savings and Innovation Plan to the Office of Management and Budget on September 3, 2013. This DHS Revised Cost Savings Plan responded to OMB Management Procedures Memorandum No. 2013-12, Implementation of OMB Memorandum M-12-12 Section 3: Freeze the Footprint. The Revised Cost Savings plan established the requirement for footprint reduction both in NCR and nationally; it established an FY 2012 office and warehouse baseline, the DHS three-year plan, and our long-term space reduction plan. In May 2014, DHS completed the DHS Freeze the Footprint Annual Agency Evaluation, demonstrating compliance with Freeze the Footprint Mandate. DHS projects a net decrease of 114,232 square feet in its FY 2012 office and warehouse baseline by the end of

FY 2015. This reduction represents a 0.23% decrease in the Agency FY 2012 baseline, and reflects full compliance with the Freeze the Footprint mandate.

Looking forward, these reports indicate that the ten year growth in the DHS footprint will modestly taper in in the short-term. However the five year opportunity created by lease expirations will build momentum towards significant future footprint reductions as a result of the Department's 150-square foot per person goal.

Field Location Strategy

The Department's top ten office locations contain a total of more than of 7 million square feet. We are developing an analytical framework to assess these locations for lease compression, consolidation and cost reduction opportunities; in cooperation with the components and their mission needs. Real estate reduction strategies for these geographic concentrations of DHS office occupancies will be a focus for our FY 2015 work plan. We will apply lessons learned and develop a plan for implementing our space reduction strategy from a distance. Recently, my office completed a NCR ten-year outlook indicating potential for increased space utilization for NCR HQ. Using the lessons learned in the NCR, we will begin planning for the first non-NCR top-ten office location – New York City. New York City was chosen not only because of its top-ten rating, but also due to its proximity to Washington, D.C., which will allow for onsite collaboration and education of field organizations. Another DHS top-ten location is Miami. DHS previously reviewed the Miami market for co-location opportunities and confirmed that mission must drive real property decisions. The importance of requirements development cannot be overstated. Miami will be kept in the queue for further analysis at the appropriate time.

Closing

DHS will continue to aggressively pursue real property strategies in partnership with GSA that leverage Departmental efforts to exceed Freeze the Footprint objectives. Our ultimate goal remains to support the DHS mission with efficiently designed space for the way we work today, without sacrificing mission effectiveness for our employees on the front line of homeland security.

COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE

SUBCOMMITTEE ON ECONOMIC DEVELOPMENT, PUBLIC BUILDINGS, AND EMERGENCY MANAGEMENT

UNITED STATES HOUSE OF REPRESENTATIVES

JULY 30, 2014

STATEMENT FOR THE RECORD

PETER D. SPENCER
DEPUTY COMMISSIONER
OFFICE OF BUDGET, FINANCE, QUALITY, AND MANAGEMENT

Chairman Barletta, Ranking Member Carson, and Members of the Subcommittee:

I am Pete Spencer, Deputy Commissioner for Budget, Finance, Quality, and Management at the Social Security Administration (SSA). Thank you for inviting me here today to discuss SSA's real property portfolio management.

Introduction

We fully support the work that the Chairman and subcommittee are doing with the General Services Administration (GSA) in looking into opportunities for the Federal Government to benefit the taxpayer through negotiating new rates in long-term lease situations. To give you an idea of the scope of our real property portfolio, we are GSA's fourth largest customer in terms of the number of commercial leases and their fifth largest customer in rent costs and square footage. Currently, we have 1,855 occupancy agreements[1]; nearly 85 percent is in leased space. SSA leases approximately 26 million usable square feet of space from GSA to conduct its business operations. More than half – 991 – of our occupancy agreements are set to expire between now and the end of fiscal year (FY) 2019. We will be working closely with GSA on reducing our costs on these leases and appreciate this subcommittee's support.

With regard to the Administration's Freeze the Footprint initiative, we are making significant progress. In fact, by the end of FY 2015, we are on course to reduce our footprint by nearly 2 million square feet below our 2012 baseline. As we move forward on this initiative, we remain fully committed to our network of local field offices. We appreciate the importance of our community presence to many of our most vulnerable customers, and acknowledge that our efforts to improve efficiency should not come at the expense of customer service and the availability of staff to interact face-to-face with the public.

Before I explain our Freeze the Footprint accomplishments, I would like to give you an idea of what we do at SSA.

Overview of the Agency

SSA provides benefits to Americans when they retire or are disabled, as well as auxiliary and survivor benefits to dependents of workers, and means-tested cash benefits to disabled, blind, or elderly individuals with limited income and resources. We also provide beneficiary services for the Medicare program, accepting and processing applications for Medicare enrollment, and respond to beneficiary and public inquiries regarding general coverage and billing issues.

Led by Acting Commissioner Carolyn W. Colvin, the Agency has a nationwide staff of about 65,000 employees. Our central office is located in Baltimore, Maryland, and the field organization is in communities across the country to serve the American people.

The field organization includes local offices, which are often one of the public's main points of contact with the Federal Government, as well as hearing offices, teleservice centers, program

[1] Some buildings that we occupy have multiple occupancy agreements.

service centers, and regional offices. The local offices and hearing offices provide in-person, face-to-face service to the public, and, therefore, need sufficient space to support this public interaction. We require visitor-waiting areas, secure interviewing areas to ensure the safety of the public and our employees, hearing rooms, and counsel rooms to ensure privacy and confidentiality, as well as separate restrooms for employees and the public.

In 1936, when we opened our first local field office in Austin, Texas, every transaction was completed in person, on paper, and required the applicant's signature. Having a physical presence in a variety of locations was essential to delivering quality service. Over the past 78 years, we have expanded from that single field office to more than 1,200 field offices. Field offices vary in size from having just a few employees to up to 75 employees, but most require between 20 and 40 employees.

Our field offices provide in-person service for all agency-related matters, offering a full range of Social Security services, including applying for new or replacement Social Security cards; applying for Retirement, Disability, Survivor, Medicare, and Supplemental Security Income benefits; and changing beneficiary information (i.e. change of address or direct deposit information, income, reporting work activity, etc.).

In addition to these local field offices, as of FY 2014, our Office of Operations facilities includes 29 teleservice centers, 8 processing centers, 14 Social Security Card Centers (SSCC), and other support offices.

- Teleservice Centers answer general inquiry calls from the public to the Agency's National 800 number. In FY 2013, our 800 number handled over 53 million transactions.
- Processing Centers process more complex claims-related actions that cannot be processed to completion in the field office or automatically via our computer system.
- In the past decade, we have established SSCCs in metropolitan areas that experienced growing enumeration workloads. This provides enhanced customer service, as SSCC employees have more expertise in this sometimes complicated area. Redirecting the high volume of people in need of assistance with Social Security Number-related services to the SSCC allows field office staff in those areas to focus on providing our customers other claims-related services.

Today, delivering many of our services no longer hinges on in-person contact. Our telephone, online, and video services provide the public with on-demand access to our programs at their convenience. We continue to evaluate the best means of meeting our commitment to deliver Social Security services that meet the changing needs of the public. Although online services have enhanced our service delivery options, because of geographic, generational, and cultural population shifts, our physical presence is still very necessary across the country. In FY 2013, over 43 million people visited our field offices and card centers to transact business, many accompanied by others (family, representatives, translators) not included in this count.

The Agency's Office of Disability Adjudication and Review (ODAR), which may be the largest administrative judicial system in the world, issues more than 700,000 hearing dispositions and over 160,000 appeal dispositions each year. Currently, ODAR facilities consist of 162 hearing

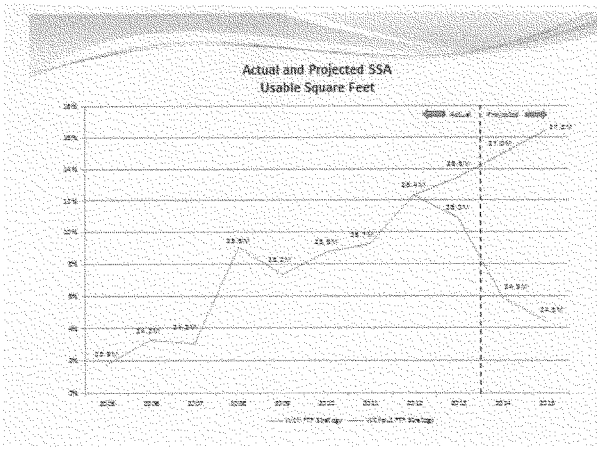
offices, five national hearing centers (NHC), two national case assistance centers (NCAC), 10 regional offices, 158 permanent remote sites, and various other support offices.

- Like our field offices, our 162 hearing offices are located in communities throughout the country. Administrative law judges (ALJ) conduct hearings and issue decisions on initial claim appeals. ALJs may also travel to other sites, such as local field offices or permanent remote sites, to conduct hearings.
- NHCs conduct video hearings in all 50 states, the District of Columbia, and Puerto Rico. These units also assist the local hearing offices by processing backlogged cases due to increased requests for hearings and local staffing shortages.
- Since ODAR has an all-electronic case file, the NCAC, located in St. Louis, Missouri, can pull and write cases nationally, regardless of the case's state of origin.

Most of our remaining workforce is at headquarters, and is housed in federally owned space on the main campus in Woodlawn, Maryland or in leased space in Falls Church, Virginia. We also have regional offices located in 10 cities across the country to oversee and support operations in multi-state areas.

Our Progress on the Freeze the Footprint Initiative

We have made significant progress in restricting the growth in our office and warehouse real property inventory under the Administration's March 2013 Freeze the Footprint guidelines. Our most recent report—published on performance.gov—shows in comparison to our FY 2012 baseline, we have decreased our usable square feet from 26,367,253 to 26,031,626, a reduction of 1.27 percent. During this same period, we also slightly reduced annual rent costs, from $754,698,276 (FY 2012 baseline) to $753,082,828 (FY 2013 actuals), a reduction of about 0.21 percent.



Although our continued presence is necessary in numerous locations across the country, we are making concerted efforts to restrain our overall real property inventory. We evaluate potential consolidations and pursue them where it makes good business sense, as long as they do not adversely affect customer service. Additionally, we work hard to avoid lease overlaps when moving an office from one location to another.

The following describes current plans to maintain our FY 2012 footprint through FY 2015.

Planned Headquarters Consolidations

As part of our Headquarters Master Plan effort, we are reducing the number of leased facilities in the Woodlawn, Maryland area and relocating staff to federally owned central campus buildings. This year, we vacated and terminated leases at one facility,[2] disposing of about 242,000 usable square feet of leased office and warehouse space and saving $4,175,000 in annual rent costs. We will continue to consolidate staff from many leased locations[3] into existing, federally owned headquarters office space.

Planned Disposals

In 2014, we vacated the Metro West facility in downtown Baltimore, Maryland. GSA recommended disposal of the facility well before the Freeze the Footprint policy was announced because the facility needed repairs that far exceeded the building value and was much larger than justified by current and anticipated staffing levels. We vacated the Metro West facility and relocated to a newly leased facility. GSA has begun its building disposal. The annual rent for Metro West was $10,627,968, and the total usable square footage was about 830,000.

We relocated all remaining Metro West employees to a newly constructed, leased facility on Wabash Avenue within Baltimore city limits. GSA received congressional approval for this project in May 2006 and awarded the lease in October 2010. The new building has approximately 470,000 usable square feet of office space. In addition to the Metro West employees, the new facility also houses employees from other leased facilities in the Woodlawn area. When staff moved to the new Wabash Avenue facility from these other leased facilities, we were able to return approximately 162,000 usable square feet, saving an additional $3,849,000 annually.

Federal funding from the American Reinvestment and Recovery Act of 2009 has funded construction for the National Support Center (NSC) in Urbana, Maryland. The NSC will serve primarily as a data center and, therefore, will not be included in future reporting related to the Freeze the Footprint policy. The new Federal building will replace the data center function that currently is housed at the National Computer Center (NCC) on the headquarters campus. The aging NCC facility was designed around a 1970's mainframe environment, and is simply no longer appropriate for modern data center housing. This facility, however, does provide useful

[2] The Rolling Road Commerce Center

[3] Including Windsor Corporate Park, the Dunleavy Building, the Woodlawn Office Complex, and the Reisterstown Plaza field office.

office space and will remain in the Agency's portfolio. We are developing plans to backfill space in the NCC, further supporting reduction of leased space in the Woodlawn area. We very much appreciate the subcommittee's support of our new data center.

Planned Leases

We rarely have vacant or excess space in our inventory. We minimize our rent liability by ensuring new office space is ready for occupancy at the time we terminate the current lease. During the relocation planning process for field offices, we determine our space needs based on the most recent service delivery assessment and apply the Agency's space allocation standard using current staffing levels.

Cost of Space

As of September 30, 2012, the Agency had offices in over 1,600 buildings comprising approximately 26.4 million usable square feet of space, of which 18.8 million usable square feet was leased, and 7.6 million usable square feet was in Federal space.

The chart below shows our FY 2012 baseline figures, FY 2013 actual figures, projected usable square feet, and annual rent costs for FYs 2014 and 2015.

Fiscal Year	Usable Square Feet	Annual Rent Costs
2012 (Baseline)	26,367,253	$754,698,276
2013 (Actual)	26,031,626	$753,082,828
2014 (Projected)	24,852,886	$785,653,898
2015 (Projected)	24,507,258	$787,884,916

The data represent decreases in total space usage over time. This reverses the trend of the past decade, which saw an increase in our portfolio of nearly 20 percent. Two major factors contribute to controlling real property growth. In December 2011, we centralized the space acquisition process to require headquarters approval of all requests. Several months later, we implemented revised space allocation standards, which limit the amount of space we request from GSA. These new policies ensure consistency in space requirements submitted to GSA across regions and from one field office to another.

Although we anticipate a reduction in space over the next several years, our rent costs will increase. Increases in rent are the result of previously negotiated rates on field leasing projects expected to enter our portfolio in the coming years. In many cases, the new rate is higher due to the age of the expiring lease and because tenant improvement costs are included. Our standard for newly occupied field office space requires the construction of a barrier wall to separate public areas from employee areas. Even if we renew a lease for existing space, tenant improvements

may be needed to add a barrier wall, because this standard was not in effect until a few years ago and was mandated last year. Tenant improvements are also required for ODAR offices to build public waiting areas, counsel rooms, and hearing rooms in new locations.

Efficiencies

Our revised office space allocation standard recognizes that as technology changes the way we work, we are able to do the same job in less space. Thus, the new space allocation standard takes into account changes in technology and workflows and provides reduced space requirements for personnel and support areas. For example, since we began using electronic storage, the standard provides less storage space for paper files. We anticipate that continued virtualization of data will further reduce storage needs, for both paper files and data equipment. The revised field office space allocation standard will require more efficient space planning for employee workspaces and support space.

On the other hand, the revised standard reflects improvements in service to the public. Specifically, increased space is available for reception areas to address the needs of the public and security requirements. Overall, we estimate that as we complete space acquisition actions using the revised standards, which may take years because of existing commitments, we will reduce field office sizes by a projected average of about three percent.

In addition to the field office space allocation standard, we also issued revised space allocation standards for our large facilities. This space allocation standard applies to all of our headquarters components, including the main complex in Woodlawn, Maryland; ODAR's operation in Falls Church, Virginia; our ten regional offices; processing centers; and Mega-Teleservice Centers. The revised space allocation standard has reduced office sizes and redefined support spaces to optimize utilization. We are also working to update our space allocation standards for our ODAR offices nationwide.

Alternatives to New Space Acquisition

In many cases, we are able to avoid new space acquisition through alternative approaches, such as consolidation with existing offices and increased use of technology.

- Consolidating Permanent Remote Sites with Field Offices: We have eliminated the use of temporary hearing sites and we are replacing them with claimant-only video and permanent remote sites (PRS). A PRS comprises a video hearing room that may be a stand-alone facility or consolidated with a field office or other existing Agency facility. This will require a slight increase in space needed in our field offices, but will allow us to operate more efficiently and provide individuals with a more convenient, secure, and dignified hearing environment. Video hearing technology will help reduce hearings backlogs and average processing time for decisions on hearings cases. Any increase in these types of locations will be monitored and offset by consolidations, closings, and reductions in space.

- Consolidating Two or More SSA Components: We make an effort to house two or more components in the same space wherever possible. While some components have

restrictions for space sharing due to the sensitivity of the information they handle, we attempt to consolidate various types of offices when feasible. For instance, a regional office may be located in the same space as an area director's office or a program service center, or an ODAR hearing office may be located adjacent to a field office. This allows us to maximize the use of our resources such as sharing conference rooms, information technology support space, restrooms and reception areas, as well as share security guards and equipment, thus reducing operating costs[4] while also providing a greater convenience for our customers.

- Online Services: We have created a new foundation for increasing our online services with the *my Social Security* portal, which we established in 2012. Online services allow customers to conduct business with us from the comfort of their home. Our vision is for *my Social Security* to be the portal through which customers who so choose can conduct all their business with us. In the two years since we launched *my Social Security*, over 12.3 million individuals have registered, with 4.9 million (40 percent) of the registrants being people aged 62 or older. We will continue to expand *my Social Security* to include additional services in the future.

- Telework: We recently expanded the number of employees eligible to work remotely. As we gain experience – based on workloads, union agreements, and other administrative concerns – we may expand even further. While we understand there are potentially significant real estate and transportation cost savings to be gained from telework, we must ensure that it allows us to continue providing efficient and effective service to the public, while protecting personally identifiable information.

- Virtual Claims Taking: Using video technology, field offices are able to take claims remotely. A client located in one field office can work directly with a claims taker from another field office via computer. This allows us to meet customer service expectations in high-traffic offices without adding staff and space to those offices.

- Video Conferencing: Changes in technology and Agency policy allows face-to-face conferences to take place over a virtual network from various locations, which also helps us reduce the total amount of conference space necessary.

Conclusion

Throughout our history, Social Security services have been dynamic, shifting to meet the changing needs and expectations of the American people. Standing still is not an option. We have continuously adjusted the way we do business to manage our growing workloads and meet the changing expectations of the public in a responsive and compassionate manner. We remain fully committed to providing the service the public expects, whether it is in one of our many field offices, on our National 800 Number, or online at SocialSecurity.gov.

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[4] Due to the sensitivity of the information we handle day to day, we do not currently co-locate with other agencies. We do share buildings with other agencies, such as GSA-owned or leased facilities; however, although we may share common-area restrooms with other agencies, we maintain distinct space separations and occupancy agreements.

We understand that high quality service comes at a cost to the taxpayer and we are working with GSA to reduce those costs in connection with the many buildings we occupy. We thank the subcommittee for its support.

Pete Spencer
Deputy Commissioner
for Budget, Finance, Quality, and Management
Social Security Administration

Peter D. Spencer (Pete) became Deputy Commissioner for Budget, Finance, Quality, and Management (DCBFQM) in March 2013. In this role, Pete serves as the agency's Chief Financial Officer (CFO) and is accountable for an $800 billion program budget and an $11 billion administrative budget.

Prior to becoming the DCBFM, Pete was a consultant in the private sector after retiring from SSA in September 2011 with over 44 years of Federal service. He had been the Regional Commissioner for the San Francisco Region since November 2001. As the principal Social Security official for Arizona, California, Hawaii, Nevada, Guam, American Samoa, and the Northern Mariana Islands, he provided leadership for the effective operation of all Social Security programs in the San Francisco Region. He directed 6,800 employees at regional and field facilities, including the Western Program Service Center, and managed an annual budget in excess of $300 million.

Pete served as Social Security's Acting Deputy Commissioner for Finance, Assessment and Management in 2001. He oversaw the comprehensive budget program, the acquisition and grants program, audit resolution, accounting operations, internal controls, quality assessment, and facilities and publications management programs. He also served as Social Security's CFO, Deputy Chief Information Officer, and Principal Deputy Ethics Counselor.

Pete began his career with Social Security in the Los Angeles field office. Since then, he has held numerous responsible positions, including:

1. Assistant Deputy Commissioner for Legislation and Congressional Affairs, where he was closely involved in the legislation that established Social Security as an independent agency and the 1995 welfare reform legislation;
2. Social Security's designee to the National Performance Review, where he co-authored Vice President Gore's recommendations to the President on effective Program Design;
3. Director, Office of Human Resources;
4. Director, Labor and Employee Relations;
5. Staff Director, SSI Modernization Project; and
6. Staff Director, Changing Roles of Men and Women.

Pete holds a Master's Degree in Business Administration from Loyola University in Maryland and a Bachelor's degree from the University of Redlands in California. He also attended the Kennedy School of Government at Harvard University and is a graduate of the Management Intern Program and the Senior Executive Service Candidate Development Program. Pete received the Presidential Rank Award of Distinguished Executive in 2006; the Presidential Rank Award of Meritorious Executive in 2002; and SSA's Leadership Award, given to one management official annually, in 2001. In addition, Pete has received the Commissioner's Citation--the agency's highest award--four times.

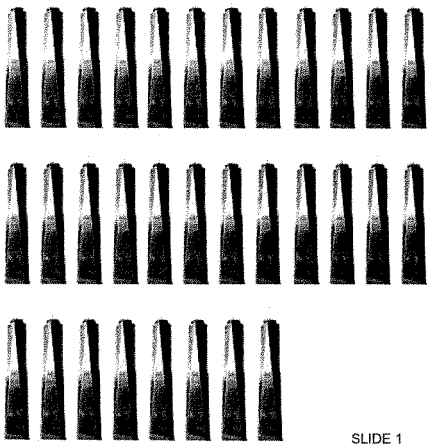
GSA INVENTORY TURNOVER

98
MILLION SQ FT
IN 5 YEARS

=

ONE
WORLD TRADE CENTER

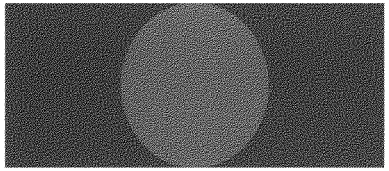
X 32



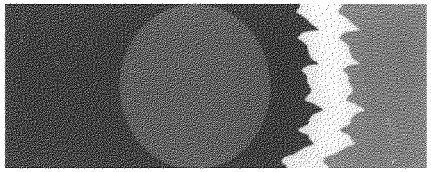
SLIDE 1

GOVERNMENT PAYS A PREMIUM FOR SHORT-TERM EXTENSIONS

SHORT-TERM



RENEWAL



$30/FT VS. $25/FT

20% MORE

SLIDE 2

NCR Long-term Lease Savings Examples

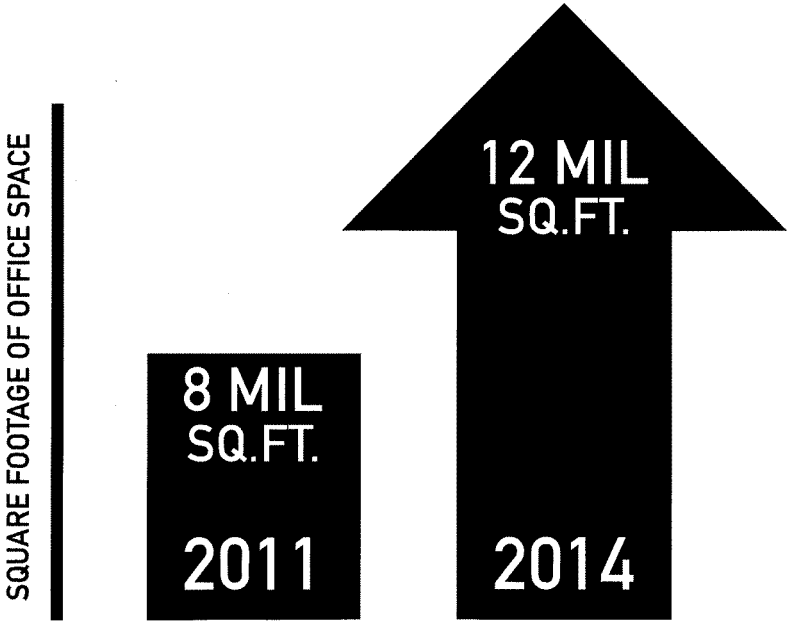
Two examples of the savings possible for long-term leases are the National Labor Relations Board (NLRB) move to 1015 Half Street SE and National Nuclear Security Administration (NNSA) move to the Portals project in Southwest:

20 Massachusetts Avenue	1015 Half Street	Portals Project
Term: 3 years firm	Term: 10 years firm	Term: 15 years firm
Face rate: $47.24	Face rate: $42.00	Face rate: $40.00
Free rent: None	Free rent: 12 months	Free rent: 18 months (and an additional $621,046 for move cost aid)
TI Allowance: None	TI Allowance: $68.00 / USF	TI Allowance: $35.07 / USF
Net Effective rate: $47.24	Net Effective Rent: $37.70	PV Effective Rent: $34.46

- As described before, long-term deals save the government money on the face rate of the rent.
- Additionally, landlords offer large concessions packages for the government on long-term deals—due to both their appetite for lease certainty and their ability to amortize costs over the longer term of the lease.

SLIDE 3

EXTENSIONS AND HOLDOVERS ARE GROWING

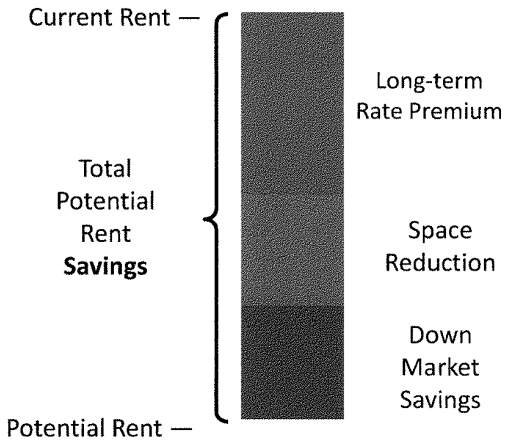


SLIDE 4

Solutions

1. Long-term deals drive cheaper rental rates. GSA is charged a premium for short-term deals.
2. Long-term deals enable space reductions and improved utilization rates through free rent, tenant improvements and move allowances.
3. Almost all of the markets where GSA occupies space have not recovered from peak rents. GSA should lock in rents for long-term savings.

Graphic Representation of Potential Rent Savings



SLIDE 5