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Y 4 ELIMINATING THE CONSTRUCTION BACKLOG AND TO
.P 96/10 INVESTIGATE NEW PROCEDURES TO EXPEDITE
92-H 26 FUTURE CONSTRUCTION OF FEDERAL BUILDINGS

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HEARING
BEFORE THE
SUBCOMMITTEE ON
BUILDINGS AND GROUNDS
OF THE
COMMITTEE ON PUBLIC WORKS
UNITED STATES SENATE

NINETY-SECOND CONGRESS

FIRST SESSION

ON

S. 1736

AND

S. 2479

BILLS TO AMEND THE PUBLIC BUILDINGS ACT OF 1959, AS AMENDED, TO PROVIDE FOR FINANCING THE ACQUISITION, CONSTRUCTION, ALTERATION, MAINTENANCE, OPERATION, AND PROTECTION OF PUBLIC BUILDINGS

SEPTEMBER 28, 1971

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**ELIMINATING THE CONSTRUCTION BACKLOG AND TO
INVESTIGATE NEW PROCEDURES TO EXPEDITE
FUTURE CONSTRUCTION OF FEDERAL BUILDINGS**

TUESDAY, SEPTEMBER 28, 1971

**U.S. SENATE,
SUBCOMMITTEE ON BUILDINGS AND GROUNDS
OF THE COMMITTEE ON PUBLIC WORKS,
*Washington, D.C.***

The subcommittee met at 2:25 p.m., pursuant to notice, in room 4200, New Senate Office Building, Senator Mike Gravel (chairman of the subcommittee) presiding.

Present: Senators Gravel and Weicker.

Also present: J. B. Huyett, Jr., chief clerk and Marshall Lancaster, professional staff member.

Senator GRAVEL. The hearing will come to order.

Good afternoon, gentlemen.

Today the Subcommittee on Buildings and Grounds begins hearings on S. 1736 and S. 2479, bills to amend the Public Buildings Act of 1959.

The titles of the bills under consideration, S. 1736 and S. 2479, is: "To amend the Public Buildings Act of 1959, as amended, to provide for financing the acquisition, construction, alteration, maintenance, operation, and protection of public buildings, and for other purposes."

I would like to place a copy of the bills in the record.

(The bills referred to follow:)

(1)

92D CONGRESS
1ST SESSION

S. 1736

IN THE SENATE OF THE UNITED STATES

MAY 3, 1971

Mr. GRAVEL (for himself, Mr. BOGGS, Mr. COOPER, Mr. JORDAN of North Carolina, Mr. RANDOLPH, and Mr. TUNNEY) introduced the following bill; which was read twice and referred to the Committee on Public Works

A BILL

To amend the Public Buildings Act of 1959, as amended, to provide for financing the acquisition, construction, alteration, maintenance, operation, and protection of public buildings, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That this Act may be cited as the "Public Buildings Amend-
4 ments of 1971".

5 SEC. 2. The Public Buildings Act of 1959 (73 Stat.
6 479), as amended (40 U.S.C. 601), is amended as follows:

7 (1) delete the figure "\$200,000" in subsection (b)
8 of section 4 and insert the figure "\$500,000" in lieu
9 thereof;

II—O

★(Star print)

1 (2) delete the figures "\$100,000" and "\$200,-
2 000" in subsection (a) of section 7, and insert in each
3 case the figure "\$500,000" in lieu thereof;

4 (3) delete "and such approval has not been re-
5 scinded as provided in subsection (c) of this section" in
6 subsection (a) of section 7;

7 (4) delete the word "maximum" in clause (2) of
8 subsection 7;

9 (5) delete in such section all of subsections (b),
10 (c), and (d), and "(a)" following "SEC. 7.";

11 (6) delete in subsection (a) of section 12 the fol-
12 lowing: "as he determines necessary,";

13 (7) in sections 11 and 12, delete "(a)" after
14 "Section 7";

15 (8) in paragraph (1) of section 13 redesignate
16 clauses (x) and (xi) as (xii) and (xiii), respectively
17 and insert immediately after "facilities," the following:
18 "(x) Federal parking facilities, (xi) parking areas.";
19 and

20 (9) insert at the end of section 13 the following:

21 "(8) the term 'Federal parking facilities' means
22 any structure designed for parking or a parking lot that
23 has been acquired or constructed pursuant to this Act
24 for the express purpose of providing off-street parking
25 for official, employees', or visitors' vehicles, for Federal

1 agencies, mixed ownership corporations (as defined in
2 the Government Corporation Control Act), or the gov-
3 ernment of the District of Columbia.

4 “(9) the term ‘parking areas’ means those grounds,
5 areas, courtyards, or spaces within, adjacent to, around,
6 near, or beneath buildings occupied either by Federal
7 agencies, mixed ownership corporations (as defined in
8 the Government Corporation Control Act), or by the
9 government of the District of Columbia, or any site
10 owned or leased by the Federal Government suitable
11 for parking which is specifically identified and desig-
12 nated by the Administrator for use for off-street parking
13 for official, employees’ or visitors’ vehicles.”

14 SEC. 3. Subsection (f) of section 210 of the Federal
15 Property and Administrative Services Act of 1949, as
16 amended, (40 U.S.C. 490 (f)) is amended to read as
17 follows:

18 “(f) (1) There is hereby authorized to be established
19 by the Secretary of the Treasury, a Federal building fund.
20 Such funds shall be composed of (A) the assets of the build-
21 ings management fund (including any surplus therein),
22 established pursuant to this subsection prior to its amend-
23 ment by the Public Buildings Amendments of 1969, and
24 the construction services fund, created by section 9 of the
25 Act of June 14, 1946 (60 Stat. 259), as amended, and the

1 fund shall assume all the liabilities, obligations, and commit-
2 ments of the said buildings management fund and the said
3 construction services fund; (B) any unexpended balances of
4 funds appropriated to General Services Administration under
5 the headings 'Operating Expenses, Public Buildings Serv-
6 ice', 'Repair and Improvement of Public Buildings', 'Con-
7 struction, Public Buildings Projects', 'Sites and Expenses,
8 Public Buildings Projects', 'Payments, Public Buildings
9 Purchase Contracts', 'Additional Court Facilities', and 'Ex-
10 penses, United States Court Facilities', in the Independent
11 Offices and Department of Housing and Urban Develop-
12 ment Appropriation Act, 1970, or prior year appropriations;
13 (C) the estimated fair market value as determined by the
14 Administrator of Government-owned buildings or facilities
15 carried in the active inventory of General Services Admin-
16 istration; and (D) such sums as may be appropriated thereto.

17 “(2) The fund shall be credited with (a) advances,
18 reimbursements, and payments, including payment of charges
19 made in pursuance of subsection (j) (1) of section 210 of
20 the Federal Property and Administrative Services Act of
21 1949, as amended (40 U.S.C. 490), and (b) all other reim-
22 bursements and refunds or recoveries resulting from opera-
23 tion of the fund, including receipts from carriers and others
24 for loss of, or damage to, property.

1 “(3) The fund shall be available without fiscal year
2 limitations for use by and under the direction and control of
3 the Administrator for (a) public buildings construction,
4 acquisition, or alteration projects: *Provided*, That such fund
5 may be used for any individual project estimated to involve
6 an expenditure in excess of \$500,000 only when authorized
7 by appropriation Acts, and (b) the performance of all other
8 real property management and related activities, including
9 personal services and administrative operations, as authorized
10 by law in amounts not exceeding limitations imposed in ap-
11 propriation Acts. The construction, acquisition, and opera-
12 tion of Federal parking facilities and parking areas shall be
13 financed solely from the revenues derived from such parking
14 facilities and parking areas and accounted for separately
15 within the fund.

16 “(4) The Administrator shall prepare annually and
17 submit to the Bureau of the Budget a business-type budget
18 in accordance with section 847 of title 31, United States
19 Code, and the rules and regulations established by the Presi-
20 dent pursuant thereto.”

21 SEC. 4. Section 210 of the Federal Property and Ad-
22 ministrative Services Act of 1949, as amended (40 U.S.C.
23 490), is amended by adding a new subsection reading as
24 follows:

25 “(j) The Administrator is authorized—

1 “(1) to charge any Federal agency, including General
2 Services Administration, mixed ownership corpora-
3 tion (as defined in the Government Corporation Control
4 Act), and the Government of the District of Colum-
5 bia. Federal employee, private person, or organization
6 furnished services, space, quarters, maintenance, repair,
7 or other facilities, including parking, fees therefor at
8 rates to be determined by the Administrator from time
9 to time and provided for in regulations issued by him. In
10 establishing such rates and charges, the Administrator
11 shall give consideration to the costs of providing space,
12 services, or other facilities and shall provide for reserves
13 for replacement and expansion: *Provided*, That with re-
14 spect to those buildings for which the Administrator of
15 General Services is responsible for alterations only (as
16 the term ‘alter’ is defined in section 13 (5) of the Public
17 Buildings Act of 1959 (73 Stat. 479), as amended (40
18 U.S.C. 612 (5)), the rates charged the occupant agency
19 or agencies for such services shall be fixed by the Ad-
20 ministrator so as to recover only the approximate appli-
21 cable cost incurred by him in providing such services
22 Funds available to any such agency shall be available to
23 defray such rates and charges;

24 “(2) to operate by lease or otherwise Federal park-

1 ing facilities and parking areas, and to issue all needful
2 rules and regulations in connection therewith;

3 “(3) to alter Federal buildings;

4 “(4) to maintain, operate, and protect public
5 buildings (as defined in the Public Buildings Act of
6 1959, as amended) and sites, and provide services re-
7 lated thereto, including demolition and improvement
8 with respect to sites authorized to be leased pursuant
9 to subsection (a) of this section, by contract or other-
10 wise;

11 “(5) to rent space in buildings in the District of
12 Columbia notwithstanding the provisions of the Act of
13 March 3, 1877 (40 U.S.C. 34); and

14 “(6) to provide such fencing, lighting, guard
15 booths, and other facilities on private or other property
16 not in Government ownership or control as may be ap-
17 propriate to enable the United States Secret Service to
18 perform its protective functions pursuant to section 3056
19 of title 18, United States Code.”

20 SEC. 5. (a) Any other Executive agency, in addition
21 to General Services Administration, which provides to an
22 eligible agency the services set forth in subsection (j) (1)
23 of section 210 of the Federal Property and Administrative
24 Services Act, as amended (40 U.S.C. 490), shall charge
25 the eligible agency to which such services are furnished fees

1 therefor at rates determined by the head of the agency fur-
2 nishing the services in the manner provided in subsection
3 (j) (1) of section 210 of the Federal Property and Ad-
4 ministrative Service Act, as amended (40 U.S.C. 490), or,
5 at the election of such agency head, at rates determined by
6 the Administrator of General Services and charged by him
7 for comparable services. Funds available to occupying
8 eligible agencies shall be available to defray such rates and
9 fees. Moneys derived by other agencies from such rates or
10 fees may be credited to the appropriation or fund initially
11 charged for providing the service, except that amounts in-
12 cluded for replacement and expansion shall be credited to
13 the fund created by subsection (f) (1) of section 210 of
14 the Federal Property and Administrative Services Act of
15 1949, as amended (40 U.S.C. 490).

16 (b) As used in this section, the terms "eligible agency"
17 or "eligible agencies" shall have the same meaning as the
18 term "Federal Agency" as defined in section 3 (b) of the
19 Federal Property and Administrative Services Act, as
20 amended (40 U.S.C. 472), and include mixed ownership
21 corporations (as defined in the Government Corporation
22 Control Act), the government of the District of Columbia,
23 Federal employees, private persons, or organizations.

24 (c) As used in this Act, the term "real property man-
25 agement and related activities" and similar terms shall in-

1 clude the functions of acquisition, design, construction, altera-
2 tion, renting, operation, maintenance, protection, moving,
3 demolition and other like functions which General Services
4 Administration or other agencies are authorized by law to
5 provide eligible agencies.

6 SEC. 6. This Act shall become effective upon enactment.
7 The effective date of the rates to be charged pursuant to the
8 regulations to be issued under subsection (j) (1) of section
9 210 of the Federal Property and Administrative Services
10 Act of 1949, as amended, and section 5 hereof, shall be on
11 the date of the beginning of the second fiscal year subse-
12 quent to enactment hereof.

92^D CONGRESS
1ST SESSION

S. 2479

IN THE SENATE OF THE UNITED STATES

AUGUST 6, 1971

Mr. COOPER (for himself and Mr. WEICKER) introduced the following bill;
which was read twice and referred to the Committee on Public Works

A BILL

To amend the Public Buildings Act of 1959, as amended, to provide for financing the acquisition, construction, alteration, maintenance, operation, and protection of public buildings, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That this Act may be cited as the "Public Buildings Amend-
4 ments of 1971".

5 SEC. 2. The Public Buildings Act of 1959 (73 Stat.
6 479), as amended (40 U.S.C. 601 et seq.), is amended as
7 follows:

8 (1) delete the figure "\$200,000" in subsection (b)
9 of section 4 and insert the figure "\$500,000" in lieu
10 thereof;

1 (2) delete the figures "\$100,000" and "\$200,-
2 000" in subsection (a) of section 7, and insert in each
3 case the figure "\$500,000" in lieu thereof;

4 (3) delete "and such approval has not been re-
5 scinded as provided in subsection (c) of this section"
6 in subsection (a) of section 7;

7 (4) delete the word "maximum" in clause (2) of
8 subsection (a) of section 7;

9 (5) delete in such section all of subsections (b),
10 (c), and (d), and "(a)" following "SEC. 7.";

11 (6) delete in subsection (a) of section 12 the fol-
12 lowing: "as he determines necessary,"; and

13 (7) in sections 11 and 12, delete "(a)" after "Sec-
14 tion 7";

15 SEC. 3. Subsection (f) of section 210 of the Federal
16 Property and Administrative Services Act of 1949, as
17 amended (40 U.S.C. 490 (f)), is amended to read as fol-
18 lows:

19 "(f) (1) There is hereby established in the Treasury
20 of the United States on such date as may be determined by
21 the Administrator, a fund into which there shall be deposited
22 the following revenues and collections:

23 "(a) User charges made pursuant to subsection (j) (1)
24 of this section payable in advance or otherwise.

25 "(b) Proceeds with respect to building sites authorized

1 to be leased pursuant to subsection (a) of this section, and
2 proceeds with respect to building sites, plans, and specifica-
3 tions authorized to be sold pursuant to subsection (h) of this
4 section.

5 “(c) Receipts from carriers and others for loss of, or
6 damage to, property belonging to the fund.

7 “(2) Moneys deposited into the fund shall be available
8 for expenditure for real property management and related
9 activities in such amounts and for such purposes as specified
10 in annual appropriation Acts: *Provided*, That authorizations
11 for capital expenditures may be made without regard to
12 fiscal year limitations.

13 “(3) There are hereby merged with the fund estab-
14 lished under this subsection, unexpended balances of (A)
15 the Buildings Management Fund (including any surplus
16 therein), established pursuant to this subsection prior to its
17 amendment by the Public Buildings Amendments of 1971;
18 (B) the Construction Services Fund, created by section 9
19 of the Act of June 14, 1946 (60 Stat. 259), as amended;
20 and (C) any funds appropriated to General Services Ad-
21 ministration under the headings ‘Repair and Improvement
22 of Public Buildings’, ‘Construction, Public Buildings Proj-
23 ects’, ‘Sites and Expenses, Public Buildings Projects’, ‘Con-
24 struction, Federal Office Building Numbered 7, Washington,
25 D.C.’, and ‘Additional Court Facilities’, in any appropriation

1 Acts for the years prior to the fiscal year in which the fund
2 becomes operational: *Provided*, That the fund shall assume
3 all the liabilities, obligations, and commitments of the said
4 (1) Buildings Management Fund, (2) Construction Serv-
5 ices Fund, and (3) the appropriations specified in (C)
6 hereof.

7 “(4) Advances are hereby authorized to be appropri-
8 ated to the fund to carry out its purposes: *Provided*, That
9 such advances shall, within thirty years, be repaid with in-
10 terest at a rate not less than a rate determined by the Secre-
11 tary of the Treasury taking into consideration the current
12 average market yield on outstanding marketable obligations
13 of the United States with remaining period to maturity
14 comparable to the average maturities of such advances ad-
15 justed to the nearest one-eighth of 1 per centum: *And pro-*
16 *vided further*, That any appropriations made to the General
17 Services Administration for the direct Federal construction
18 of public buildings after July 31, 1971, shall, within thirty
19 years from the date of obligation, be repaid as above.

20 “(5) In any fiscal year there may be deposited to mis-
21 cellaneous receipts such amount as may be specified in the
22 annual budget estimates for the fund.

23 “(6) Nothing in this section shall preclude the General
24 Services Administration from providing special services not
25 included in the standard level user charge, such as security

1 guarding, alterations, and space adjustments requested by and
2 for the convenience of any agency, design and engineering
3 services, and similar special services, on a reimbursable basis
4 and such reimbursements may be credited to the fund estab-
5 lished under this subsection.”

6 SEC. 4. Section 210 of the Federal Property and Admin-
7 istrative Services Act of 1949, as amended (40 U.S.C. 490),
8 is amended by adding three new subsections reading as
9 follows:

10 “(j) The Administrator is authorized—

11 “(1) to charge any eligible agency furnished serv-
12 ices, space, quarters, maintenance, repair, or other
13 facilities (hereinafter referred to as space and services),
14 at rates to be determined by the Administrator from
15 time to time and provided for in regulations issued by
16 him. Such rates and charges shall approximate com-
17 mercial charges for comparable space and services:
18 *Provided*, That with respect to those buildings for which
19 the Administrator of General Services is responsible
20 for alterations only (as the term ‘alter’ is defined in
21 section 13 (5) of the Public Buildings Act of 1959 (73
22 Stat. 479), as amended (40 U.S.C. 612 (5)), the rates
23 charged the occupant agency or agencies for such serv-
24 ices shall be fixed by the Administrator so as to recover
25 only the approximate applicable cost incurred by him

1 in providing such alterations. Agencies, or activities
2 within agencies, may be exempted from the charges pro-
3 vided by this subsection, if the Director of the Office of
4 Management and Budget determines that such charges
5 would be infeasible or impractical. To the extent any
6 such exemption is granted, appropriations to the Gen-
7 eral Services Administration are authorized to reimburse
8 the fund for any loss of revenue.

9 “(2) to alter Federal buildings;

10 “(3) to maintain, operate, and protect public build-
11 ings (as defined in the Public Buildings Act of 1959,
12 as amended) and sites, and provide services related
13 thereto, including demolition and improvement with re-
14 spect to sites authorized to be leased pursuant to subsec-
15 tion (a) of this section, by contract or otherwise;

16 “(4) to rent space in buildings in the District of
17 Columbia notwithstanding the provisions of the Act of
18 March 3, 1877 (40 U.S.C. 34); and

19 “(5) to provide such fencing, lighting, guard
20 booths, and other facilities on private or other property
21 not in Government ownership or control as may be ap-
22 propriate to enable the United States Secret Service
23 to perform its protective functions pursuant to section
24 3056 of title 18, United States Code and the Act of
25 June 6, 1968, 82 Stat. 170.

1 “(k) Any other executive agency, in addition to General
2 Services Administration, which provides to an eligible agency
3 space and services set forth in subsection (j) (1) of this
4 section, is authorized to charge the eligible agency for such
5 space and services at rates approved by the Administrator
6 of General Services and the Director of the Office of Manage-
7 ment and Budget. Moneys derived by other agencies from
8 such rates or fees shall be credited to the appropriation or
9 fund initially charged for providing the service, except that
10 amounts which are in excess of actual operating and mainte-
11 nance costs of providing the service shall be credited to mis-
12 cellaneous receipts unless otherwise authorized by law.

13 “(l) As used in this section—

14 “(1) The terms, ‘eligible agency’ or ‘eligible agencies’
15 shall have the same meaning as the term ‘Federal agency’ as
16 defined in section 3 (b) of the Federal Property and Admin-
17 istrative Service Act, as amended (40 U.S.C. 472), and
18 include mixed ownership corporations (as defined in the
19 Government Corporation Control Act), the government of
20 the District of Columbia, private persons, or organizations.

21 “(2) The term ‘real property management and related
22 activities’ shall include the functions of acquisition, design,
23 construction, alteration, renting, operation, maintenance, pro-
24 tection, moving, demolition, and other like functions which

1 General Services Administration or other agencies are author-
2 ized by law to provide eligible agencies.”

3 SEC. 5. The Public Buildings Act of 1959 (73 Stat.
4 479), as amended (40 U.S.C. 601), is amended by adding
5 a new section 4 and renumbering the existing section 4 and
6 subsequent sections appropriately. The new section 4 shall
7 read as follows:

8 “(a) Whenever the Administrator of General Services
9 determines that the best interests of the United States will
10 be served by taking action hereunder, he is authorized to
11 provide space for an eligible agency (as defined in section
12 210(1)) of the Federal Property and Administrative Serv-
13 ices Act of 1949, as amended (40 U.S.C. 490) by enter-
14 ing into purchase contracts, the terms of which shall not
15 be less than ten or more than thirty years and which shall
16 provide in each case that title to the property shall vest
17 in the United States at or before the expiration of the con-
18 tract term and upon fulfillment of the terms and conditions
19 stipulated in each of such purchase contracts. Such terms
20 and conditions shall include provision for the application to
21 the purchase price agreed upon therein of installment pay-
22 ments made thereunder.

23 “(b) Each such purchase contract shall include such
24 provisions as the Administrator of General Services, in his
25 discretion, shall deem to be in the best interests of the

1 United States and appropriate to secure the performance
2 of the obligations imposed upon the party or parties that
3 shall enter into such agreement with the United States. No
4 such purchase contract shall provide for any payments to
5 be made by the United States in excess of the amount nec-
6 essary, as determined by the Administrator, to—

7 “(1) amortize the cost of improvements to be con-
8 structed plus the fair market value, on the date of the
9 agreement, of the site, if owned or acquired by the con-
10 tractor; and

11 “(2) provide a reasonable rate of interest on the
12 outstanding principal as determined under (1) above;
13 and

14 “(3) reimburse the contractor for the cost of any
15 other obligations assumed by him under the contract,
16 including (but not limited to) payment of taxes, costs of
17 carrying appropriate insurance, and costs of repair and
18 maintenance if so assumed by the contractor.

19 “(c) Funds now or hereafter available for the payment
20 of rent and related charges for premises, whether appro-
21 priated directly to the General Services Administration or
22 to any other agency of the Government and received by
23 said Administration for such purpose, may be utilized by the
24 Administrator of General Services to make payments be-
25 coming due from time to time from the United States as

1 current charges in connection with agreements entered into
2 under authority of this section.

3 “(d) With respect to any interest in real property
4 acquired under the provisions of this section, the same shall
5 be subject to State and local taxes until title to the same
6 shall pass to the Government of the United States.

7 “(e) For the purpose of purchase contracts provided
8 for in this section for the erection by the contractor of build-
9 ings and improvements for the use of the United States, the
10 Administrator is authorized to enter into agreements with any
11 person, copartnership, corporation, or other public or private
12 entity, to effectuate any of the purposes of this section; and is
13 further authorized to bring about the development and im-
14 provement of any land owned by the United States and
15 under the control of the General Services Administration
16 including the demolition of obsolete and outmoded structures
17 situated thereon, by providing for the construction thereon
18 by others of such structures and facilities as shall be the
19 subject of the applicable purchase contracts, and by making
20 available such plans and specifications for the construction
21 of a public building thereon as the Government may pos-
22 sess: *Provided*, That projects heretofore approved pursuant
23 to the provisions of the Public Buildings Act of 1959, as
24 amended (40 U.S.C. 601 et seq.), and in which no sub-
25 stantial change in scope has been made, may be constructed

1 under authority of this section without further approval,
2 and the prospectuses submitted to obtain such approval shall
3 for all purposes be considered as prospectuses for the pur-
4 chase of space.

5 “(f) Except for previously approved prospectuses re-
6 ferred to in (e) above, no purchase contract shall be entered
7 into pursuant to the authority of this section until a pro-
8 spectus therefor has been submitted and approved in accord-
9 ance with section 8 of this Act.

10 “(g) No purchase contract shall be entered into under
11 the authority granted under this section after a period of
12 three full fiscal years from the date of enactment.”

13 SEC. 6. Section 210 of the Federal Property and Ad-
14 ministrative Services Act of 1949, as amended (40 U.S.C.
15 490), is further amended by (1) deleting the word “twenty”
16 in subsection 210 (h) (1) and inserting the word “thirty”
17 in lieu thereof; and (2) renumbering section 210 (h) (2) as
18 section 210 (h) (3), and adding a new paragraph (2)
19 immediately after section 210 (h) (1), as follows:

20 “(2) For the purpose of lease agreements providing for
21 the erection by the lessor of buildings and improvements for
22 the use of the United States, the Administrator may make
23 the property of the United States to be used as a site for
24 a public building (as defined in section 14 (1) of the Public
25 Buildings Act of 1959, as amended) available by sale to

1 the lessor in such manner and upon such terms as the Ad-
2 ministrator deems appropriate to the best interest of the
3 United States, together with such plans and specifications
4 for the construction of a public building thereon as the
5 Government may possess: *Provided*, That projects heretofore
6 approved pursuant to the provisions of the Public Buildings
7 Act of 1959, as amended (40 U.S.C. 601 et seq.), and in
8 which no substantial change in scope has been made, may
9 be constructed under the authority of this section 210 (h)
10 without further approval, and the prospectuses submitted to
11 obtain such approval shall, for all purposes, be considered as
12 prospectuses for the lease construction of space: *Provided*
13 *further*, That in order to utilize the authority granted under
14 this paragraph (2) with respect to such previously approved
15 projects, the Administrator must find that a purchase con-
16 tract as provided for in section 4 of the Public Buildings
17 Act of 1959, as amended herein, is not a feasible means of
18 providing the required space. Sections 202 and 203 of the
19 Federal Property and Administrative Services Act of 1949,
20 as amended (40 U.S.C. 483 and 484), shall not be appli-
21 cable to property made available under this subsection. The
22 authority granted under this paragraph (2) shall be in
23 effect for a period of three full fiscal years from enactment
24 and not thereafter.

25 SEC. 7. The maximum costs for projects heretofore
26 approved by resolutions of the Public Works Committees

1 of the Senate and the House of Representatives, construc-
2 tion of which has not yet started, are hereby waived, and
3 the amounts so approved shall be considered as estimates
4 at the time of approval only.

5 SEC. 8. To carry out the provisions of the Public Build-
6 ings Amendments of 1971, the Administrator of General
7 Services shall issue such regulations as he deems necessary:
8 *Provided*, That such regulations shall be coordinated with
9 the Office of Management and Budget, and the rates estab-
10 lished by the Administrator of General Services pursuant
11 to section 210 (j) (1) of the Federal Property and Admin-
12 istrative Services Act of 1949, as amended, shall be approved
13 by the Director of the Office of Management and Budget.

14 SEC. 9. Funds available to any eligible agency may be
15 used to pay user charges established under sections 210 (j)
16 and (k) of the Federal Property and Administrative Serv-
17 ices Act of 1949, as amended.

18 SEC. 10. This Act shall become effective upon enact-
19 ment. The effective date of applying the rates to be charged
20 pursuant to the regulations to be issued under subsections
21 (j) (1) and (k) of section 210 of the Federal Property
22 and Administrative Services Act of 1949, as amended, shall
23 be as determined by the Administrator of General Services
24 but in any event shall not be later than the beginning of
25 the third full fiscal year subsequent to the enactment thereof.

Senator GRAVEL. The purpose of these bills is to dispose of the existing backlog in the construction of Federal buildings and to create new procedures so that in the future Federal buildings may be complete more quickly and economically than they are today.

As you may be aware, the backlog of the General Services Administration now contains some 63 unconstructed buildings. Each one of these has been authorized by the Congress—some of them as long as 10 years ago—but as of today, ground has not been broken. Taken together, these pending projects represent a combined value of nearly \$1 billion.

It goes without saying that with the recent rate of inflation in the construction industry, the delay in beginning these 63 buildings has been costly to the public. It grows more costly each day.

Citizens and towns are forced to forfeit needed property tax revenue while their land lies idle in the possession of the Federal Government. Plans and designs for the buildings often become outmoded.

The Federal agencies, themselves, are forced to scatter their personnel around in rented offices; this is expensive not only because of the rent paid to landlords, but because of the inefficiency which results when an agency's staff is badly dispersed.

Perhaps worst of all, by not acting to break this backlog we leave thousands unemployed who could have found jobs as part of an aggressive Federal building program. That is hardly a sensible policy in this period of economic difficulty.

So, there are valid grounds for ridding ourselves of this backlog as quickly as possible. But it is also clear that if there is no change in the method now used to fund these projects, we will accomplish little more than transferring from one backlog to another.

Based on the average annual appropriation to GSA for building since 1959—some \$115 million per year—it would take 10 years to clear up the present backlog alone, much less to keep abreast of the new office needs of the Federal Government.

The GSA must come before Congress time and time again in order to receive complete authorization and funding for a single Federal office building. First, there is the authorization from this committee; then there is the appropriation for design; then the funds for the building's foundation; next the funds for the building, itself.

Often there is need for a supplemental appropriation, which in turn necessitates a revision in the original authorization. In fact, I understand that in some cases, it can require as many as seven trips to the Congress for the GSA to construct one Government building.

The bills before us today propose to change that system.

First, under these bills, the entire cost of a building would be appropriated in one sum. If this were done, many of the expensive delays would be eliminated.

Next, the bills update several technical requirements in the Public Buildings Act of 1959 in order to give the GSA more flexibility and to allow the Public Works Committee to concentrate more on the larger than the smaller problems in this area.

Third, the administration bill, S. 2479, would revive the Government's purchase-contract program for 3 years in order to clear the present backlog of unconstructed buildings. It is felt that although this arrangement might cost more in the short run, it would more than recover any temporary losses by reducing inflationary delay.

Last, both bills would establish a new fund under the General Services Administration to be devoted to the construction of Federal buildings. To supply this fund with the cash that is needed to sustain a continuing Federal building program, each department and agency would be charged a rental equivalent by the USA to defray the cost and depreciation of the office space it occupied. No longer would the GSA budget contain the appropriations for office space of most of the executive branch. Instead, each agency would be required to include these rental costs in its own annual budget—a major step in the direction of a performance budget.

Of course, the two Public Works Committees would still authorize each building costing more than \$500,000 and the Appropriations Committees would continue to approve the use of funds on a building-by-building basis. Congressional control would be fully retained. But the existence of this fund would insure uniform funding of buildings as they are authorized.

Needless to say, any legislation such as this has its side effects. There is every reason to believe that once an agency had to account for its office space in its own budget, that agency would be less impulsive in its demands for room.

Under the present system, with the GSA paying the bill, the agencies have little incentive to conserve. On the contrary, the trend is for an agency to request more office space than it needs and then to hoard it jealously.

This legislation has the potential of changing that situation. The resulting savings could be considerable. According to the most recent estimates, if we could reduce the space demands of the Federal Government by only 1 percent—and that is a modest goal—there would be an annual savings of more than \$9 million.

Senator Boggs cannot be here. He has a statement which I will insert in the record at this point.

(Senator Boggs' statement follows:)

STATEMENT OF HON. J. CALEB BOGGS, U.S. SENATOR FROM THE STATE OF DELAWARE

Mr. Chairman, I regret I am not able to attend this afternoon's hearing, for I had been looking forward to the opportunity to hear the testimony of Administrator Kunzig and the other witnesses. But, necessarily, I must be out of the city during the hearing hour.

The bills under consideration, S. 1736 and S. 2479, are important ones. The proposals seek to place the acquisition of office space for the Federal Government on a more logical basis and to reduce dramatically the backlog of unbuilt Federal buildings. This backlog, I understand, has now swelled to 63 structures approved by the Congress but unfunded.

I am well aware of the impact on a city when a Federal building plan is dormant. A new Federal building for the City of Wilmington, Delaware, was approved by the Congress more than a decade ago, but the ground breaking did not occur until May 17 of this year. I might add that the people of Delaware were delighted that Administrator Kunzig was able to attend that ground-breaking ceremony.

The fact that the new Wilmington Federal Building has finally begun has been a stimulant to the downtown redevelopment effort. I am sure that many buildings remaining in the backlog will have similar beneficial impact on other cities once construction begins.

As Administrator Kunzig knows, some Members of this Subcommittee have expressed a strong reservation over any effort to reduce the backlog through a procedure under which Federal buildings are constructed under a lease with the developer retaining ownership of the building at the end of the lease period. Although the Committee in recent years has approved several projects for lease-construction, the Committee has done so with considerable reluctance.

The argument against the leasing procedure has been what many of us believe to be its exorbitant cost to the taxpayer. GSA figures show that leasing a building can cost the Federal Government three times as much as the cost of a similar facility built and financed entirely by the Federal Government. This is true even when the interest costs to the Federal Government are included.

But we recognize that some financial assistance from the private sector is probably necessary if we are to reduce dramatically the backlog of authorized but unbuilt facilities. Therefore, I was delighted when the Administration proposal, S. 2479, included a provision permitting the lease-purchase of Federal buildings. This is a procedure we must at least consider.

Under this procedure, the private sector would help to finance the construction of Federal buildings, but the lease would stipulate that ownership must pass back to the Federal Government at the end of the lease period. This is an important concept as the useful life of these Federal buildings should be many years beyond any leasing period.

But more significant than the leasing authority question is the provision in both bills under construction that would create a revolving fund to finance future public buildings. I am happy to be a cosponsor of this concept, as I believe it is sound and workable. This provision would require Federal agencies in effect to pay "rent" to the General Services Administration for office space. These rents would, in turn, finance the maintenance and administration of existing facilities and pay for the construction of new Federal office facilities. This appears to be a wise approach to create a sustained program to meet the office needs of the various Federal departments.

In closing, I want to compliment Mr. Kunzig on his excellent work at GSA, and I am only sorry that I cannot attend the hearing. I shall read the testimony carefully, as I know it will be of great assistance to our Subcommittee in our consideration of these important bills.

Senator GRAVEL. Also, Senator Weicker has been delayed on the floor. He will be here shortly.

I would like to welcome at this time our first witness, Mr. Robert L. Kunzig.

Mr. Kunzig, will you introduce your associates?

STATEMENT OF HON. ROBERT L. KUNZIG, ADMINISTRATOR, GENERAL SERVICES ADMINISTRATION, ACCOMPANIED BY ARTHUR F. SAMPSON, COMMISSIONER OF PUBLIC BUILDINGS SERVICE AND LYNN JOHNSON, CONSULTANT TO THE ADMINISTRATOR

Mr. KUNZIG. On my right is Arthur Sampson, Commissioner of the Public Building Service.

On my left is Lynn Johnson, formerly our head of administration, now a special consultant.

Mr. Chairman, every so often in this life of a Federal agency, an event occurs or a proposal arises that catches the attention, the support, and even the excitement of the entire organization. Suddenly, there is a common recognition among the officers and employees of the agency that there is hope for a radical improvement in the way they are permitted to serve the Government of the United States and its people.

That is the situation prevailing in GSA right now, and in our Public Buildings Service. All of us know first hand the frustration and delay inherent in the present system of financing our public buildings operations. All of us labor every day under the burden of a backlog in congressionally approved Federal construction that now approaches the staggering figure of \$1 billion.

All of us know that the Public Buildings Amendments of 1971 (S. 2479) will resolve these problems to the great benefit of both the Federal agencies who use our Government buildings and the people who rely on their services.

That is why we are especially grateful to you, Mr. Chairman, and to Senator Jordan who have led the way in introducing buildings funds proposals in the past. We are also grateful to Senators Cooper and Weicker for introducing the administration bill, S. 2479, which takes much of its substance from your previous proposals.

In addition to the generous support that this legislation has received from the chairman and members of your subcommittee, it has also enjoyed a warm reception from members on both sides of the aisle who want to see the Government's building program strengthened and improved.

I want to emphasize that I am not here to promote any particular bill number, but to endorse a concept that has tremendous potential for building buildings faster and saving money for the Government.

There is more to the concept than building alone. There is determination to clean up the backlog of approved and unfunded building now so that the backlog cannot encumber full implementation of the fund.

Only S. 2479 contains what I believe are essential antibacklog provisions.

At this point, we would like to submit for the record this chart showing all the similarities and differences between S. 1736 and S. 2479.

(The chart referred to follows:)

COMPARISON OF S. 2479 (GSA ITEM NO. 1) AND S. 1736 (GRAVEL)

| S. 2479 | S. 1736 |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------|
| Section 1 Title: "Public Buildings Amendments of 1971." | Same. |
| Section 2 Public Buildings Act amendments: | |
| (1) Increases minimum alteration or acquisition cost requiring committee approval from \$200,000 to \$500,000 (Sec. 4(b)). | Same. |
| (2) Increases cost of construction, acquisition or alteration which require prospectuses to \$500,000 (Sec. 7(a)). | Same. |
| (3) Deletes provision relating to rescinding approvals (Sec. 7(a)). | Same. |
| (4) Deletes "maximum" to eliminate the limit of cost plus 10 percent of prospectus estimate (Sec. 7(a)). | Same. |
| (5) Repeals provisions relating to 10 percent escalation of prospectus estimate, committee rescission of approval, and limitation of number of approved projects (Sec. 7 (b) (c) (d)). | Same. |
| (6) Requires Administrator to submit prospectuses to Congress after completion of community surveys of Federal building needs (Sec. 12). | Same. |
| (7) Technical amendments conforming to (5) above (Sec. 11 and 12). | Same. |
| No similar provision. | (8) Includes "Federal parking facilities" and "parking areas" within the definition of "public buildings" (Sec. 13(1)). |
| No similar provision. | (9) Defines "Federal parking facilities" and "parking areas" (Sec. 13). |
| Section 3. Amendments to Federal Property and Administrative Services Act of 1949, Section 210(f): | |

COMPARISON OF S. 2479 (GSA ITEM NO. 1) AND S. 1736 (GRAVEL)—Continued

| S. 2479 | S. 1736 |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------|
| Establishes Federal building fund on date to be determined by the Administrator. | Authorizes Secretary of the Treasury to establish Federal buildings fund. |
| Provides for the Fund to consist of: User charges made pursuant to subsection (j)(1). | Provides for the Fund to consist of: Same. |
| Proceeds from outleasing of building sites and sale of sites and designs. | No similar provisions. |
| Receipts from carriers and others for loss of, or damage to fund property. | Similar provisions. |
| Unexpended balances of Buildings Management Fund. | Same. |
| Unexpended balances of Construction Services Fund. | Same. |
| Unexpended balances of the following appropriations: | |
| (a) "Repair and improvement of Public Buildings." | Same. |
| (b) "Construction, Public Buildings Projects." | Same. |
| (c) "Site and Expenses, Public Buildings Projects." | Same. |
| (d) "Construction, Federal Office Building Number 7, Washington, D.C." | No provision. |
| (e) "Additional Court Facilities." No provision. | Same. |
| No provision. | (f) "Operating Expenses, Public Buildings Service." |
| No provision. | (g) "Payments, Public Buildings Purchase Contracts." |
| | (h) "Expenses, United States Court Facilities." |
| (Transfers the above appropriations made for any year prior to establishment of the fund.) | (Transfers the above appropriations for 1970 Act and prior years.) |
| Advances appropriated to the fund to be repaid with interest within 30 years. So are construction appropriations made after July 31, 1971. | Sums appropriated to the fund. |
| No similar provision. | Estimated fair market value of Government facilities and buildings in GSA active inventory. |
| Provides for expenditures from the fund for real property management and related activities as specified in appropriation acts. Authorization for capital may be without fiscal year limitations. | Similar except that construction, acquisition and alteration projects paid from the fund would not require an appropriation if less than \$500,000. |
| No provision. | Provides separate accounting of parking revenues. |
| Authorizes deposits to miscellaneous receipts. | No provision. |
| Authorizes GSA to provide special services on reimbursable basis. | No provision. |
| No provision. | Requires submission of annual budget under 31 U.S.C. 847. |
| Sec. 4 Amendment to Sec. 210 of the Federal Property and Administrative Services Act. | |
| Add a new subsection (j) to authorize user charges for space and services at approximately commercial rates except for alteration charges which would recover the approximate cost. The Director of OMB could exempt activities from the charges if he found them unfeasible or impractical. | Similar except that charges would be based upon cost and reserves for replacement and expansion and contains no provision for exemptions. |

COMPARISON OF S. 2479 (GSA ITEM NO. 1) AND S. 1736 (GRAVEL)—Continued

S. 2479

S. 1736

Add four clauses (j)(2)-(5) authorizing alteration of Federal buildings, maintenance operation and protection of Federal buildings, rental of space in D.C., and various facilities for the Secret Service. These provisions formerly were contained in the annual appropriations.

No provision.

Adds a new subsection to authorize other agencies furnishing space and services to charge for them at the rates approved by the Administrator and the Director of OMB. Funds would be credited to the appropriation charged and any excess overcosts would go to miscellaneous receipts unless otherwise authorized by law.

Adds a subsection (1) defining "eligible agency" and "real property management and related activities."

Sec. 5 amends the Public Building Act of 1959 to authorize lease purchase contracts for installment payments for 10 to 30 years at rates based on cost of site, if owned by contractor, and improvements, a reasonable rate of interest and any other costs assumed by the contractor.

Rental charges could be used for payments under the purchase contracts. The property would be subject to state and local taxation until passage of title.

Conveyance of plans and use of Federal sites is authorized.

Previously approved prospectuses without substantial change in scope would be considered approved for lease purchase construction.

The authority to enter the contracts is limited to three years.

Section 6. Amends the Federal Property and Administrative Services Act of 1949.

Increases the maximum term of leases from 20 to 30 years.

Authorizes the sale of United States owned sites and plans for the lease-construction of buildings if the Administrator finds that lease purchase is not feasible.

Authority is limited to three years.

Section 7. Waives the maximum costs on projects approved by Congress but not yet started.

Section 8. Requires coordination of regulations and approval of rates by Director of OMB.

Section 9. Authorizes use of any available funds of eligible agencies for user charges.

Section 10. Effective date of the act is immediately with user charges effective at the determination of the Administrator not later than the beginning of the third fiscal year after enactment.

Same.

Authorizes operation of Federal parking facilities and parking areas.

Similar except that the rates would be set by the head of the agency furnishing the space or service and replacement and expansion charges would go to the Public Building Fund.

Same.

No comparable provisions.

No comparable provisions.

No comparable provisions.

No comparable provisions.

No comparable provisions.

Effective immediately with user charges effective at beginning of second fiscal year subsequent to enactment.

Mr. KUNZIG. Mr. Chairman, 3 months ago, it was my pleasure to appear before the House Public Works Committee's Investigations and Oversight Subcommittee, and to discuss in detail the broad administrative reforms I have inaugurated in the Public Buildings Service since becoming Administrator of General Services in March of 1969.

With your permission, I would like to submit a copy of this testimony for the record.

Senator GRAVEL. Without objection, it will be placed in the record at this point.

(The statement referred to follows:)

STATEMENT OF ROBERT L. KUNZIG, ADMINISTRATOR, U.S. GENERAL SERVICES ADMINISTRATION, BEFORE SUBCOMMITTEE ON INVESTIGATIONS AND OVERSIGHT, COMMITTEE ON PUBLIC WORKS, U.S. HOUSE OF REPRESENTATIVES, JUNE 22, 1971

Mr. Chairman and members of the subcommittee, I do appreciate the opportunity to appear before the Subcommittee today to discuss a problem that has had my full personal attention throughout my 20 years in government and especially throughout the two years I have been privileged to serve as Administrator of General Services. At the very beginning of my statement, I want to offer you, Mr. Chairman, and all the members of the Subcommittee, my compliments and respectful encouragement. To my knowledge, no Congressional Subcommittee has ever undertaken a study of red tape and delay of the breadth and depth that you have. Your hearings are already contributing to improvements in the operations and management of GSA and other agencies. Here in the Congress, you have started the ball rolling. You are entitled to the full cooperation of executives throughout the Government, and you shall most certainly continue to have that cooperation from all of us at GSA.

The principal GSA function within the jurisdiction of the Public Works Committee is, of course, the construction and management of public buildings. That function is located organizationally in GSA's Public Buildings Service. To give you some idea of the range and magnitude of its mission, I should tell you that PBS is presently managing more than \$400 million of federal construction, repair, or improvement projects throughout the fifty states. More than 25,000 employees staff the Public Buildings Service, and at any given time, they are engaged in supervising the work of hundreds of contractors, thousands of subcontractors, and tens of thousands of building tradesmen, maintenance personnel, and others. The overall PBS budget is very close to 700 million dollars this year, and the amount of space assigned by PBS including both federally owned and leased space, is a staggering 220 million square feet to provide working space and facilities for 820,000 federal employees.

With these figures as a background—and speaking strictly in a management rather than a partisan, political sense—let me tell you that when I first came to GSA, the Public Buildings Service was an amorphous mass of poorly managed, undisciplined, overlapping little autocracies that seemed to run themselves without any particular relationship to each other—or to the Administrator. To say the least, PBS was hide-bound in molasses—slow, uncoordinated, drifting from problem to problem. The absence of good management techniques, combined with a set of anachronistic statutory and regulatory procedures, had simply stultified the place and many of its people.

That is why, Mr. Chairman, I am so grateful for your invitation to discuss what we at GSA are doing about the problem and what you in the Congress can do about it.

Once I had prevailed upon Arthur Sampson, a manager of extraordinary skill and insight, to head PBS as Commissioner, I charged him to begin immediately to remold PBS into a vital, good-business-oriented organization. Change does not come quickly or easily in an organization like PBS, but we are proud to say that we have done more to alter its structure and management during the past two years than was done in all its previous history.

Much of the red tape and delay we have discovered in PBS—and I will go into that delay in detail further on in my testimony—was caused by bad management. By and large, management is a problem we can do something about—and have been doing something about—without Congressional assistance. However, even

if PBS had the management talent and organizational virtue of the most successful private business, we would still need a substantial Congressional assist to eliminate some major causes of delay. I am here today to tell you what we know is wrong about the public building process that we can change on our own—and to request the help of the Congress in changing the things we know are wrong, but cannot remedy alone.

IMPROVING MANAGEMENT

The sweeping studies we have conducted with an eye toward making things happen faster at PBS have left no stone unturned. From the apparently simple routine of handling building-related correspondence to the obviously complex financial planning for the next decade's federal office space needs—we have probed, discovered, analyzed, and ordered change.

I might add at this point, that I have personally conducted courses on correspondence management, follow-up action, and work flow.

An early step in our revitalization of PBS management was the establishment of the Office of the Executive Director, PBS, a clearing house for long-range policy formulation, budgetary planning, and overall management supervision. Another was the creation of an Office of Operational Planning to factor into our management the new and major responsibilities imposed on us by recent statutes and Executive Orders dealing with environmental protection, socio-economic influences of site selections and lease locations, relocation assistance, etc. We have also brought talented new managers to seven of the eight principal positions in the Public Buildings Service, youthful and dynamic individuals who pursue better performance with a passion, and welcome change as a partner in their quest. In simple words, we have taken an organization of 25,000 that had no top management when we took it over, and given it a new direction.

I should hasten to point out that our battle to reform PBS has not been a battle against people. It has been a battle against time. For time is money in the construction field as in no other. With escalation of construction costs in recent years averaging about 12% per year, the cost of delay is astronomical. The American taxpayer can ill afford to see his tax dollar eaten up, dime by dime, as building projects become bogged down in bureaucratic or statutory red tape.

Let there be no doubt about it; the escalation of time-related costs is the single greatest problem of the building industry today. The near-vertical rate of cost increases has pushed the graph lines of the best indices right off the charts. Yet, while private industry could attempt to meet the problem head on by adopting new techniques to reduce design and construction time, GSA could not. Statutory, budgetary, and management problems stood in the way. Here is a graphic presentation that makes the point: Chart #1 (p. 35) shows the difference between the average time GSA has required to design and construct a ten million dollar office building and the average time it takes private industry to do the same . . . an almost unbelievable 35 months spread across preliminary, design and review, and construction stages. When costs of construction are escalating at a rate of approximately 1% of the total each month, that difference means that the Government pays 35% more than private industry for the same building. That 35% loss does not take into account what could be saved by terminating at least 35 months earlier—nor does it reflect other potential savings in employee efficiency, etc.

Here are some of the things we have been doing specifically, in a management sense, since I became GSA Administrator, to shrink that difference.

1. We have affected a reduction in the design time for a building. We have reduced project design time by 25-50 percent on selected projects by accelerated negotiation procedures, shorter review times, reduction in the number of architect/engineer submissions, reviews in architect's offices, and greater insistence on establishing and meeting schedules.

2. We have reduced construction completion time approximately 25% in many cases through the use of alternate completion times for construction contracts and through quicker construction decisions by Government personnel.

3. We have reduced architect-engineer contract negotiations and award time by 50%. These negotiations are now accomplished within 30 days on the average, instead of 60 days as before.

4. We have cut back drastically the volume of "technical design criteria" we impose upon our architects and engineers. We have cut out 50% of these detailed technical instructions, allowing new operating economies for our architect-engineers, economies we will insist be passed on to the government.

5. We have increased the authority of our construction personnel in the field to permit them to approve change orders up to \$5,000 per order (up from \$1,000 per order), minimizing on-site delays.

6. We have initiated a program to cross-train Government design and construction personnel, to improve their expertise, and to provide greater flexibility in using our man-power.

7. We have appointed engineers to Public Advisory Architectural Panels to permit closer working relationships between architects and engineers.

These internal management improvements are only the beginning, we are doing more every day. Right now we are moving to make greater use of computers for scheduling and reporting, as well as for architectural, structural, mechanical, and other technical functions. Electronic data processing is the key to our management information system. I ordered that system implemented on a crash basis shortly after I became Administrator I had been appalled to discover that there was no central index to the status of our building projects. If a member of Congress called to inquire about the status of our building project in his district, we were required to check at least seven separate sources before we could give him an answer. That took days and sometimes weeks. I am proud to say that all of that has changed.

Perhaps the single most significant management tool we have employed in studying our public buildings process has been the Life Cycle Management Model. It has helped us identify every area of delay, every opportunity for improvement. The model is a step-by-step compendium of every action required to produce a federal building, from concept to occupancy. This is a copy of the Model, Mr. Chairman; it very much resembles a large city's telephone directory in size and bulk. You can imagine the howling and agonizing that went on as we required each employee to account in writing for each action he takes, how long it takes, how much it costs the taxpayer. But all the pain was worth it, for the production and study of this model has revealed every bureaucratic inefficiency, every duplication of effort, and every lack of coordination that exists in the public buildings process. It has confirmed some of our suspicions of poor management, and provided us new insights as well.

Through study of the model, for instance, we have concluded that the way we have been planning and executing federal building projects—planning a step, starting it and finishing it, then moving on to the next step—has locked in delay. We have been doing things consecutively or in sequence, that could be done concurrently. Here's an example: We have been insisting upon completion of the entire design for a building before we award any construction contract. To oversimplify: No shovel of earth is turned for the foundation before we know what color the walls on the sixth floor will be! Phasing our construction—that is, beginning step two at an appropriate moment before step one is completed—can help to pare down processing and building time. Just how much this overlapping of steps can cut down on delay is illustrated by the examples in Charts 2, 3, and 4.

Mr. Chairman, I am pleased to report that I have ordered maximum use of phased construction on appropriate public buildings projects. We are already saving substantial amounts of time—and money—by phasing, but if we had the funds—and the authority to spend them as a prudent private developer would—I could order that basic drawings be put into construction just as soon as they were completed, rather than waiting for completion of every design detail. We would no longer have to let project contracts in one package, no longer hold up the whole project because of a design problem with just one aspect. The savings would be dramatic.

Another deficiency our Life Cycle Model pointed up was fractionalized management of individual projects within PBS. No one person was responsible for the completion of a given project. No one person had the authority to resolve conflicts as they arose, to direct all the technical activity—to expedite the job. In short, we had ships without captains. That meant lack of familiarity with the user's needs in the planning stages, difficulty in policing the standards of work of consultants and contractors, no overall control of planning, budgeting, and timing of the project. It also meant lengthy delays. Thus, I have ordered full implementation of the "Project Manager" concept in our major construction projects. The "project manager" has sole and sweeping authority to keep our internal—decision—making swift and flexible, from the initial planning right on through

The PBS project manager will often be working with a new professional construction officer from outside PBS, the "Construction Manager." The Construction Manager is relatively new, even to private industry. He is, in effect, the chief field executive, exercising the technical and business expertise of the general contractor and the authority for a complete professional overview of the project. We will begin to implement the "Construction Manager" approach on a limited basis in the very near future, and we expect that it, too, will accomplish substantial time and money savings.

IMPROVING THE LAW AND CONGRESSIONAL OVERSIGHT

Mr. Chairman, I have traced our studies, our conclusions, our improvements in internal management, but thus far I have made no mention of the wholesale legal and legislative reforms we believe essential to cutting red tape and delay. I should emphasize that nothing I shall say is intended to reflect unfavorably on any Committee of the Congress involved in the authorization or funding of public buildings projects. Within the present framework, we enjoy splendid cooperation and assistance from the Public Works, Government Operations, and Appropriations Committees of both Houses. Yet there is no escaping the fact that some substantial Congressional reforms are an essential complement to the substantial management reforms we are already implementing.

Reform of building financing is one of the biggest challenges. Right now, we are required to seek many separate appropriations and maintain many separate accounts for separate aspects of the construction of a single public building. For instance, we may have to start by seeking funds for a feasibility study of the project. Then, maybe two years later, we have to come back to the Congress with a request for an appropriation to buy the site and pay the architect's fees. Often, we must request funds to begin work on the substructure (foundation). In some cases, we have had to do that in two separate phases. Then we come back to the Congress again for superstructure money. All the while, we are encountering new delays, and building costs keep rising. So we often have to return for more money to supplement what has already been appropriated. Each request means more delay, for the Appropriations Committees need time to consider our requests, to assess priorities, to move an appropriations bill through the Congress. Nevertheless each time we have to come to the Congress for more money, the request and the Congressional consideration contribute mightily to delays in construction, even though we seek funds only for buildings that have already received careful Congressional study and approval in the Public Works Committees.

The obvious solution is a single appropriation for all the costs of acquiring a site, designing the building, constructing the building, and managing and inspecting the construction. Such a consolidated appropriation would expedite construction, permit earlier termination of leases and resultant savings in rental costs, eliminate multiple requests for increases in prospectus cost limits, permit a more orderly funding process, and reduce the number of requests for additional appropriations for previously authorized and funded projects.

In short, one-shot appropriations would permit us to exploit better internal management techniques. Just as important, one-shot appropriations would also permit us to exploit good building market opportunities—to defer or speed up contracting as market prices indicate. We would, for the first time, be able to exercise the same market-oriented judgment in letting contracts that private developers do. On the speed-up side alone, savings could be enormous in a market that shows costs moving upward at 1% a month or more. If we are ever to reduce public building construction time to a level that approaches private sector construction time, total project funding must be available early in the life cycle of our projects.

The logical complement to one-shot appropriations is financing the acquisition, construction, alteration, maintenance, operation, and protection of public buildings through a single fund.

To implement the single fund approach we would have to:

- (1) amend the Property Act to establish a special fund, "the Federal Buildings Fund", to finance all of GSA's public buildings activities;
- (2) authorize the Administrator of GSA to charge rent for the provision of space and related services to other agencies, and
- (3) permit long-term lease purchase or lease construction.

All of these proposals are receiving active and sympathetic review within the Administration at this very moment. Let me emphasize that, while our proposals will give GSA a good deal more administrative flexibility, they will maintain essential Congressional control over the buildings authorization and spending process. There would be no change in the present prospectus approval requirement, no change whatever. In addition, GSA would be required, just as at present, to submit an annual budget to the Congress for review. The Congress would continue to impose spending limitations.

Permit me to go into our proposals in a little more detail. Generally, they would require Government agencies to pay for the cost of space they occupy, rather than get it free of charge as at present. Such rental charges would be consistent with the performance budgeting concept that requires total program

costs of an agency to be reflected in that agency's budget estimates and financial accounts. In other words, for the first time the Congress and the people would know the true costs of operating every federal agency. Rents would be deposited into the Federal Buildings Fund, and subject to appropriate Executive Branch and Congressional control, GSA would be able to tap the assets of the Fund to finance the Congressionally authorized public buildings program. The operational flexibility the Fund would permit could save months, or even years in certain projects.

The second time-saving feature of these proposals is the use of certain leasing devices as stop-gap expedients. The history of GSA's Federal construction appropriations shows that we have been able to average appropriations totaling only \$115 million per fiscal year since 1959. We now have a backlog of urgently needed and authorized projects that exceeds \$1 billion. All things being equal, this backlog could not be liquidated in less than 10 years at that average rate of appropriations. We are talking about space required for law enforcement, health, environmental, and other social purpose Federal agencies. Without this urgently needed modern office space, these agencies continue to operate inefficiently, penalizing the taxpayer many millions of dollars in wasted time and compromising the delivery to him of the services he wants, needs, and pays dearly for.

The Administrator of General Services should be able to employ every device, tool, and technique commonly in use by private industry in managing the Government's buildings and space needs. Lease-purchase is one of those tools.

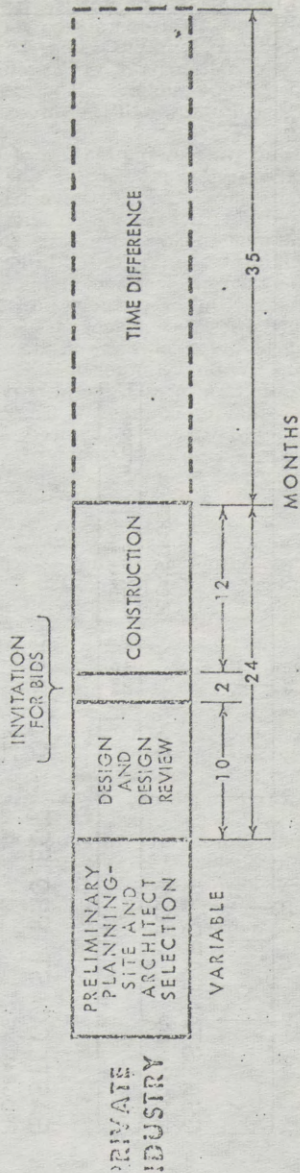
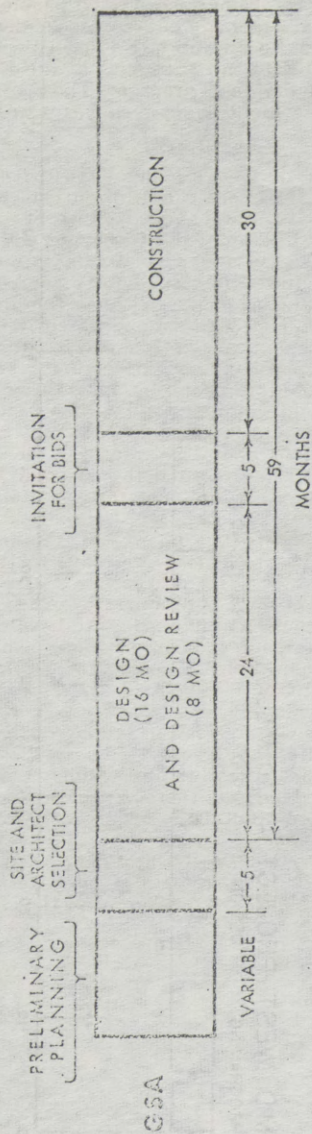
Mr. Chairman, my statement would be incomplete if I failed to note the potential impact of recent legislation upon the time required to construct Federal buildings. The National Environmental Policy Act and the Uniform Relocation Assistance Act will both add time and money to the public buildings formula. If not completely integrated into a phased construction system, requirements under the Environment Policy Act could add as much as 160 days to the time required to construct a new building.

The Uniform Relocation Assistance Act is already adding to delays in the acquisition of public buildings sites and in construction starts. We have encountered our first serious problem under the Act within the past two months in West Palm Beach, Florida. There, we managed somehow to accommodate both the replacement housing needs of persons dwelling on our Federal Building site, and our own need to make contract awards immediately, with relatively short delay. But there was delay. We do not expect that every relocation problem will permit the time-saving approach we took in West Palm Beach.

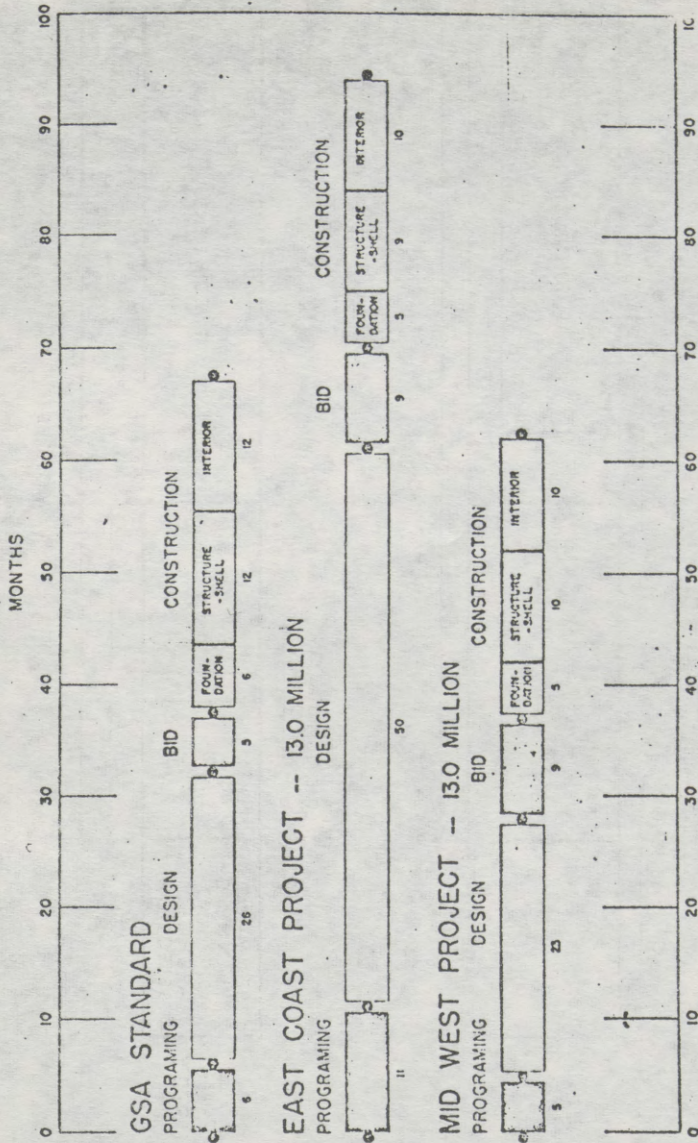
Please do not misunderstand: we are committed to full and willing compliance with the environmental and relocation statutes. Yet, there can be no doubting that they will become critical factors in public buildings delays unless we can factor them into our overall management scheme.

To the challenge that these new statutes—and all of the other complications I have mentioned—present, GSA will, I assure you, respond in positive fashion. We are determined to root out unnecessary delays. We feel sure that the Congress will not fail to assist us.

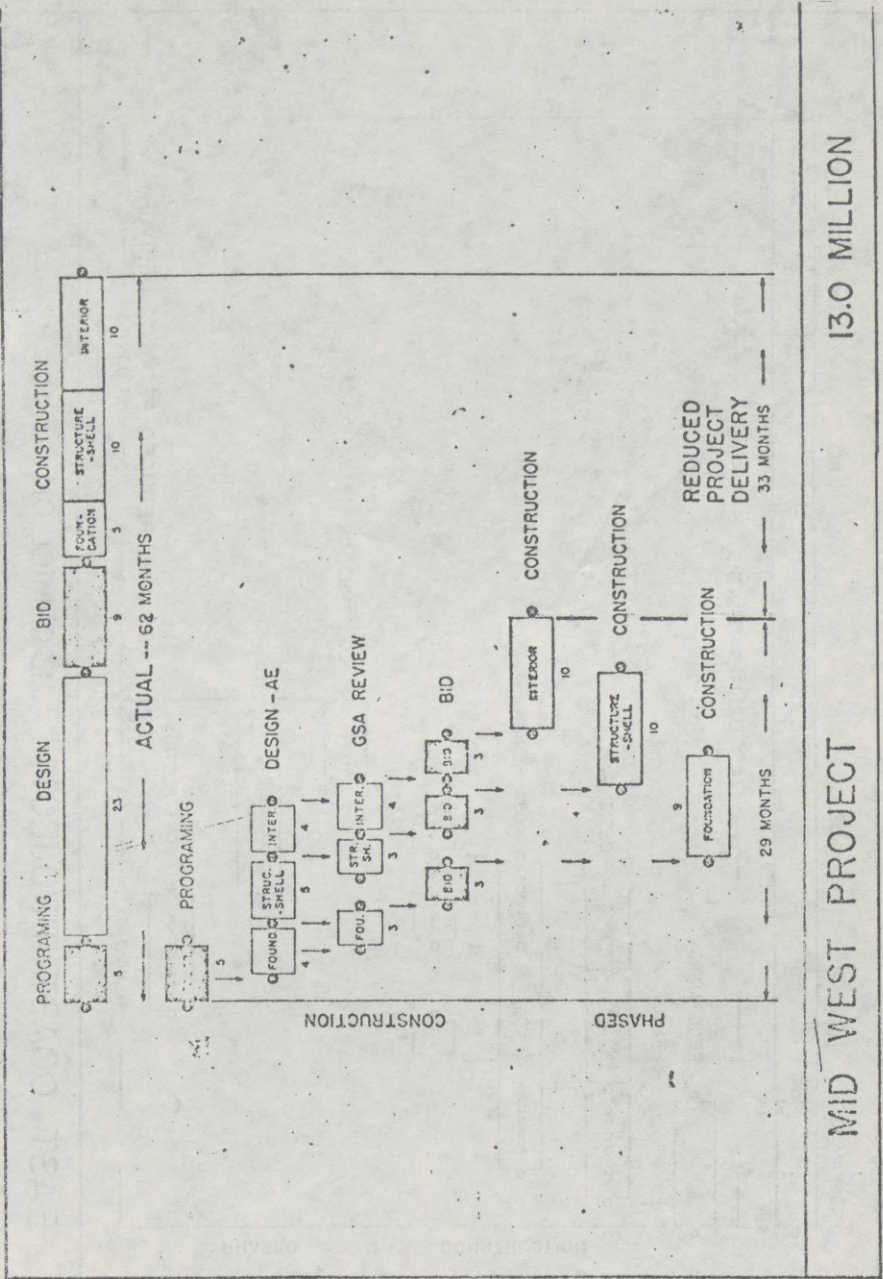
AVERAGE TIME FOR GSA AND PRIVATE INDUSTRY
TO DESIGN AND BUILD A \$10 MILLION OFFICE BUILDING



REPRINT FROM THE GSA "CONSTRUCTION CONTRACTING SYSTEMS" REPORT



PROJECT DELIVERY



13.0 MILLION

MID WEST PROJECT

APPENDIX: CHART EXPLANATION MATERIAL

(Chart #2) Two recently completed projects were chosen—one in the east and one in the midwest—and compared with GSA's average project delivery time for a \$13 million project. Both of the project bids came in very close to \$13 million, and they were completed within 16 months of each other so that a fairly accurate comparison with known performance can be made.

The average project delivery time for a \$13 million GSA project has been 67 months. Project delivery time starts after the appropriation of design and site money and concludes at occupancy. This time performance for project delivery was 62 months for the midwest project. This betters the average of 67 by five months. For the eastern project, the delivery time was 94 months. This is 27 months more than our average. (Chart #3)

Now, for comparison purposes, we have estimated what could have been done with three basic bid packages. Without reducing the time parameters in any manner, these functions were overlapped with each other at the logical places where they would not have disrupted the design and construction procedure. Had the functions for these projects actually been overlapped in this manner, the midwest project delivery time would have been reduced by 33 months. (Chart #4) Using the same phasing procedure, the eastern project delivery time would have been reduced by 54 months.

Mr. KUNZIG. Briefly stated, the Public Buildings Amendments of 1971 (S. 2479) will establish a public buildings fund into which will be deposited user charges or "rents" collected from all Federal departments and agencies using space in GSA-operated buildings, and from which will be drawn the funds to finance the construction and operation of Government buildings.

Just as important, the bill will also permit a 3-year crash program for the construction of more than 60 public buildings already authorized by the Congress, but unfunded in whole or in part.

To permit the execution of this crash program without jeopardizing present economic and budgetary planning, the bill would authorize the purchase of Federal buildings over a period of years through a purchase-contract arrangement. Purchase-contracting closely tracks the now dormant lease-purchase authority your committee extended to GSA during the years just following the Korean war. At that time, there was a similar backlog, and similar fiscal restraints were in order.

Finally, S. 2479 will preserve basic congressional control over the building authorization and spending process, while permitting necessary administrative flexibility.

I want to emphasize from the start that the Public Buildings Amendments of 1971 contemplate no change—and I want to emphasize, no change—in the present requirement that the House and Senate Public Works Committees approve buildings prospectuses.

In addition, GSA would be required, as at present, to submit annual budget requests to the House and Senate Appropriations Committees. Thus, the Congress would continue to approve construction on a building-by-building basis, and to impose spending limitations.

With you permission, I should like to address the two great public building problems of the moment in some detail.

REFORM OF BUILDINGS FINANCING

Reform of the way we finance public buildings is certainly the most significant problem facing the Public Buildings Service today. I want to emphasize that nothing I shall say is intended to reflect unfavorably on any committee of the Congress involved in the authorization or

funding of public buildings projects. Within the present framework, we enjoy the splendid cooperation and assistance of the Public Works, Government operations, and Appropriations Committees of both Houses.

Yet, at present, we are required to seek many separate appropriations and maintain many separate accounts for separate aspects of the construction of a single public building, just as you said, yourself, a few moments ago.

For instance, we may have to start by seeking funds for a feasibility study of the project; then, once we have gained approval of the building prospectus, maybe 2 years later, we have to come back to the Congress with a request for an appropriation to buy the site and pay the architect's fees.

Often, we must request funds to begin work only on the substructure—foundation. In some cases, we have had to do that in two separate phases. Then we come back to the Congress again for superstructure money. All the while, we are encountering new delays, and building costs keep rising.

So, we often have to return for more money to supplement what has already been appropriated. Each request means more delay, for it takes time to consider our requests, to assess priorities, to move an appropriations bill through the Congress.

Nevertheless, each time we request more money, our request, itself, and its consideration contribute mightily to delays in construction, even though we seek funds only for buildings that have already received careful congressional study and approval in the Public Works Committees.

And in the construction of buildings where each month of delay adds 1 percent or more to the cost, wasted time is indeed wasted money.

The ideal solution is a single congressional approval for all the costs of acquiring a site, designing and constructing a building. Such a consolidated "appropriation" would expedite the construction, permit earlier termination of leases with resultant savings in rental costs, and eliminate requests for supplemental appropriations. In short, one-shot funding would permit us to do our job faster and more economically.

Just as important, one-shot funding would also permit us to exploit good market opportunities—to defer or speed up contracting as market prices indicate. We would, for the first time, be able to exercise the same market-oriented judgment in letting contracts that private developers do.

Right now, it takes us as long as 7 years to construct a building private industry can construct in 2 or 2½ years. If we are ever to reduce public building construction time to a level that approaches private sector construction time, total project funding must be available early in the life cycle of our project.

The logical mechanism for one-shot funding is a building fund to finance the acquisition, construction, alteration, maintenance, operation, and protection of all public buildings.

S. 2479 would require Government departments and agencies to pay user charges or "rent" for the space they occupy in GSA-operated buildings, rather than get it free of charge as at present. Rents would be deposited into the buildings fund; and subject to appropriate executive branch and congressional controls, GSA would be able to

use the assets of the fund to finance the congressionally authorized public buildings program. The operational flexibility inherent in the fund would save months and even years in many construction projects.

But it would do more. It would give the Congress and the public their first true picture of what it really costs to maintain any given Government program. It would also promote more efficient, more economical use of space by Government agencies.

At present, GSA assigns more than 220 million square feet of office, warehouse, and other Government space, and provides related real property service to more than 820,000 Federal employees.

Funds necessary to pay for this space and these services are appropriated almost exclusively to GSA. In fiscal year 1971, our Public Building Service obligated almost \$660 million. All of this \$660 million was budgeted to GSA, even though it was spent to support hundreds of Federal programs in virtually every Government department and agency.

Budgeting the cost of furnishing all of this space to GSA is both illogical and inconsistent with the program budgeting concept that prevails elsewhere throughout the Government. To see just how illogical and how inconsistent with Government-wide policy the present system really is, all you need to do is imagine budgeting the entire Federal payroll to the Civil Service Commission.

We believe that S. 2479 will also result in substantial economies and efficiencies in the use of space in Government buildings. Agencies and departments that do not pay for space have no incentive to conserve space. As a matter of fact, when space is provided free, agencies and departments are more likely to request more space than they really need. And when their space requirements in a given location diminish, they are less likely to give up the excess space than they would be if they were charged for it.

Making agencies accountable for the space they use will, we believe, cause them to use less. GSA controls over 220 million square feet of space. The average commercial equivalent for such space is \$4.20 per square foot. Therefore, a mere 1 percent reduction in overall space needs of Government agencies would result in a space cutback of 2.2 million square feet—and annual savings of \$9.2 million.

I would not be surprised if the imposition of user charges upon Federal departments and agencies resulted in even more substantial space reductions and savings.

PURCHASE-CONTRACTING FOR GOVERNMENT BUILDINGS

Mr. Chairman, I have already mentioned the staggering backlog in congressionally approved but unfunded Federal building projects. That backlog constitutes the second great problem confronting our Public Building Service. Throughout the Nation, the needs of our health, law enforcement, environmental, and other Federal agencies for efficient, modern facilities, are going unmet. Agencies continue to operate inefficient and, in some cases, obsolete buildings.

To the extent that they do, the taxpayer is penalized many millions of dollars in wasted employee time. He is also shortchanged in the delivery to him of the Government services he wants, needs, and pays dearly for.

In addition, each passing day erodes the value of \$13.6 million he has invested in the purchase of sites and \$12.4 million he has invested in designs for 50 buildings already approved by your committee.

The history of GSA's construction appropriations since fiscal year 1959 shows that we have been able to average only \$115 million per year for new construction. At that rate, if we were to work exclusively on overcoming the present backlog—giving no attention to new requirements as they arose—it would take us 10 years to construct buildings you have already authorized.

Mr. Chairman, we need those buildings now. On the other hand, we are in a period when fiscal restraint is the order of the day, and hope for a \$1 billion appropriation in this or the next few fiscal years would indeed be wishful thinking.

The purchase-contract provisions of S. 2479 are an attempt to reconcile the urgent need for Federal facilities with today's economic conditions. We are asking for purchase-contracting of Federal buildings as a stopgap expedient. We are so convinced that purchase-contracting will help eliminate the backlog in a very short time, that we are asking for this authority for only 3 years. I emphasize, for only 3 years.

Our short-term request is, in fact, a pledge that we can and will beat the backlog as we move to full implementation of the public buildings fund.

The purchase-contract authority we propose would permit GSA to make regular payments over a period of from 10 to 30 years, to entrepreneurs who would finance and construct buildings that meet our specifications. At the end of the contract term, title to the building would vest in the United States.

During the contract term, a purchase-contract building would remain on the local tax rolls, helping to ease the burdens of the Federal presence upon the local community.

There can be no doubt that purchase-contracting for Federal construction projects will increase the total dollars GSA pays out for any specific building. Nevertheless, an analysis of purchase-contracting that takes into account the present value of dollars expended, national spending priorities, and the urgency of the need for these facilities, convinces me that any additional costs to the Government, spread over a 10-year to 30-year period, would be reasonable and warranted.

In weighing the total cost of homeownership under a mortgage, the prospective home buyer considers many factors, including the amount of capital available to him, alternative uses for his capital—including the education of his children and the purchase of health care, transportation, and other services for his family—and the urgency of his housing needs.

In the same way, I believe that it is appropriate for the Federal Government to consider its overall needs in finding a way to get our public building projects underway now.

S. 2479 would, in certain limited situations, also permit the lease-construction of Federal buildings already authorized but not yet funded. We are proposing lease-construction only as a last resort.

S. 2479 contains an implicit preference for the direct Federal construction of Federal buildings. In order to permit us to eliminate the existing backlog, it also contains an explicit, secondary pref-

erence for purchase-contracting. Lease-construction is a remote alternative, available only when Federal construction and purchase-contracting are not feasible.

For almost all of our backlog buildings, the Government already owns the site and possesses a complete set of design and construction plans. Under specified circumstances, the bill would permit the sale of these sites and plans to entrepreneurs who would construct the building to our specifications on the sites we have selected, then lease the buildings back to the Government for a term up to 30 years.

Mr. Chairman, I have reached the conclusion of my prepared remarks.

Commissioner Sampson, Mr. Johnson, and I will be pleased to answer any questions the subcommittee may have.

There is one final point I wish to stress. Conventional, Executive, and congressional controls are preserved or provided for in this bill—the Public Works Committee of the Senate and House will continue to receive and consider prospectuses, and the Appropriations Committee will control the use of funds generated by the user charges.

At no expense in congressional controls, your subcommittee and the Congress can provide a vastly improved system of public buildings financing.

I urge you to report the public buildings amendments of 1971 for further favorable action by the Committee on Public Works and the U.S. Senate.

Senator GRAVEL. Thank you, Mr. Kunzig for a very fine statement. I don't know if I flatter you or you flatter me but I saw many similarities between your preparatory statement and my preparatory statement.

Mr. KUNZIG. Yes. I couldn't understand that.

Senator GRAVEL. We must have the same ghost writer. It is certainly testimony to the unanimity of views we all share in this regard with respect to the legislation.

Let me by way of probing elicit some additional information.

How much money will the fund generate in budgeting for the various agencies and what budgeting criteria will people have to use?

Mr. JOHNSON. The fund will generate around \$800 million. "Rents" will be appropriated to the user agency and in turn the agency will pay the fund for the space it uses. Therefore, these rentals will come up as a component part of each agency's budget, just like the cost of personnel or anything else it uses, but the total amount will be about \$800 million.

Senator GRAVEL. If we have a backlog over a number of years which is a billion dollars now and we solve that, there is no question we require funding of considerably more than \$115 million per year.

We are talking now of falling heir to \$800 million per year. It might scare off a lot of people.

Mr. SAMPSON. The fund will not only finance construction, but also the total operation of our public buildings program.

Senator GRAVEL. Do you have a break out?

Mr. SAMPSON. Yes, we estimate that we add about 4 to 5 million square feet of space annually so you are talking about needs of some \$200 to \$225 million.

We see here based on obligations, for example, in 1971, a generation of about \$300 million for capital expenditures which would include site expenses, repairs and improvements, and construction.

So if you run between \$200 and \$225 million a year you should keep up with your space needs on an annual basis, which is just about ideal for our situation.

Senator GRAVEL. Would this operate like the Highway Trust Fund? If the executive administration as fiscal manager wanted to, it could impound these funds and not permit them to be spent?

Mr. JOHNSON. It would operate the same way with respect to impounding. It would not be a trust fund in the technical sense. It would be a special fund in the Treasury, more like the Reclamation Special Fund, where the Congress authorizes the use of the fund.

Therefore, the Executive could at any time impound the fund, slow down or speed up expenditures. The fund would not be exempted from normal executive controls.

Senator GRAVEL. Would Congress be covered under this funding like my offices here in the building or my offices in Anchorage and Juneau?

Mr. JOHNSON. No, sir; because the Congress does not operate the—

Mr. KUNZIG. It would in Anchorage and Juneau.

Mr. SAMPSON. But not in the Capitol, itself.

Senator GRAVEL. I am not sure whether that is good or not. If the principle is good for downtown it should be good for the Hill.

Mr. KUNZIG. We do not have jurisdiction over any of the buildings that are part of the Capitol, the Senate or the House. We have nothing to do with those.

Mr. JOHNSON. As the bill is written, the "rentals" provision may or may not be applied to congressional district offices. The bill contains a provision that the Director of OMB can exempt certain users from the charge and Congress will make a direct appropriation to go for those buildings. I feel sure congressional district offices could fall under that provision if the Congress so desired.

Senator GRAVEL. It would not take much to put in language to have it required for the NSOB and OSOB.

I notice in the bill the Office of Management and Budget can exempt people whom they desire to exempt?

Mr. JOHNSON. Yes.

Senator GRAVEL. One, who would potentially fall in that category and two, why should they have that authority?

Mr. JOHNSON. The administration's desire for that particular provision is primarily to deal with Presidential commissions and new bodies just being set up who don't have the money yet to even pay for the space they have to sit in to get themselves organized.

Senator GRAVEL. This would include the military, would it not?

Mr. JOHNSON. Yes, sir; on common space, not reservation space but office space for the military like the Forrestal Building down the avenue.

Mr. SAMPSON. Only off reservation.

Senator GRAVEL. Moving to the section on the purchase contract which is an authority you are requesting for 3 years. I wonder if you could give us some background information.

Are these the same provisions in this bill that were in the Purchase Contract Act of 1954.

Mr. SAMPSON. Yes; they are very similar.

Senator GRAVEL. How many purchase contracts were made under the old bill?

Mr. SAMPSON. There were 29 purchase contracts.

Mr. JOHNSON. We have a table we can put in the record at this point which shows details on those 29 projects.

Senator GRAVEL. Very good. We will insert that in the record at this point.

(The table referred to follows:)

PURCHASE CONTRACTS—PROJECT DATA (1954 ACT)

| Date contract let | Direct Federal construction | | | Purchase contract data | | | | | Total | | | |
|----------------------------------------------------|-----------------------------|--------------------|-------------|------------------------|--------------------|--------------------|--------|-----------------|-------------|------------|----------------|-------------|
| | Construction cost | Sites and expenses | Total | Principal | Sites and expenses | Amount of interest | Rate | Amount of taxes | | Prepayment | Penalty | Date |
| PROJECT | | | | | | | | | | | | |
| Illinois: Rock Island, PO CT..... | \$1,711,808 | \$124,171 | \$1,835,979 | \$189,214 | \$124,171 | \$126,872 | 4.00 | \$83,459 | \$1,522,594 | \$30,452 | March 1960 | \$1,993,303 |
| Georgia: Brunswick, PO CT..... | 1,005,588 | 104,947 | 1,110,535 | 446,835 | 104,947 | 184,487 | 4.759 | 558,753 | 558,753 | 11,175 | September 1964 | 1,389,656 |
| Illinois: Brentwood, PO CT..... | 849,279 | 58,389 | 907,668 | 377,356 | 58,389 | 86,431 | 4.44 | 86,431 | 471,943 | 9,440 | August 1964 | 1,091,696 |
| Iowa: Burlington, PO FOB..... | 1,245,846 | 180,284 | 1,426,130 | 570,413 | 180,284 | 168,597 | 5.00 | 153,091 | 675,433 | 13,509 | November 1964 | 1,761,327 |
| Iowa: Council Bluffs, PO CT..... | 1,432,822 | 115,471 | 1,548,293 | 628,393 | 115,471 | 286,564 | 4.97 | 209,337 | 804,429 | 16,089 | do | 2,060,283 |
| Kansas: Sedan, PO FOB..... | 198,340 | 28,020 | 226,360 | 94,887 | 28,020 | 31,853 | 4.49 | 11,355 | 103,453 | 2,170 | August 1964 | 271,738 |
| Louisiana: Jonesboro, PO CT..... | 297,960 | 41,501 | 339,461 | 12,893 | 41,501 | 4,384 | 4.4384 | --- | 285,067 | --- | March 1960 | 339,461 |
| Louisiana: Lake Charles, PO CT..... | 1,474,304 | 351,224 | 1,825,528 | 351,224 | 351,224 | --- | 4.487 | --- | 1,474,304 | --- | March 1960 | 1,825,528 |
| Minnesota: Redwood Falls, PO CT..... | 413,317 | 38,476 | 451,793 | 20,996 | 38,476 | 3,945 | 4.447 | --- | 392,321 | --- | June 1960 | 455,738 |
| Mississippi: Biloxi, PO CT..... | 926,863 | 86,878 | 1,013,741 | 414,355 | 86,878 | 164,877 | 4.78 | 96,543 | 512,508 | 10,250 | August 1964 | 1,285,411 |
| Mississippi: Greenville, PO FOB..... | 1,017,301 | 101,065 | 1,118,366 | 452,718 | 101,065 | 180,759 | 4.49 | 70,203 | 564,583 | 11,292 | December 1964 | 1,380,620 |
| Mississippi: Laurel, PO FOB..... | 709,908 | 70,343 | 780,251 | 322,905 | 70,343 | 110,345 | 4.4 | 67,345 | 377,003 | 7,740 | September 1964 | 965,681 |
| Missouri: Marshfield, PO..... | 296,064 | 37,329 | 333,393 | 21,868 | 37,329 | 4,827 | 4.348 | 5,416 | 271,196 | --- | July 1960 | 343,736 |
| New Hampshire: Durham, PO FOB..... | 375,220 | 47,606 | 422,826 | 158,048 | 47,606 | 64,388 | 4.625 | 27,253 | 217,172 | --- | March 1964 | 514,467 |
| South Carolina: Manning, PO OFB..... | 249,687 | 33,904 | 283,591 | 111,301 | 33,904 | 43,544 | 4.38 | 12,743 | 138,386 | 2,768 | August 1964 | 342,646 |
| South Dakota: Sisseton, PO FOB..... | 437,205 | 50,517 | 487,722 | 21,706 | 50,517 | 5,149 | 4.62 | 1,003 | 415,499 | --- | April 1960 | 493,874 |
| Tennessee: Kingsport, PO FOB..... | 741,983 | 74,252 | 816,235 | 327,669 | 74,252 | 139,883 | 4.72 | 65,941 | 414,319 | 8,286 | August 1964 | 1,030,345 |
| Texas: Gainesville, PO FOB..... | 515,906 | 70,038 | 585,944 | 229,519 | 70,038 | 93,829 | 4.74 | 29,166 | 286,387 | 5,728 | do | 714,967 |
| Texas: McKinney, PO FOB..... | 319,032 | 42,546 | 361,578 | 25,975 | 42,546 | 13,933 | 4.729 | 39,257 | 293,057 | --- | July 1960 | 379,313 |
| Texas: Terrell, PO FOB..... | 329,003 | 39,257 | 368,260 | 25,828 | 39,257 | 7,203 | 4.248 | --- | 306,755 | --- | do | 373,463 |
| Vermont: Burlington, PO CT..... | 2,482,807 | 523,132 | 3,005,939 | 256,402 | 523,132 | 427,838 | 4.574 | 309,870 | 2,607,405 | --- | March 1964 | 3,743,947 |
| West Virginia: Mount Hope, Bureau of Mines..... | 623,798 | 55,917 | 679,715 | 15,931 | 55,917 | --- | 4.447 | --- | 607,867 | --- | January 1960 | 679,715 |
| Wisconsin: Green Bay, PO FOB..... | 1,422,833 | 125,422 | 1,548,255 | 631,025 | 125,422 | 266,179 | 4.84 | 167,844 | 791,808 | 15,837 | November 1964 | 1,998,115 |
| California: Sacramento, CT FOB..... | 7,204,695 | 1,066,720 | 8,271,415 | 3,248,634 | 1,066,720 | 1,016,083 | 4.84 | 88,961 | 3,956,061 | 79,121 | September 1966 | 10,247,580 |
| NONPREPAID PROJECTS | | | | | | | | | | | | |
| Georgia: Atlanta, Communicable Disease Center..... | 10,150,939 | 327,849 | 10,478,788 | 10,150,939 | 327,849 | 7,046,369 | 4.97 | 3,110,583 | --- | --- | --- | 120,635,740 |
| Kansas: Kansas City, PO CT..... | 1,983,892 | 140,087 | 2,123,979 | 1,983,892 | 140,087 | 1,477,998 | 4.97 | 1,632,121 | --- | --- | --- | 5,234,098 |
| Nebraska: Omaha, PO CT..... | 7,597,691 | 528,892 | 8,126,583 | 7,597,691 | 528,892 | 5,148,416 | 4.67 | 5,235,901 | --- | --- | --- | 18,510,900 |
| New Mexico: Albuquerque, FOB..... | 4,441,692 | 526,745 | 4,968,437 | 4,441,692 | 526,745 | 3,010,210 | 4.74 | 1,964,680 | --- | --- | --- | 9,943,327 |
| West Virginia: Huntington, FOB..... | 2,819,850 | 206,096 | 3,025,946 | 2,819,850 | 206,096 | 1,931,993 | 4.778 | 1,024,142 | --- | --- | --- | 5,982,081 |

1 Includes 11 years actual payments and 14 years estimated payments.

Senator GRAVEL. I notice the difference between our bill and the bill sent up by the administration, regarding parking. GSA at one time did endorse the concept of including parking.

I wonder if you might have any comment at this point.

Mr. SAMPSON. In the last year GSA has run a rather extensive study on parking. The Office of Management and Budget has asked to review that particular study. I think what they want to do is put out some national guidelines on parking. We felt until that issue is settled it should not be in the legislation at this time.

Senator GRAVEL. Pending the development of national parking guidelines?

Mr. SAMPSON. That is right.

Senator GRAVEL. Who should enforce the national guidelines on parking?

Mr. SAMPSON. I think that would fall naturally to GSA in the long run. We are not sure what OMB will do with the present study or whom they will assign enforcement to.

Senator GRAVEL. Of course that will concern only Federal buildings. Any guidelines developed at a later date could be implemented by GSA even if my bill goes through. We wouldn't be locked in. In fact the lack of parking might drastically increase the parking problem in many communities by locating a building downtown without consideration of parking at all.

Mr. SAMPSON. We do have authority to include parking in connection with the buildings we erect. Any building is designed for parking or adjacent parking. I think the parking included in your bill would allow the GSA to establish a revolving fund to construct separate parking facilities not connected with the buildings.

For example, where our parking problems are quite critical in cities like Washington, where we need something like 4,000 additional spaces, we could charge user fees for parking, put those in a fund and build facilities separate from buildings.

But that is a question that needs a great deal of study. We felt we wanted to keep that separate from this issue.

Mr. JOHNSON. OMB's position on this, Mr. Chairman, was very clear. They said, in view of the complexity of the Government's parking problem nationwide and the policy issues involved, they wanted GSA to withhold action on parking items until national parking guidelines were issued by the Office of Management and Budget.

Senator GRAVEL. How long will that take?

Mr. JOHNSON. They are working on it right now to the best of our knowledge. They also have agreed that any legislation needed as a result of that promulgation of policy in the study that the Commissioner talked about would be submitted to the Congress for consideration.

Mr. KUNZIG. My personal viewpoint would be, Mr. Chairman, that I would hate to see the very complex parking problem, which usually has everybody all upset with a million different viewpoints, destroy or delay the opportunities presented in this very important new plan, the opportunities to rid ourselves of this huge backlog.

The Congress could always amend the fund legislation as it saw fit.

Senator GRAVEL. I agree with you. I would not want to jeopardize this legislation on that issue.

Under another authority GSA estimates show that in many cases it will cost as much as three times to lease a Federal building rather than one built directly by the Federal Government.

Yet the administration's bill broadens already existing lease authority. I wonder if you might reconcile that difference.

Mr. KUNZIG. Mainly the problem involves the backlog as I mentioned in my testimony earlier. If we try to build these buildings and just build them as Government buildings I just don't think it is realistic to assume that \$1 billion is going to now be appropriated to build these buildings.

Many a Congressman and Senator has gone back to his own district, 2 years ago, 4 years ago, 6 years ago, and has told his people we are going to have a new courthouse or we are going to have a new Federal building, whatever type of building it may be. They don't even have the dirt turned over yet.

Being completely practical and down to earth about this, the only way I see that these 60-some buildings can be moved and started and built and gotten to the people is by this method.

That is why it is limited very carefully to 3 years as a compromise.

Senator GRAVEL. This is a purchase contract. I am thinking of a lease.

Mr. KUNZIG. You are talking about lease construction. In that situation we only intend to use that when absolutely necessary. There may be times and we have had times and experience where in some parts the country we would get no bids, nobody comes in, nothing happens on lease-purchase.

Let us say it was absolutely necessary to build a building there for some specific reason, it had to be there because that was apart of the Nation where that specific building had to be, or something of that nature.

If that were the case we would have to build a building there and the only method would be the lease-construction method. Not lease-purchase but lease-construction. We would only use that when necessary because our ultimate objective is title to our buildings.

Senator GRAVEL. It is your opinion we can pick up the backlog generally speaking with this purchase contract.

Mr. SAMPSON. Yes, sir, very quickly.

I would guarantee within a few days after the very much hoped for passage of this new legislation we will be going out for bids all over the United States of America on many of the 60-some buildings.

Some still have some architectural work to be done but most of them are sitting there waiting on purchase contract.

One of the things I think we have to consider is the economics of leasing per se. With these 63 buildings one of the added factors to be considered is that you have thousands of employees now spread out over many different locations. They are working in marginal space, dislocated.

If you consolidate them in 63 buildings you are bound to have savings in efficiency.

If you consider inflation, you are saving some \$7 million a month by building right now. You are talking about a saving of nearly \$100 million a year by getting these buildings built in the next 2 years.

Senator GRAVEL. Very good.

Senator WEICKER?

Senator WEICKER. Thank you, Mr. Chairman.

I have just a couple of questions.

In your prepared statement you indicate that "The purchase-contract provisions of S. 2479 are an attempt to reconcile the urgent need for new Federal facilities with today's economic conditions."

You ask for purchase-contracting for Federal buildings as a stopgap expedient.

Earlier in your comments you gave some very strong reasons for going into this particular method. Yet you indicate that this is only a stopgap expedient and it is geared to today's economic conditions.

It would not be very good legislation if we just geared ourselves to today's economic conditions. Why can't we have a system that will take into consideration today's economic conditions and, tomorrow's? Are we going to jerk along here?

Mr. KUNZIG. No, we can have a system. That is the system we are proposing, the overall new system with these rental or user charges, the public buildings fund portion of the bill. That will result in good Federal buildings being built in future years all over the country. But that alone will not solve the problem of 63 buildings sitting, waiting in a backlog.

You see, we could just go out and with your approval here, on a building by building basis, we could have these buildings built privately under lease-construction prospectuses but that would not solve the problem. The fact is that we have all the ground and sites ready and paid for and we have also the architectural drawings ready and paid for. So that would be a huge waste of money over these past years because that would all go into the ashcan.

The object is to get the buildings built that Congress has already authorized. That is the reason for our twofold approach: a good final system of building buildings in a much better way than has been the case for all past years and at the same time going ahead with lease-purchase on the backlog.

Senator WEICKER. But your first choice would be to have the Congress appropriate the money for these 63 buildings, is that right? That would be your first choice?

Mr. KUNZIG. Yes, I would think that if there was a possibility of a \$1 billion appropriation.

Senator WEICKER. So admittedly you are asking us to legislate the second choice?

Mr. KUNZIG. I am asking you to legislate in view of the realities of life; the fact that these buildings are needed and we will never get them in any other fashion.

Senator WEICKER. But it is the second choice?

Mr. KUNZIG. I would prefer Federal buildings constructed by the Federal Government.

Again, I do not anticipate \$1 billion poured out in 1 year. I don't know when in our history \$1 billion has ever been poured out at any time in any administration.

Senator WEICKER. You feel that aside from these 63 buildings the procedures are so set up that this will not occur again?

Mr. KUNZIG. That is the whole point, sir. I think there will be now a fund and we will be able, when we have the appropriate approvals, for example, from your committee and the okay from the Appropriations Committees who will authorize us to use—let us say you say we can build a building for \$30 million.

They would then authorize us to use that much of the fund, \$30 million. You still have the controls you always have had but the day after it has been approved we have \$30 million.

For example, sir, here is what has been happening in the past. We have to wait until the whole building is designed and every last comma, semicolon, and dot has been put on the design in order to get the money to get the subbasement.

The fund will enable us to employ phased construction. One of the new things we have started in this new administration is to try and start certain parts of the building and get going while they are still designing some of the other parts. It is done every day in private construction and we can't do it. That is one of the reasons that the people of this country pay hundreds of millions of dollars more for their buildings.

Senator WEICKER. In reality you are specifically urging this program for a situation that has arisen through past practice and you would not advocate it for the future, is that correct?

Mr. KUNZIG. If there were no buildings in the backlog and we could start tomorrow building Government buildings under the fund, we wouldn't be asking for purchase contract authority. But, one has to build up the fund, it takes a little time for the fund to build up.

I am coming to Congress, GSA is coming to Congress, with the realities of life in mind and with a desire to get the buildings out to the people.

Senator WEICKER. I agree with you on realities of life. It is always distressing to be urged to legislate the second best which is what is happening here. As far as the realities of life are concerned, can you assure me we are only going to be talking about 63 buildings or in fact the emergency step that is being asked of us right now is going to be utilized again in the future?

Mr. SAMPSON. The authority ends automatically at the end of 3 years under the legislation.

Senator WEICKER. You are willing to state now that at the end of that period of time we would not be prudent as a Congress to renew that particular authority?

Mr. SAMPSON. Yes. I think we should make clear however, that 63 buildings will not be the limit. There will be other buildings coming along now which need construction very badly that we will want to use this authority for but only for the 3-year period.

Senator WEICKER. Can you give us any ideas as to what we are talking about now or over the 3-year period as far as total number of buildings?

Mr. SAMPSON. I think we can provide an estimate for you for the record.

(The information requested follows:)

Following is a list of the 63 projects tentatively identified as being potentially procured through purchase contracts should GSA be granted the necessary authority. Although, space provided by GSA increases on the average by about five million square feet per year, it is not feasible at this point to ascertain which additional projects, if any, would be procured through purchase contracts.

APPROVED PROJECTS OF THE GENERAL SERVICES ADMINISTRATION, PUBLIC
BUILDINGS SERVICE

POTENTIAL PURCHASE CONTRACTS

Arizona: Tucson FOB.
Arkansas: Batesville PO CT FOB.
California:
 Los Angeles PF.
 San Diego CT FOB PF.
 Santa Ana FOB.
 Santa Rosa FOB.
 Van Nuys FOB.
Connecticut: New Haven PO FOB.
Delaware: Dover FOB.
Florida: Orlando CT FOB.
Georgia:
 Athens PO FOB.
 Atlanta CT FOB.
 Griffin PO FOB.
 Rome PO CT.
 Waycross PO CT FOB.
Hawaii: Honolulu CT FOB.
Idaho:
 Moscow PO CT.
 Sandpoint FOB.
Illinois:
 Chicago GSA Federal Records Center.
 Mt. Vernon FOB.
Indiana: Indianapolis FOB.
Iowa: Iowa City PO FOB.
Louisiana: New Orleans CT FOB.
Maine: Waterville PO FOB.
Maryland: Baltimore CT FOB.
Massachusetts:
 Fitchburg PO FOB.
 New Bedford PO FOB.
Michigan:
 Ann Arbor FOB.
 Detroit P.V. McNamara FOB.
 Saginaw FOB.
Mississippi: Hattiesburg CT FOB.
Nebraska: Lincoln CT FOB PF.
New Hampshire: Manchester PO FOB.
New Mexico: Las Cruces CT FOB.
New York:
 Albany FOB.
 Auburn PO CT FOB.
 Hempstead FOB.
 New York CU CT FOB Annex.
 Syracuse CT FOB.
North Carolina: Winston-Salem CT FOB.
Ohio:
 Akron CT FOB.
 Dayton CT FOB.
Oregon:
 Eugene CT FOB.
 Portland FOB.
Pennsylvania: Williamsport PO CT FOB.
Puerto Rico: San Juan CT FOB.
Rhode Island: Woonsocket PO FOB.
South Carolina: Florence PO CT FOB.
South Dakota:
 Aberdeen FOB.
 Huron PO FOB.
 Rapid City CT FOB.
Tennessee: Nashville CT FOB.

APPROVED PROJECTS OF THE GENERAL SERVICES ADMINISTRATION, PUBLIC BUILDINGS SERVICE—Continued

Texas:

Denton PO FOB.
 Fort Worth FOB PF.
 Houston Fed. Motor Vehicle Facility.
 Pearsall PO FOB.
 San Angello PO CT FOB.

Vermont: Essex Junction PO FOB.
 Virgin Islands: Charlotte Amalie PO CT FOB.
 Virginia: Roanoke FOB.
 Washington: Wenatchee PO FOB.

Wisconsin:

Madison FOB.
 La Crosse PO CT.

Senator WEICKER. Do you have any idea in your mind what this will be?

Mr. JOHNSON. I think there is one other point in the bill that might clear it up a bit for you. Once the fund gets into existence in any year when the number of buildings that the Congress authorizes to be built goes above the receipts for that particular fiscal year there is authority in the bill to go to the Treasury and borrow the money.

Purchase contracts are no different, no different whatsoever, except we are borrowing it from the public directly rather than through the Treasury.

Senator WEICKER. I have a second question which is not particularly related to your comments but this is a good time, while you are before us to get a response.

As far as GSA is concerned in the building of Federal buildings have you or are you following the policy akin to the statement of policy passed by the last Congress of 1 for 1 replacement of residential buildings torn down by urban renewal in that particular case.

I am talking about the Housing Development Act in which the Congress stated that wherever you tore down a residence for an urban renewal project you had to replace it with another dwelling on a 1 to 1 basis.

I would be most interested to know from GSA whether, as a matter of administrative policy, you are following what has been established by law in another area of Federal endeavor.

Mr. JOHNSON. Senator, you are talking about the Relocation Assistance Act?

Senator WEICKER. I am talking about that and I am also talking about the amendment to the 1969 Urban Renewal Act which is a 1 for 1 replacement.

Shortly after that was passed—and I happened to know something about it since I was author of the amendment that was passed—several agencies, I believe the Department of Transportation was one, indicated that voluntarily, through administrative action, they would follow the same policy of 1 for 1 replacement.

My question to you today, since we are here, is in the building of Federal buildings where residential structures are being torn down, are you making provisions to see that they are being replaced on a 1 for 1 basis?

Mr. SAMPSON. We operate under the Uniform Relocation Assistance Act. The Urban Development Act you are talking about does not apply to GSA.

In effect, however, under the Uniform Relocation Assistance Act we are bound to see that everyone is properly located.

Senator WEICKER. I am going one step further because this was considered inadequate for the Congress and I still consider it inadequate.

You are not bound by the Urban Redevelopment Act, I know that. But administratively do you accept this as a good policy and are you acting on it?

In other words, where you tear down residences will they be replaced on a 1 for 1 basis?

Mr. KUNZIG. We have no legal authority nor money to do that, sir.

Senator WEICKER. Maybe I will see that you don't get the buildings and tear down the residences in the first place. Certainly it is in the province of this committee. In fact, we are turning to one agency of the Government and saying that we consider people just as important as commercial structures, and rather than spending all your time planning on tearing down a building and putting up whatever it is that is new we want you to make sure that those who are being booted out of their houses are being taken care of first and then you can get to the business of building the buildings.

This is what I want to see with other agencies whether it is a matter of law or matter of administrative decision.

The Secretary of Transportation has already declared that as a policy of the Department of Transportation.

Mr. KUNZIG. We consider people far more important than the buildings. If you have seen the statements I have made over and over again, if you have seen the practices I have put into effect in our agency, if you have seen the things that have been done that have never been done in history before in GSA for minorities and everything else, if you knew my background sir, you would know just how personally interested I am in this subject.

However, we cannot go out and use funds, unless you permit us to and authorize us to build houses. We cannot do that. If we are authorized to do it we will be glad to do it.

Senator WEICKER. Let me ask you another question.

Section 210, section 105 of the Housing Act of 1949 is amended by adding at the end the following new subsection which I am going to read.

I would like to get your opinion whether you would object to seeing such an amendment added to this bill.

If any urban renewal project which receives Federal recognition after date of enactment of this subsection includes the demolition or removal of any residential structure or structures there shall be provided, in the year in which the local public has jurisdiction, by construction or rehabilitation, standard housing units for occupancy by low and moderate income families at least equal in number to the number of units occupied by such families prior to the demolition or removal of such structure or structures.

Would you object to such language being written into this bill?

Mr. KUNZIG. If by providing you mean we could move a family somewhere else, as we now do, I would certainly agree. If by providing you mean building or constructing, sir, then I will have to say that that would result in the total delay of the construction of Federal buildings that might desperately be needed by the Federal Government for some purpose or other.

If newly constructed housing had to be provided first, as what you were reading appeared to require, then all sorts of houses would have to be constructed prior to our building Federal buildings.

My honest answer would be that that would totally hamstring the U.S. Government.

Senator WEICKER. It would totally hamstring the people who are booted out of their homes and no place to go.

Mr. SAMPSON. No. We must and do provide relocation for everyone that is displaced under the Uniform Assistance Relocation Act.

In addition to the policy established by the President and Mr. Kunzig, we have signed an agreement with HUD that we will not locate Federal buildings in any area where housing is not available for low- and moderate-income people on a nondiscriminatory basis.

We have a signed agreement between both agencies. When we build a Federal building, housing must be available or accessible. If not we will work with HUD to have housing put in or else we won't locate there.

Senator WEICKER. I would like to have a copy of that agreement sent to the Chairman.

Mr. KUNZIG. We will be glad to supply that for the record.

Senator GRAVEL. Give a copy of that contract for the record.

Mr. KUNZIG. We can give you a copy of it, the entire background of the situation and show you the announcement jointly made by Mr. Romney and myself.

(The material referred to follows:)

MEMORANDUM OF UNDERSTANDING BETWEEN THE DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT AND THE GENERAL SERVICES ADMINISTRATION CONCERNING LOW AND MODERATE INCOME HOUSING

Purpose: The purpose of the Memorandum of Understanding is to provide an effective, systematic arrangement under which the Federal government, acting through HUD and GSA, will fulfill its responsibilities under law, and, as a major employer, in accordance with the concepts of good management, to assure for its employees the availability of low and moderate income housing without discrimination because of race, color, religion or national origin, and to consider the need for development and redevelopment of areas and the development of new communities and the impact on improving social and economic conditions in the area, whenever Federal government facilities locate or relocate at new sites, and to use its resources and authority to aid in the achievement of these objectives.

1. Title VIII of the Civil Rights Act of 1968 (42 USC 3601) states, in Section 801, that "It is the policy of the United States to provide, within constitutional limitations, for fair housing throughout the United States." Section 808(a) places the authority and responsibility for administering the Act in the Secretary of Housing and Urban Development. Section 808(d) requires all executive departments and agencies to administer their programs and activities relating to housing and urban development in a manner affirmatively to further the purposes of Title VIII (fair housing) and to cooperate with the Secretary to further such purposes. Section 808(e)(5) provides that the Secretary of HUD shall administer the programs and activities relating to housing and urban development in a manner affirmatively to further the policies of Title VIII.

2. Section 2 of the Housing Act of 1949 (42 USC 1441) declares the national policy of . . . "the realization as soon as feasible of the goal of a decent home and a suitable living environment for every American family. . . ." This goal was reaffirmed in the Housing and Urban Development Act of 1968 (Sections 2 and 1601; 12 USC 1701t and 42 USC 1441a).

3. By virtue of the Public Buildings Act of 1959, as amended; the Federal Property and Administrative Services Act of 1949, as amended; and Reorganization Plan No. 18 of 1950, the Administrator of General Services is given certain authority and responsibility in connection with planning, developing, and constructing Government-owned public buildings for housing Federal agencies, and for acquiring leased space for Federal agency use.

4. Executive Order No. 11512, February 27, 1970, sets forth the policies by which the Administrator of General Services and the heads of Executive agencies will be guided in the acquisition of both federally-owned and leased office buildings and space.

5. While Executive Order No. 11512 provides that material consideration will be given to the efficient performance of the missions and programs of the Executive agencies and the nature and functions of the facilities involved, there are six other guidelines set forth, including:

the need for development and redevelopment of areas and the development of new communities, and the impact a selection will have on improving social and economic conditions in the area; and

the availability of adequate low and moderate income housing, adequate access from other areas of the urban center, and adequacy of parking.

6. General Services Administration (GSA) recognizes its responsibility, in all its determinations with respect to the construction of Federal buildings and the acquisition of leased space, to consider to the maximum possible extent the availability of low and moderate income housing without discrimination because of race, color, religion or national origin, in accordance with its duty affirmatively to further the purposes of Title VIII of the Civil Rights Act of 1968 and with the authorities referred to in paragraph 2 above, and the guidelines referred to in paragraph 5 above, and consistent with the authorities cited in paragraphs 3 and 4 above. In connection with the foregoing statement, it is recognized that all the guidelines must be considered in each case, with the ultimate decision to be made by the Administrator of General Services upon his determination that such decision will improve the management and administration of governmental activities and services, and will foster the programs and policies of the Federal Government.

7. In addition to its fair housing responsibilities, the responsibilities of HUD include assisting in the development of the nation's housing supply through programs of mortgage insurance, home ownership and rental housing assistance, rent supplements below market interest rates, and low-rent public housing. Additional HUD program responsibilities which relate or impinge upon housing and community development include comprehensive planning assistance, metropolitan area planning coordination, new communities, relocation, urban renewal, model cities, rehabilitation loans and grants, neighborhood facilities grants, water and sewer grants, open space, public facilities loans, Operation BREAKTHROUGH, code enforcement, workable programs, and others.

8. In view of its responsibilities described in paragraphs 1 and 7 above, HUD possesses the necessary expertise to investigate, determine, and report to GSA on the availability of low and moderate income housing on a nondiscriminatory basis and to make findings as to such availability with respect to proposed locations for a federally-constructed building or leased space which would be consistent with such reports. HUD also possesses the necessary expertise to advise GSA and other Federal agencies with respect to actions which would increase the availability of low and moderate income housing on a nondiscriminatory basis, once a site has been selected for a federally-constructed building or a lease executed for space, as well as to assist in increasing the availability of such housing through its own programs such as those described in paragraph 7 above.

9. HUD and GSA agree that:

(a) GSA will pursue the achievement of low and moderate income housing objectives and fair housing objectives, in accordance with its responsibilities recognized in paragraph 6 above, in all determinations, tentative and final, with respect to the location of both federally-constructed buildings and leased buildings and space, and will make all reasonable efforts to make this policy known to all persons, organizations, agencies and others concerned with federally-owned and leased buildings and space in a manner which will aid in achieving such objectives.

(b) In view of the importance to the achievement of the objectives of this memorandum of agreement of the initial selection of a city or delineation of a general area for location of public buildings or leased space, GSA will provide the earliest possible notice to HUD of information with respect to such decisions so that HUD can carry out its responsibilities under this memorandum of agreement as effectively as possible.

(c) Government-owned Public Buildings Projects:

(1) In the planning for each new public buildings project under the Public Buildings Act of 1959, during the survey preliminary to the preparation and submission of a project development report, representatives of the regional office of GSA in which the project is proposed will

consult with, and receive advice from, the regional office of HUD, and local planning and housing authorities concerning the present and planned availability of low and moderate income housing on a non-discriminatory basis in the area where the project is to be located. Such advice will constitute the principal basis for GSA's consideration of the availability of such housing in accordance with paragraphs 6 and 9(a). A copy of the prospectus for each project which is authorized by the Committees on Public Works of the Congress in accordance with the requirements of Section 7(a) of the Public Buildings Act of 1959, will be provided to HUD.

2. When a site investigation for an authorized public buildings project is conducted by regional representatives of GSA to identify a site on which the public building will be constructed, a representative from the regional office of HUD will participate in the site investigation for the purposes of providing a report on the availability of low and moderate income housing on a nondiscriminatory basis in the area of the investigation. Such report will constitute the principal basis for GSA's consideration of the availability of such housing in accordance with paragraphs 6 and 9(a).

(d) *Major Lease Actions Having a Significant Socio-Economic Impact on a Community:*

At the time GSA and the agencies who will occupy the space have tentatively delineated the general area in which the leased space must be located in order that the agencies may effectively perform their missions and programs, the regional representative of HUD will be consulted by the regional representative of GSA who is responsible for the leasing action to obtain advice from HUD concerning the availability of low and moderate income housing on a nondiscriminatory basis to the delineated area. Such advice will constitute the principal basis for GSA's consideration of the availability of such housing in accordance with paragraphs 6 and 9(a). Copies of lease-construction prospectuses approved by the Committees on Public Works of the Congress in conformity with the provisions of the Independent Offices and Department of Housing and Urban Development appropriation acts, will be provided to HUD.

(e) GSA and HUD will each issue internal operating procedures to implement this memorandum of understanding within a reasonable time after its execution. These procedures shall recognize the right of HUD, in the event of a disagreement between HUD and GSA representatives at the area or regional level, to bring such disagreement to the attention of GSA officials at headquarters in sufficient time to assure full consideration of HUD's views, prior to the making of a determination by GSA.

(f) In the event a decision is made by GSA as to the location of a federally-constructed building or leased space, and HUD has made findings, expressed in the advice given or a report made to GSA, that the availability to such location of low and moderate income housing on a nondiscriminatory basis is inadequate, the GSA shall provide the DHUD with a written explanation why the location was selected.

(g) Whenever the advice or report provided by HUD in accordance with paragraph 9(c)(1), 9(c)(2) or 9(d) with respect to an area or site indicates that the supply of low and moderate income housing on a nondiscriminatory basis is inadequate to meet the needs of the personnel of the agency involved, GSA and HUD will develop an affirmative action plan designed to insure that an adequate supply of such housing will be available before the building or space is to be occupied or within a period of six months thereafter. The plan should provide for commitments from the community involved to initiate and carry out all feasible efforts to obtain a sufficient quantity of low and moderate income housing available to the agency's personnel on a nondiscriminatory basis with adequate access to the location of the building or space. It should include commitments by the local officials having the authority to remove obstacles to the provision of such housing when such obstacles exist, and to take effective steps to assure its provision. The plan should also set forth the steps proposed by the agency to develop and implement a counseling and referral service to seek out and assist its personnel to

obtain such housing. As part of any plan during, as well as after its development, HUD agrees to give priority consideration to applications for assistance under its housing programs for the housing proposed to be provided in accordance with the plan.

10. This memorandum will be reviewed at the end of one year, and modified to incorporate any provision necessary to improve its effectiveness in light of actual experience.

GEORGE W. ROMNEY,

Secretary, Department of Housing and Urban Development.

Dated June 12, 1971.

ROBERT L. KUNZIG,

Administrator, General Services Administration.

Dated June 11, 1971.

[General Services Administration News Release]

Administrator of General Services, Robert L. Kunzig, today issued the following statement in announcing the execution of an agreement with the Department of Housing and Urban Development regarding housing and federal facilities:

"The Memorandum of Understanding between the Department of Housing and Urban Development and General Services Administration is intended to provide an effective, systematic arrangement for implementation of those provisions of Executive Order 11512 designed to promote the availability of low and moderate income housing on a nondiscriminatory basis.

"The Memorandum deals both specifically with adequacy of accessible housing for Federal employees who will be working in a new facility, and generally with housing as one factor in improving social and economic conditions in the community in which the facility is to be located.

"The Memorandum provides that GSA will consult with HUD and rely upon HUD's advice and expertise in making both of these determinations. The agreement contains five basic points:

1. HUD will advise GSA on the availability of low and moderate income housing on a nondiscriminatory basis in connection with all substantial Federal construction and leasing actions.

2. HUD will participate with GSA in the investigation of prospective sites for both public buildings projects and leased space.

3. GSA will rely principally upon the advice of HUD with respect to the adequacy of low and moderate income housing on a nondiscriminatory basis in making the determinations required under Executive Order 11512.

4. In the event GSA determines a Federal facility or leased space is to be located in an area where HUD has found the availability of low and moderate income housing on a nondiscriminatory basis to be inadequate, GSA will provide HUD with a written explanation of the reasons for selection of that location.

5. GSA and HUD will develop an affirmative action plan to assure Federal personnel access to low and moderate income housing on a nondiscriminatory basis if it becomes necessary to select a site where HUD has advised that such housing is inadequate. HUD has agreed to give priority to applications for assistance under its housing programs for the housing to be provided under the action plan. Federal agencies who will occupy the space will also provide a counseling and referral service to assist personnel in obtaining housing.

"We believe this agreement represents clear, concrete progress towards the President's goal of affirmatively encouraging the creation of needed low and moderate income housing on a nondiscriminatory basis."

STATEMENT OF THE ADMINISTRATOR BEFORE THE UNITED STATES COMMISSION ON CIVIL RIGHTS, JUNE 16, 1971

Mr. Chairman and Members of the U.S. Commission on Civil Rights: I welcome this opportunity to appear before you and describe, in some detail, the General Services Administration's policies and practices and to respond to whatever questions you may have.

The General Services Administration provides a wide variety of basic services to other Government agencies pursuant to the Federal Property and Adminis-

trative Services Act of 1949, as amended, the Public Buildings Act of 1959, as amended, and other laws and regulations. Under these authorities, the provision of general-purpose office and related space is a basic responsibility of GSA.

The need for buildings to provide space for Federal activities usually originates with the various agencies we serve, and is directly associated with their programs and statutory responsibilities, including new legislation and annual appropriations.

In satisfying the needs of the 66 Federal agencies we serve, we are providing space for 800,000 of the Government's 2½ million civilian employees. We have three principal sources to obtain such space: (1) utilization of existing Federal property, (2) new Federal construction, and (3) the leasing of privately owned property.

I would like to deal immediately with the area of your expressed interest and that is the GSA policies and practices in connection with leasing, purchasing and authorizing the construction of Federal facilities. My charter and guidance for the acquisition of real property and leasehold interests come from three sources; they are President Nixon's Executive Order 11512 of February 12, 1970, the Public Buildings Act of 1959 and the Federal Property and Administrative Services Act of 1949.

These basic statutes and the Executive Order provide many guidelines for the conduct of the GSA real property business; but the Executive Order included, for the first time, new and important factors that I must consider before making decisions regarding the acquisition of space for Federal agencies. The very first policy statement by which I am to be guided is the only one which directs me to give "material" consideration to a single factor. This one guideline relates to the efficient performance of the missions and programs of the executive agencies and the nature and functions of the facilities involved. This first guideline also requires me to give due regard to the convenience of the public served and the maintenance and improvement of safe and healthful working conditions for employees. I must stress again, because of its importance, that I am required to give "material" consideration to this guideline, which relates to the agencies' performance of their functions.

For the first time, this Executive Order also included guidelines relating to the positive impact which selection of sites for Federal facilities can have on development and redevelopment of areas, new communities and the possibility of improving the social and economic conditions in the area; in determining these conditions, I am required to consult with and receive advice from the Secretaries of Housing and Urban Development; Health, Education and Welfare; Commerce; and others as appropriate. Another guideline requires me to consider the availability of low and moderate income housing, adequate access from other areas of the urban center, adequacy of parking, and consistency with state and local plans and programs. I am also required to consult with Governors, elected local officials and regional comprehensive planning agencies.

It is obvious that only in very rare cases, if ever, will all of the above factors which I am required to consider be satisfied to the optimum extent, by any single action I take; therefore, my actions must involve a consideration of all of the factors mentioned above, balanced with each other, and a reasoned determination then must be made in selecting a site that will best serve the overall interests of the Government, even though one or more factors may be less than fully satisfied.

In all cases where the availability of low and moderate income housing is questionable in connection with the proposed acquisition, the GSA official involved consults with the Department of Housing and Urban Development in order to obtain advice and we rely on the advice received from these experts. In using such advice from the Department of Housing and Urban Development, we proceed on the basis that such housing is also available on a non-discriminatory basis. Any other procedure would require GSA to establish overlapping and duplicative expertise which is available at present in other Federal agencies, who have definitely assigned authorities and responsibilities in these areas. We have expressed such a position in correspondence with the Secretaries of Housing and Urban Development and with the Department of Justice. In the matter of open housing and the enforcement of Title VIII of the Civil Rights Act, we must continue to rely on the activities of the Department of Housing and Urban Development and the Department of Justice for enforcement. We in GSA fully recognize our responsibility in Section 808(d) of the Civil Rights Act to administer our activities relating to housing and urban development in a manner affirmatively to further the purposes of Title VIII, and we are confident we are doing so.

We have quite a history of correspondence and action in this regard. The Housing and Urban Development Department guidelines to which you have referred in correspondence were given a very thorough review by GSA. On April 13,

1970, we replied to Secretary Romney and expressed our feeling that the draft guidelines contained many excellent ideas and that we are ready to assist in implementing a fair housing policy, and to receive his assistance in discharging our responsibilities under Executive Order 11512. We pointed out, however, that the draft guidelines would seriously impair our ability to fulfill our basic mission and would give us no flexibility in the consideration of Federal needs, missions or programs. This is the point I mentioned earlier and it is the guideline to which I am supposed to give "material" consideration.

Agencies' new space needs combined with the obsolescence of many of our existing Government-owned buildings have generated space demands far in excess of that which we can provide within our limited resources in the form of new Federal construction. The principal deterrent in this regard has been, of course, the level of annual appropriations available to GSA for this purpose. As a consequence, it has been necessary to rent increasing amounts of privately owned building space to satisfy the Government's needs. This requirement to lease space has, in some instances, forced us into the suburbs.

Although the great bulk of all GSA space holdings are located in the central city areas, we have been cognizant of the problems which suburban locations frequently present to lower income and minority group employees. GSA's selection of Reston, Va., in 1966, as the site for the building proposed for the Geological Survey, Department of Interior, is an example of this agency's awareness of the need for adequate and accessible housing for low and moderate income employees; it is also a case in which GSA and the occupant agency sought to resolve the problem cooperatively. As a condition of the acquisition of this site in 1966, GSA required that the following provision be included in the contract of sale and donation of land to the Government by Reston, Va., Incorporated: ". . . Reston has an established policy of encouraging those who work in Reston to live there, regardless of income level, race, color, creed or national origin. Reston is presently planning housing for future construction in Reston designed to provide a variety of housing accommodations for rental or purchase by anticipated residents of Reston, based on the above policy.

In order to permit Reston to plan for and construct housing units for the employees of the Government agency occupying the property who wish to live at Reston, a housing survey committee will be established, consisting of one representative of Reston, the Government agency occupying the property, and the Department of Housing and Urban Development. The chairman of the Committee shall be the representative of the Government agency occupying the property. The Committee, eighteen (18) months before the scheduled occupancy of the first building shall conduct a study to ascertain the number of employees of the using agency who are interested in purchasing or renting the various types of housing units being or to be constructed at Reston in accordance with the above stated policy. Reston shall include the housing needs identified by the study in its plan for housing construction and will offer, to the employees of the Government agencies to be located at Reston, to construct a variety of housing units at reasonable prices and without regard to race, color, creed or national origin."

In May 1969, shortly after my appointment as the Administrator of General Services, I announced the following policy in connection with the acquisition of leased space and the selection of sites for new public buildings:

"GSA will avoid locations which will work a hardship on employees because (1) there is a lack of adequate housing for low and middle income employees within a reasonable proximity and (2) the location is not readily accessible from other areas of the urban center."

This policy, which was published in the Federal Property Management Regulations on May 29, 1969, has been effectively implemented in our site selection actions since its issuance, and has been reinforced by the provisions in President Nixon's Executive Order 11512.

In Fresno, California, we selected a site for a new data processing center for the Internal Revenue Service. In doing so, we consulted with the Departments of Health, Education, and Welfare, Commerce and Housing and Urban Development.

We examined 21 different site offers for this facility and received advice from the occupying agency (Internal Revenue) and from the Departments of Housing and Urban Development; Health, Education, and Welfare, and Commerce, and we also considered the report of the Fresno Community Development Program. The occupying agency preferred the Northeast section of Fresno. An Ad Hoc Committee comprised of representatives of the three Federal departments recommended selection of a site in *Southwest* Fresno and a supplemental statement from the Undersecretary of Health, Education, and Welfare and the Assistant

Secretary of Housing and Urban Development stated that a *Southeast* site would meet the socio-economic criteria of the Executive Order and would have a positive impact second only to the southwest site. GSA considered all these recommendations and decided on the Southeast site. The Internal Revenue Service ultimately agreed and the selected site is expected to contribute substantially to the alleviation of social blight and provide economic opportunity for the unemployed and underemployed in the area. It also is in proximity to a major portion of the Mexican-American community which is the largest minority group in metropolitan Fresno. It was determined that selection of this site would also aid in minimizing the growing racial and ethnic conflict between the Mexican-American, black, and white communities by balancing on-going Federal program assistance in Southwest Fresno with new evidence of Federal determination to meet the problems of the Southeast Fresno Mexican-American community as well.

In Philadelphia, we signed a lease for a large block of space in a building under construction at the University City Science Center to house the regional operations of several socio-economic agencies. We asked the Departments of Commerce; Health, Education and Welfare; and Housing and Urban Development; the Delaware Valley Regional Planning Commission; the City of Philadelphia; and the Pennsylvania State Clearing House to comment on the proposed areas before we selected the one at the University City Science Center. The comments received indicated that the location had very good access to transportation, that it was immediately adjacent to the city's second highest concentration of low income and minority population, and that the site offered the greatest promise for community improvement. We also determined that the Federal government was already investing \$18.6 million in this immediate area to overcome severe problems of over-crowded housing, low family income and low educational attainment. It was also determined that there was substantial low and moderate income housing readily accessible to the site and that such housing was available on an open non-discriminatory basis. The selection of this site was also determined to be completely consistent with the plans of the regional and local planning agencies.

I am sure I could quote other instances to demonstrate to you where GSA has been in the forefront of the Government's efforts to consider the socio-economic factors (such as housing) in our dealing with the extremely crucial space problems. For example, in acquiring space for the Internal Revenue Service in Suffolk County, New York, we contracted with the Town of Brookhaven. Art Sampson, the Commissioner of Public Buildings Service, went to Brookhaven and discussed the selection with local groups such as the Nassau-Suffolk Minority Coalition, the Brookhaven Housing Coalition, and the Town of Brookhaven in efforts to assure that steps would be taken to solve housing problems in that community. For the first time in that community, an application was submitted for construction of 450 garden apartments in Brookhaven, under Section 236 of the National Housing Act; also the Town of Brookhaven passed a zoning ordinance to permit mobile home ownership in the town, which is another new source of inexpensive housing.

The IRS plans to employ more than 2,000 full-time people at this facility, with an additional 2,000 or so to be hired for part-time employment during the peak workload periods, and most of them will be from the Brookhaven area already living there. IRS officials advise that only 300 to 400 specialists are expected to be moved into Brookhaven by IRS.

We are currently engaged with the Department of Housing and Urban Development in developing an agreement which provides for even greater participation by that Department in GSA site selection actions. We welcome this additional participation by the Department; and I, personally, feel very certain that it will contribute materially to better implementation of the requirements of Executive Order 11512.

As a further indication of GSA's concern with the problems of minorities, I would like to give you the following additional information.

Last year we engaged in a program to increase the number of contracts awarded to minority business enterprises. I need only quote a few figures to show you what GSA has done. In 1969, two contracts were awarded to minority business enterprises with a total value of \$343,000. In 1970, 53 such contracts were awarded with a value of \$3.4 million, and thus far in FY 1971, 162 such contracts have been awarded at a value of approximately \$9 million.

Since January 1, 1969, we have entered into 69 leases for space with firms that are principally minority owned. The Commissioner of Public Buildings Service is the Chairman of the National Task Force on Minority Business Concessions. This task force has as its objective the generation of new and expanded business opportunities for concessions in Government-owned facilities and buildings. By

concentrating on the installation of new concessions, rather than converting existing concessions, we have been able to place into operation three such concessions; two at the Pentagon and one in Huntsville, Alabama. There are in final stages of negotiation, one in Detroit, one in Miami, and one in San Francisco. All of these are in buildings under GSA's control. In addition, there are 64 other possibilities which have been identified and are in various stages of planning and development. We are following up with the established concessions and find they are doing extremely well. The two at the Pentagon are expected to have gross sales in excess of \$200,000 in their first year of operation.

The Commissioner of the Public Buildings Service is with me today and he and I are prepared to answer any questions that you may have.

Mr. SAMPSON. One of Mr. Kunzig's actions was promulgation of a regulation saying we will not locate buildings where housing is not available. This is the first time such a provision has existed in GSA.

Senator WEICKER. It is very important certainly in the cities of this Nation that where we tear down housing we just don't stuff additional people into existing facilities but rather we increase the amount of decent housing that is available.

I don't want the Federal Government doing something which is totally opposite the intent of the Congress of the United States. From what you have told me you are taking steps in this direction.

I want to save myself, and I know the chairman does too, knowing his interest in the cities, that this is actually the case.

Since we have a vehicle in front of us now, rather than stand up on the floor of the Senate to oppose something I am anxious to get your views on it.

Mr. SAMPSON. We could send you a history of our first location in West Palm Beach, Fla., to give you some indication of the effort that GSA goes to to be sure that the people are relocated in good, solid homes and good rental space.

We have a very interesting case and I think one that you would enjoy looking at.

Senator WEICKER. Thank you.

Senator GRAVEL. Could you provide that to the Senator privately and not for the record?

Mr. SAMPSON. Yes.

Senator GRAVEL. But I think the contract and the other background data that Mr. Kunzig brought out is appropriate. I share the same view as Senator Weicker in this matter. If the vehicle is not there presently to handle it we will probably have to provide for it.

Senator WEICKER. Thank you very much.

Senator GRAVEL. Thank you, gentlemen. You have done a fine job.

Senator WEICKER. I beg your pardon, I have a series of questions that I would like to submit on behalf of Senator Boggs and myself to Mr. KUNZIG.

If you will give us the replies we will insert them in the record.

Mr. KUNZIG. Certainly, sir.

(Answers to the questions posed by Senators Boggs and Weicker follow:)

Question 1. Would you supply us with a list of those 63 buildings together with the estimated actual cost to the Federal Government if these buildings were to be constructed at today's costs of construction. Would you also please supply for us the estimated actual cost to the Federal Government, without discounting for varying interest rates, if these buildings were to be built under a lease-construction or lease-purchase agreement for 20 years and 30 years.

Answer. Attached is a list of the 63 buildings identified as potential purchase contracts with the estimated construction cost for each. (See p. 64.) The estimated

actual cost for principal and interest in billions to the Federal Government for all of these projects, assuming they were entered into as purchase contracts is presented below with 20 and 30 year periods, at 6%, 7%, and 8% interest rates.

20 years: 6 percent, 1.3; 7 percent, 1.4; 8 percent, 1.5.

30 years: 6 percent, 1.6; 7 percent, 1.8; 8 percent, 2.0.

Question 2. There are 63 authorized Federal buildings on which construction has not begun and will not begin during this fiscal year. How many of these buildings do you anticipate will be included in any lease-construction program? What will be the determining factor? How many will not be included and why will they not be included?

Answer. We would anticipate that all of these projects would be included in the proposed purchase contracting program and not lease-construction. In order to utilize the lease-construction method, it would first be necessary to determine that the purchase contracting method is not a feasible means of providing the required space.

Question 3. Will any of the structures to be included in the lease-construction program be built on land acquired by the Federal Government through eminent domain?

Answer. Since we are currently anticipating that we would enter into no lease-construction agreements it is not practical at this time to determine which lease-construction projects would be built on land acquired by the Federal Government through eminent domain.

Question 4. Do you anticipate any significant difference in the annual lease cost to the Federal Government of an agreement on any of these buildings that would give the developer ownership of the building at the end of the lease, compared with one that would convert ownership to the building to the Federal Government at the end of the lease period? How large would that estimated difference be, if one exists, in percentages or dollars? What factors would influence that difference? How large would the difference have to become before it became more attractive for GSA to sign a lease-construction, rather than a lease-purchase contract?

Answer. There would undoubtedly be a difference in the annual cost depending on whether the building was acquired through purchase-contracting or lease-construction. We are anticipating that the Government will have to pay approximately 7% to finance buildings through purchase contracting. Under these contracts the Government would own the property after the contracting period. Under lease-construction agreements, the lessor would continue to own the property after the lease term. Consequently, it would seem reasonable to assume that the lease-construction developer would require less annually to provide the same return over the contracting period. To get an idea of the order of magnitude, take for example, a \$12 million project. Such a project could reasonably involve a site costing \$2 million with construction costs aggregating \$10 million. If it is assumed that the building will depreciate at the rate of 2% per year, the structure would be worth \$4 million at the end of the 30-year contract term. If it is assumed further, that the \$2 million site would retain its full value, the total value of the property at the end of 30 years would be \$6 million. In other words, the lease-construction developer would have a \$6 million property whereas the purchase contract developer entering into a similar agreement would have nothing.

The question then, is what annual amount is equivalent to the \$6 million residual value? Using a discount rate of 7% over 30 years, the annual equivalent of the \$6 million is approximately \$65,000.

Of course, in each case the developer's estimate of the property's residual value would vary. It will depend on such factors as whether the building consists of general-purpose space or space built for a special Government need and not readily suited for other purposes. Any reduction in the annual costs attributable to the residual value would therefore depend on the developer's estimate of this value.

The proposed bill contains an explicit preference for purchase contracting over the lease-construction. If approved, GSA will solicit purchase contracting proposals. Only where such contracts are not feasible would GSA enter into lease-construction agreements. Feasibility would be determined by the availability of developers willing to undertake purchase contracts at a price determined by application of the factors contained in the bill.

Question 5. The suggested amendments to Section 210 of the Federal Property and Administrative Services Act of 1949, as amended, include a new Section 210(h)(2) that says the Administrator can make a finding that "a purchase contract as provided

for in Section 4 of the Public Buildings Act of 1959, as amended herein, is not a feasible means of providing the required space". Under what circumstances would a lease-purchase agreement not be feasible? Would this provision be limited to rare instances, such as occurred recently in Oklahoma City when the Federal Government apparently had no choice but to build an air controllers' facility on land owned by the City?

Answer. Feasibility will be determined by the availability of developers willing to undertake purchase contracts at the cost as determined by application of Section 5(b).

It is anticipated that no lease-construction agreements would be undertaken. The authorization is requested in the proposed legislation merely as a last resort in the unlikely event that purchase contracts are not feasible. As yet, we have identified no particular type of project that will lend itself better to lease-construction than purchase contracts.

Question 6. How long would you estimate that it will take to establish the revolving fund contemplated in both of the bills before the Committee?

Answer. The bill provides that the effective date of applying the rates to be charged shall not be later than the beginning of the third full fiscal year after enactment. This three-year interim period coincides with the time limit on the purchase contracting and lease-construction authority. During these three years, GSA will have sufficient time to get the fund into full operation while also liquidating the backlog of approved projects so that the fund can start operations on a sound base.

Question 7. Why is it necessary to have up to three full fiscal years before the revolving fund must be created? Would a two-year period prove impractical? If so, why?

Answer. The three full fiscal years are deemed required in order to fully develop the regulations to govern operations of the fund and the necessary financial and data processing systems required to manage the fund's operations. In addition, during the early stages of implementing the fund, it would seem desirable that the financial requirements of agencies occupying GSA space should receive full review by the Executive and Congress through a complete budgetary cycle. The proposed legislation would, of course, not preclude implementation before three full fiscal years if practical.

Question 8. If such a fund existed today, what is your estimate of the annual payments into the fund under the guidelines laid down in these legislative proposals? Is there any difference, as a practical matter, in the income the fund would receive under the Chairman's proposal and the income under the Administration's proposal?

Answer. Our estimate of the income that would be derived by the fund from levying user charges against occupant agencies is approximately \$800 million.

The Chairman's proposal (S. 1736) provides that "in establishing such rates and charges, the Administrator shall give consideration to the costs of providing space, service, or other facilities and shall provide for reserves for replacement and expansion". The Administration's proposal (S. 2479) provides that "such rates and services shall approximate commercial charges for comparable space and services". Both methods would permit GSA to derive an amount in excess of actual expenses for capital improvements. S. 1736, however, places no effective limit on the amounts to be charged since no limitation is put on the amount which can be set aside for replacement and expansion reserves. S. 2479, on the other hand, places a limit on the charges in that they must approximate commercial charges. Only the excess of actual costs will be available for capital improvements. We believe that the method proposed in S. 2479 puts GSA in a more competitive position with commercial practices and increases the incentive for efficiency and economy because to the extent that operating costs are reduced, greater amounts will be available for capital improvements.

Question 9. S. 2479 declares that any agency could be exempted from a charge for its office space if such a charge proved "infeasible or impractical". Under what circumstances would such a charge be "infeasible or impractical"?

Answer: The user charge would be "infeasible or impractical" in certain limited cases. For example, new Presidential Commissions could not reasonably be expected to fund the user charges during the first year of operation since in most cases they would have been unable to include the charges in their appropriation request. However, once operating for any extended period, it is expected that these Commissions would, like any other agency, include the user charge requirement in their budgets.

Question 10. In reference to the language of subsection (e) if the proposed new Section 4 of the Public Buildings Act of 1959, as amended, could you tell us what is meant by a "substantial change in scope"?

Answer: By a "substantial change in scope" is meant any significant alteration in the size of a project. For example, an approved project that had increased in size by approximately 10% should be resubmitted for review by the Public Works Committees.

Question 11. S. 1736 contains a provision that parking facilities "shall be financed solely from revenues derived from such parking facilities". Is such a provision useful? If not, why not?

Answer. GSA is recommending that the parking issue not be included in the proposed legislation. The Office of Management and Budget has this issue under consideration and is expected to issue Government-wide guidelines. Pending issuance of these guidelines, the parking provisions of S. 1736 are not recommended for inclusion in the bill because of the uncertainty surrounding the entire parking problem.

Question 12. Is it correct in view of the concluding paragraph of your statement, that S. 2479 in no way alters the existing procedure under which a prospectus for any Federal building to be built or leased must be submitted to the Committees on Public Works for their approval prior to construction?

Answer. S. 2479 will not alter the current requirement that public building prospectuses be submitted to the Committees on Public Works. However, the current limits of \$100,000 and \$200,000 for construction and alteration projects respectively will be increased to \$500,000 in both cases. We believe this increase reasonably reflects the changes in costs that have taken place since enactment of the Public Buildings Act of 1959. Outside of this increase in amount, the proposed legislation would continue the current requirement that prospectuses be submitted to the Public Works Committees prior to construction. Once the fund is in full operation and we resume a full program of directly financed public building construction, new projects, as they arise, will be submitted to the Committees for their consideration before funds are made available for construction. Such funds will be included in the annual appropriation request that must be submitted to the Congress as is currently the case.

GENERAL SERVICES ADMINISTRATION PUBLIC BUILDINGS SERVICE

APPROVED PROJECTS

| <i>Potential purchase contracts and estimated construction cost</i> | <i>Amount</i> |
|---------------------------------------------------------------------|---------------|
| Arizona: Tucson—FOB..... | \$5, 533, 000 |
| Arkansas: Batesville—PO, CT, FOB..... | 2, 192, 000 |
| California: | |
| Los Angeles—PF..... | 8, 125, 000 |
| San Diego—CT, FOB, PF..... | 44, 955, 000 |
| Santa Ana—FOB..... | 13, 900, 000 |
| Santa Rosa—FOB..... | 4, 502, 000 |
| Van Nuys—FOB..... | 8, 521, 000 |
| Connecticut: New Haven—PO, FOB..... | 8, 675, 000 |
| Delaware: Dover—FOB..... | 1, 577, 000 |
| Florida: Orlando—CT, FOB..... | 8, 555, 000 |
| Georgia: | |
| Athens—PO, FOB..... | 3, 984, 000 |
| Atlanta—CT, FOB..... | 51, 976, 000 |
| Griffin—PO, FOB..... | 1, 690, 000 |
| Rome—PO, CT..... | 3, 703, 000 |
| Waycross—PO, CT, FOB..... | 3, 946, 000 |
| Hawaii: Honolulu—CT, FOB..... | 44, 184, 000 |
| Idaho: | |
| Moscow—PO, CT..... | 2, 541, 000 |
| Sandpoint—FOB..... | 2, 168, 000 |
| Illinois: | |
| Chicago—GSA(FRC)..... | 6, 946, 000 |
| Mount Vernon—FOB..... | 975, 000 |
| Indiana: Indianapolis—FOB..... | 19, 219, 000 |
| Iowa: Iowa City—PO, FOB..... | 4, 497, 000 |
| Louisiana: New Orleans—CT, FOB..... | 27, 533, 000 |
| Maine: Waterville—PO, FOB..... | 2, 153, 000 |
| Maryland: Baltimore—CT, FOB..... | 19, 541, 000 |

GENERAL SERVICES ADMINISTRATION PUBLIC BUILDINGS SERVICE—Continued
 APPROVED PROJECTS—continued

Potential purchase contracts and estimated construction cost—Con.

| | <i>Amount</i> |
|----------------------------------------------|---------------|
| Massachusetts: | |
| Fitchburg—PO, FOB | \$5,706,000 |
| New Bedford—PO, FOB | 1,731,000 |
| Michigan: | |
| Ann Arbor—FOB | 4,167,000 |
| Detroit—P.V. McNamara, FOB | 48,224,000 |
| Saginaw—FOB | 2,625,000 |
| Mississippi: Hattiesburg—CT, FOB | 2,636,000 |
| Nebraska: Lincoln—CT, FOB, PF | 21,307,000 |
| New Hampshire: Manchester—PO, FOB | 6,563,000 |
| New Mexico: Las Cruces—CT, FOB | 3,146,000 |
| New York: | |
| Albany—FOB | 12,636,000 |
| Auburn—PO, CT, FOB | 4,589,000 |
| Hempstead—FOB | 74,342,000 |
| New York—CU, CT, FOB annex | 64,560,000 |
| Syracuse—CT, FOB | 19,087,000 |
| North Carolina: Winston-Salem—CT, FOB | 12,144,000 |
| Ohio: | |
| Akron—CT, FOB | 16,168,000 |
| Dayton—CT, FOB | 8,890,000 |
| Oregon: | |
| Eugene—CT, FOB | 4,923,000 |
| Portland—FOB | 19,667,000 |
| Pennsylvania: Williamsport—PO, CT, FOB | 3,983,000 |
| Puerto Rico: San Juan—CT, FOB | 20,471,000 |
| Rhode Island: Woonsocket—PO, FOB | 2,041,000 |
| South Carolina: Florence—PO, CT, FOB | 5,191,000 |
| South Dakota: | |
| Aberdeen—FOB | 8,000,000 |
| Huron—PO, FOB | 7,645,000 |
| Rapid City—CT, FOB | 3,728,000 |
| Tennessee: Nashville—CT, FOB | 12,211,000 |
| Texas: | |
| Denton—PO, FOB | 3,443,000 |
| Fort Worth—FOB, PF | 4,425,000 |
| Houston—Federal motor vehicle facility | 1,240,000 |
| Pearsall—PO, FOB | 347,000 |
| San Angello—PO, CT, FOB | 4,209,000 |
| Vermont: Essex Junction—PO, FOB | 563,000 |
| Virgin Islands: Charlotte Amalie—PO, CT, FOB | 5,248,000 |
| Virginia: Roanoke—FOB | 11,169,000 |
| Washington: Wenatchee—PO, FOB | 4,489,000 |
| Wisconsin: | |
| Madison—FOB | 8,123,000 |
| La Crosse—PO, CT | 6,097,000 |

Senator GRAVEL. Mr. Gregory J. Ahart.

The floor is yours, Mr. Ahart.

It is a pleasure to have you here.

Will you introduce your colleagues at the table for the sake of the record?

STATEMENT OF GREGORY J. AHART, DEPUTY DIRECTOR, CIVIL DIVISION, GENERAL ACCOUNTING OFFICE, ACCOMPANIED BY JOHN MOORE, ASSISTANT GENERAL COUNSEL; PATRICK MAGUIRE, SUPERVISORY AUDITOR OF THE CIVIL DIVISION; AND VERNON L. HILL, ASSISTANT DIRECTOR OF THE CIVIL DIVISION

Mr. AHART. On my left is Mr. John Moore, Assistant General Counsel of the Office.

On my immediate right is Patrick Maguire, Supervisory Auditor of the Civil Division.

On his right is Vernon L. Hill, Assistant Director of the Civil Division.

Senator GRAVEL. It is nice to have you here.

Please proceed.

Mr. AHART. We appreciate this opportunity to appear before your subcommittee to present our views on the provisions of S. 2479 and S. 1736.

The principal purpose of each of the bills is to amend the Public Buildings Act of 1959, as amended, and the Federal Property and Administrative Services Act of 1949, as amended, to require using agencies to budget and pay for the use of space and related services and to authorize the General Services Administration, subject to congressional and executive branch controls, to use the resultant receipts to finance its public buildings operations.

This would represent a significant change in the method of funding the construction and operating costs associated with meeting the space needs of the Government.

Several features of the two bills are quite similar. Each would:

Establish a fund to be used to finance public buildings operations.

Require using agencies to make payment for the use of space and related services, such payments to be deposited into the fund.

Delete the requirements in the Public Buildings Act of 1959, as amended for reapproval of prospectuses by the Public Works Committee when the estimated maximum costs as presented in the approved prospectuses, increase by more than 10 percent.

Amend section 7 of the Public Buildings Act of 1959, as amended, to require approval of the Committee on Public Works for the construction, acquisition, or alteration of any public building only when the expenditure is to exceed \$500,000.

Certain other features are unique to the respective bills. In this regard, S. 1736 would:

Amend section 13 of the Public Buildings Act of 1959, as amended, to define the term "public building" as including "Federal parking facilities" and "parking areas," thereby granting GSA new authority to acquire or construct facilities for the express purpose of providing off-street parking for official, employees', or visitors' vehicles. This provision is not included in S. 2479.

Although S. 2479 does not cover parking, it is broader in scope than S. 1736 and would give the executive branch somewhat greater authority and flexibility in the acquisition and operation of real property. In this regard, S. 2479 would:

Authorize capital advances to be appropriated to the fund to be repaid with interest to the Treasury within 30 years;

Authorize GSA to enter into contracts with independent contractors for the purchase—sometimes termed lease-purchase—of buildings, over a period of from 10 to 30 years;

Authorize GSA to sell Government-owned sites, plans, and specifications to private developers who would construct buildings for lease to the Government;

Revise GSA's leasing authority in section 210(h)(1) of the Federal and Administrative Services Act of 1949, as amended, to increase the maximum lease term from 20 to 30 years.

These features are not included in S. 1736.

The requirement of each bill that agencies budget and pay for the use of space and related services should cause the agencies to exercise greater restraint in determining requirements and would bring to the attention of the Congress the costs of space associated with the operations of the various agencies' programs.

Further, to the extent that the financing mechanisms provided in the bills might permit movement to greater reliance upon Government-owned buildings, rather than leased space—which could, of course, be accomplished through increased direct appropriations under the present method—economies in meeting total space needs should result. We have in the past generally favored increased reliance on Government-owned space for this reason.

The budgetary impact of providing increased funds under either method for the acquisition, construction, or alteration of Government buildings, is a matter for consideration by the executive branch and the Congress.

We have comments on certain provisions of each of the bills which we believe the subcommittee might wish to consider.

Section 2 of each bill would amend section 7 of the Public Buildings Act of 1959 to require approval by the Committee on Public Works prior to the appropriation of funds for the construction, acquisition, or alteration of any public building, only where such construction, acquisition, or alteration will involve an expenditure in excess of \$500,000.

Section 7 now requires such approval where expenditures will exceed \$100,000 for construction or acquisition and \$200,000 for alterations.

Whether \$500,000 is the most appropriate level for control is a matter for congressional determination.

Based on past experience, this relaxation of congressional control would affect only a small portion of the moneys devoted to public buildings projects and would involve, according to GSA records, buildings having a 9,000 net assignable square feet or less, in other words, a very small facility.

Section 2 of both bills would delete the requirement that prospectuses for construction, acquisition or alteration projects be resubmitted to the Committee on Public Works when the maximum costs in the approved prospectuses have increased by more than 10 percent.

Section 7 of S. 2749 provides for waiving the authorized maximum costs for those projects previously approved by the Public Works Committee, if construction has not started.

The proposed changes would appear to diminish congressional control over construction, acquisition, and alteration projects because GSA would no longer be restricted by a maximum project cost. GSA representatives have stated that the description of the building and the housing plan, which are part of the project prospectus submitted to the Congress for approval, constitute a meaningful limitation and thus help insure the integrity of the scope and purpose of the project.

We are concerned that prospectuses could be presented in such a way that they would permit wide flexibility in project scope rather than provide a limitation. We believe that without a maximum project cost, there might be less incentive to hold project costs to a minimum. Moreover, there would be no requirement to report substantial increases in estimated costs to the Congress.

If there is a demonstrated need for some relaxation of the cost limitation provisions—which well may be the case where an authorized project has remained unfunded for a long period of time—the subcommittee may wish to increase the percentage allowance or to make it variable depending upon the length of time between authorization and the start of construction.

Section 3 of both bills would establish a fund in the Treasury to finance GSA's real property operations. While the funds under both bills have the same basic purpose, they differ in some details.

Deposits to the fund under S. 2479 would come from: (1) Revenues and collections from user charges, (2) proceeds from leased building sites, (3) proceeds from the sale of building sites, plans, and specifications, and (4) receipts from carriers and others for loss of, or damage to property belonging to the fund.

Deposits to the S. 1736 fund would come from (1) Revenues from rental, and (2) all other reimbursement and refunds or recoveries resulting from operation of the fund, including receipts from carriers and others for loss of or damage to property.

Under both bills, the existing buildings management fund and the construction services fund would be merged into the proposed fund, as would the unexpended balances of certain specified appropriations.

S. 1736 would also transfer to the proposed fund the estimated fair market value of Government-owned buildings or facilities carried in the active inventory of GSA and such sums as may be appropriated to the fund.

Section 3 of S. 2479 also authorizes appropriations of advances to the fund to be repaid to the Treasury within 30 years with interest. Under this authority, capital expenditures could be made in any 1 year at a level higher than could be made from regular income to the fund, particularly during the period between enactment of either of these bills and the effective date of the rental rates as specified in the bills.

Section 4 of S. 2479 states that rental rates to be charged occupant agencies shall approximate commercial charges for comparable space and services, whereas, section 4 of S. 1736 provides that in establishing rental rates the Administrator shall give consideration to the costs of providing space, services, and other facilities and shall provide for reserves for replacement and expansion.

GSA considered a number of alternative methods for establishing rental charges but gave particular attention to two methods, namely: (1) The rental equivalent method embodied in S. 2479; and (2) the cost recovery method, which is similar to that included in S. 1736.

Under the cost-recovery method, charges would be based on the estimated costs of operating and maintaining Government-owned buildings, the costs of leasing space and depreciation costs on Government-owned structures. Income generated by the depreciation increment would be available to finance construction and major repairs.

The cost-recovery method was rejected by GSA because it would not produce sufficient income to finance construction and major repairs. The balance available to finance capital items would be \$44 million if depreciation were based on initial costs, or \$158 million if depreciation were based on replacement costs. GSA estimated that on the latter basis, it would need additional appropriations of about \$150 million annually.

Adoption of the commercial rate as provided in S. 2479 would enable GSA to accelerate the construction of public buildings and reduce the existing \$872 million backlog of construction projects authorized by the Congress but not yet funded for construction.

We have been advised by GSA officials that rates based on commercial charges would produce an annual income estimated at about \$760 to \$800 million. GSA estimated, based on fiscal year 1970 costs, that this amount would be sufficient to finance operating costs and also provide about \$317 to \$340 million a year for capital investment—almost double the average annual amount appropriated for capital projects in the 5-year period ended June 30, 1971.

Section 5 of S. 2479 would authorize GSA to enter into purchase contracts with independent contractors for the purchase of buildings, with payments to be made over a period of not less than 10 or more than 30 years.

Under such lease-purchase arrangements, title to the property vests with the Government at the end of the contract period whereas under lease-construction arrangements the Government has no equity in the property at the end of the lease period.

As you previously mentioned, Mr. Chairman, the authority granted under this section, which would expire at the end of 3 full years after enactment, is similar to the authority contained in the Public Buildings Purchase Contract Act of 1954 (Public Law 83-519) which expired in 1957.

Section 102 of the 1954 act provided:

It is not the intention of the Congress that the program authorized by this title shall constitute a substitute for or a replacement of any program for the construction by the United States of such structures as may be required from time to time by the Federal Government.

In 1957, legislation was introduced in both Houses of the Congress to extend GSA's lease-purchase authority under the act of 1954 for an additional 3 years. The House Committee on Public Works, however, was opposed to such an extension because it considered the lease-purchase program uneconomical in comparison with direct Federal construction and because it considered the program a failure in that physical construction had started on only one building in the 3 years following enactment of the 1954 act.

The authority to have lease-purchase projects approved under the act of 1954 was thus allowed to expire on July 22, 1957, at which time 98 GSA lease-purchase projects had been approved at an estimated cost of \$616.2 million.

The fiscal year 1959 Independent Offices Appropriation Act—Public Law 85-844—limited funding to 29 of the 98 approved projects. GSA

entered into lease purchase contracts totaling \$53.3 million for the 29 projects of which 24 were later acquired through prepayment of the purchase contracts. GSA will be able to exercise the repayment options for the remaining five buildings in fiscal year 1973.

Section 6 of S. 2479 would revise GSA's leasing authority as contained in section 210(h)(1) of the Federal Property and Administrative Services Act of 1949, by extending the leasing period from a maximum of 20 years to a maximum of 30 years.

This provision would make the maximum leasing terms consistent with the maximum 30-year term for purchase contracts provided for under section 5 of the bill.

According to a GSA official, the 30-year leasing term would increase GSA's flexibility and allow the lessor to obtain prime credit ratings and long-term financing at a lower rate.

Sections 5 and 6 of S. 2479 would authorize GSA, without further approval, to enter into either lease-purchase or lease-construction arrangements with respect to projects previously approved for construction under the Public Buildings Act of 1959, as amended, where no substantial change in scope has occurred. Lease-construction arrangements could be used, however, only if the Administrator finds that a lease-purchase contract is not a feasible means of providing space.

Under section 6 of this bill, GSA would be authorized to sell Government-owned sites, and the related plans and specifications, for construction of a public building for lease to the Government. Proceeds from such sales would be deposited to the fund established by this bill.

The authority which would be granted by section 6 of the bill is similar to a proposal described in the President's budget for fiscal year 1972 and legislation subsequently proposed by GSA on February 12, 1971.

The proposal described in the budget was to sell 45 building sites and designs for an estimated \$41 million, to private developers who would construct buildings and lease them to the Government.

Prospectuses for the 45 projects had previously been approved for construction by the Public Works Committees at a total project cost of \$340 million, which increased to \$512 million between the date of approvals, 1963 to 1969, and March 31, 1971.

In support of this proposal, the budget stated that:

"Economic analysis indicates that Federal leasing of buildings is, in most cases, less costly to the Nation than Federal ownership and would permit a more accurate measure of annual cost * * *."

GSA representatives informed us in June 1971, that GSA made no economic analysis in support of the proposal to sell building sites and designs in connection with lease-construction projects. Therefore, we believe the subcommittee should consider revising section 6 of the bill to require that GSA submit revised prospectuses to the Congress before lease-construction contracts are awarded.

The revised prospectuses should show the basis and relative costs involved if lease-construction is selected over direct Government construction. Since lease-purchase arrangements involve similar economic considerations, we believe the subcommittee should consider including a similar requirement in section 5.

In this regard, certain committees of the Congress have expressed concern over the use of leasing arrangements in lieu of construction for Government ownership. Since 1963, annual appropriation acts have required that GSA obtain the approval of the Public Works Committees of the Congress for the lease of a building to be erected by a private developer for a Federal agency if the construction costs are to exceed \$200,000.

As of June 30, 1971, 14 of the 21 lease construction prospectuses submitted by GSA in compliance with this provision were approved by the committees. The Senate Committee on Public Works informed GSA by letter dated October 27, 1969, that it would not consider any more lease construction prospectuses, except in dire emergency, until 50 percent of the approved—authorized—public building projects were funded for construction.

Also, in November 1969, the Senate Committee on Appropriations expressed concern about the growing practice of leasing and urged the Administrator of General Services to support the construction of needed public buildings as the most economical way of providing housing for Federal agencies.

Paragraph (8) of section 2 of S. 1736 would add to the definition of "public buildings," as set forth in section 13 of the Public Buildings Act of 1959, as amended, "(x) Federal parking facilities, (xi) parking areas."

The definitions of "Federal parking facilities" and "parking areas" in subsection 2(9) of S. 1736 include areas within or adjacent to District of Columbia buildings. District of Columbia buildings are not now under the control of the General Services Administration. Thus, jurisdictional problems might arise with the District of Columbia government.

Also there is for consideration the desirability of giving the General Services Administration the responsibility for providing this type of support for the District of Columbia government. The objective of the parking provisions of the bill as they relate to the District of Columbia government might be obtained through a separate program under the District of Columbia government.

We believe, however, that the parking problem to which the provisions of the bill are directed is a part of the larger problem of transportation needs in metropolitan areas and perhaps should be given consideration in the larger context.

There is growing concern over the general problem of facilitating daily transportation of persons living in large metropolitan areas to and from their place of employment. While in the District of Columbia where the heavy concentration of Federal employees invites direct Federal action, a rapid transit system is under construction, there has also been under consideration such steps as more parking facilities and staggered working hours.

Questions have been raised and are as yet unanswered as to how much parking should be provided and whether the parking needs should be met by private enterprise or by the Government.

We think there is a general agreement that the transportation needs of the metropolitan areas should be provided on a basis of an overall plan. In the absence of an overall plan for the District of Columbia, we are not convinced that it would be desirable to proceed at this

time with the construction of Federal parking facilities. To a lesser degree, the same considerations are undoubtedly present in other metropolitan areas where there is significant Federal activity.

The Office of Management and Budget (OMB) informed GSA by letters dated March 19, 1971, and May 25, 1971, that OMB is reviewing Federal employee parking issues so that policy decisions can be made before the 1973 budget review. GSA representatives informed us on September 17, 1971, that OMB has not yet issued a policy directive on this matter.

Paragraph (3) of section 3 of S. 1736 includes the following provision:

"The construction, acquisition, and operation of Federal parking facilities and parking areas shall be financed solely from the revenues derived from such parking facilities and parking areas and accounted for separately within the fund."

We suggest that this requirement be deleted. Parking space is frequently provided as an integral part of public buildings and separate financing and accounting would require arbitrary and perhaps questionable allocations of building cost.

Section 5(a) of S. 1736 (page 8) relative to space and related services provided by agencies other than GSA contains the following sentence:

Moneys derived by other agencies from such rates or fees may be credited to the appropriation or fund initially charged for providing the service, except that amounts included for replacement and expansion shall be credited to the fund created by subsection (f)(1) of section 210 of the Federal Property and Administrative Services Act of 1949, as amended (40 U.S.C. 490).

Which is the fund which would be created by the bill.

Since replacement and expansion of buildings of various agencies, that are outside the control of GSA or the Federal buildings fund, will normally be financed from congressional appropriations, it does not seem appropriate to credit any part of the rental receipts on such non-GSA buildings to the Federal buildings fund. Such action would augment the fund without a corresponding ultimate expenditure therefrom for expansion or replacement.

The subcommittee may wish to consider revising this portion of the bill to require that the replacement and expansion portion of the receipts be credited to miscellaneous receipts of the general fund of the Treasury, rather than to the Federal buildings fund.

A similar provision in S. 2479 states that the excess of rentals over operating and maintenance costs shall be credited to miscellaneous receipts unless otherwise authorized by law.

The introductory paragraph of each bill states that its purpose is "To amend the Public Buildings Act of 1959, as amended."

Since many of the provisions of the bills would amend the Federal Property and Administrative Services Act of 1949, we suggest that the introductory paragraphs be revised to include amending the Federal Property and Administrative Services Act of 1949, as amended.

Mr. Chairman, this concludes my statement, and I will be happy to discuss these matters in further detail or answer any question the subcommittee may have.

Senator GRAVEL. Very good.

We are glad to have your testimony.

I notice in the statement that you don't seem to take a position with respect to the advisability of creating this Federal building fund.

I wonder if you might have some judgment in that regard.

Mr. AHART. I think, Mr. Chairman, on the advisability of creating a fund our office would be in somewhat of a neutral position. I think the problem which faces GSA and faces the Federal Government generally is how do we provide the space which is required and do it economically, whether you do that through this funding technique or whether you do it by direct appropriation or through other authorities.

I don't think we would have a firm position one way or another on it.

Senator GRAVEL. You talk of the fact that congressional authority being diminished.

I wonder if you could elaborate on that. Elaborate as to where this power is being eroded in section 2.

Mr. AHART. The problem we have here is with respect to the Public Works Committees.

Under the present section 7, as you know, any time the estimated cost increases by more than 10 percent, there has to be a revised prospectus submitted to the Public Works Committees for their approval.

Now, I think the 10 percent in this day and age, particularly when construction costs are increasing quite rapidly, is probably unrealistic. At the same time, we feel that if the Public Works Committees want to take a look at what is being built that they should have some requirement that when there is a significant change in the project that GSA come back to them.

This is kind of difficult to do with language which says if the scope of the project changes, or the specifics of it. It would be very difficult to define.

We do feel that if there is an inordinate increase in the estimated cost, it would indicate a change in the scope of some kind and the committee might wish to take another look at it at that point.

Senator GRAVEL. I have some questions from Senator Weicker who had to be absent. We will submit those questions to you. If you could answer them for the record, we would have the whole story.

Mr. AHART. We will be glad to.

(The questions and answers follow:)

Question 1. Would you give the Subcommittee your evaluation of the relative cost to the Federal Government of the varying procedures that would be available under S. 2479 to finance Federal buildings. Specifically, we would like to have your analysis of the relative cost of Federal construction, a lease-purchase arrangement under which the Federal Government obtains final ownership of the structure, and lease-construction under which ownership is retained by the developer. Which system is ultimately the least costly to the Government and the taxpayer?

Answer. In several reports on postal facilities we have pointed out the economies that are achievable through Government ownership of facilities. We recommended that, rather than follow a general policy that supported leasing, the Post Office Department determine on an individual basis whether it should acquire postal facilities through leasing or through Government ownership. We continue to be of the opinion that direct Federal construction is the most economical method for the acquisition of Government facilities to meet long-term space requirements.

Although Federal construction entails large initial expenditures, fund requirements for this purpose would be substantially less than the total payments made during the period of a lease or a purchase contract. The more significant added expenditures are for (1) property taxes, which are not paid on Government-owned buildings, and (2) financing charges on a lease-purchase or lease arrangement. The financing charges ordinarily are higher than the prevailing rate for borrowings by the Treasury.

One method which is commonly used to evaluate construction and lease alternatives is the present value approach. Emphasis is on identifying the alternative (construction or lease) that incurs the least costs in terms of the present value of

the future fund (normally cash) flows. The discount rate used in present value analysis is a most important factor, and a major problem, since opinions vary as to what discount rate is appropriate. Use of a 6 percent rate for 20 to 30 year periods will in most cases, favor Federal construction but discount rates of 8 percent or more will, in most cases, favor leasing.

In the past, GSA has used various discount rates ranging from 4½ to 12 percent. However, the Office of Management and Budget instructed GSA by letter dated June 19, 1971, that future prospectus proposals for general purpose projects present a present value analysis on the basis of discount rates of 8 to 12 percent. Use of these high discount rates in the present value analysis will favor leasing in most, if not all, cases.

Sections 5 and 6 of S. 2479 would grant GSA authority, without further approval, to enter into either lease-purchase or lease-construction arrangements with respect to projects previously approved for construction by the Public Works Committees where no substantial change in scope has occurred. At the present time there are 63 approved projects, for which construction costs are estimated at about \$736 million, that could be concluded under lease-construction or lease-purchase plans.

GSA had prepared cost analyses of construction and leasing alternatives using the present value approach for 22 of the 63 projects. GSA's analyses of 16 projects, using a 4½ percent discount rate, shows that the total present value leasing costs of \$366 million would exceed the present value construction costs of \$315 million by \$51 million. Analyses involving the other six projects show that present value leasing costs would exceed present value construction costs by \$65 million on the basis of the 6 percent discount rate that was used. The difference would increase to \$102 million if imputed real estate taxes were not considered as part of Federal construction costs.

Question 2. What factors influence any difference in cost between the lease-purchase and lease-construction methods? What percentage difference, if any, should normally exist between the annual cost on a lease-construction contract and the cost on a lease-purchase contract?

Answer. Under most long-term lease-construction transactions, periodic rental payments by the Government are established by the lessor at an amount sufficient to (1) amortize the developer's investment in the property over the initial period of the lease, (2) provide a profit to the developer, and (3) cover operating costs including financing charges (interest) and real estate taxes. Since the investment is amortized at the conclusion of the initial lease period, the developer will obtain a higher profit during any renewal lease periods. At the expiration of the lease periods the Government has no equity in the property.

Under a lease-purchase arrangement title to the property vests in the Government at the end of the contract period. Periodic payments, therefore, can be established at an amount sufficient to (1) amortize the cost of the structures and the site, if furnished by the developer, during the contract period, (2) provide an acceptable rate of interest to the developer on the outstanding principal, and (3) cover operating costs including real estate taxes.

Differences in annual costs of lease and lease-purchase arrangements would be dependent on the duration of the contract periods, the purchase options under the lease-purchase plan, the competitive preferences of the private developers for lease vs lease-purchase plans, and the ceiling on interest rates, if any, prescribed by the Treasury for lease-purchase contracts.

Question 3. Can you supply us with figures to indicate if there is a current office-space shortage for Federal departments, and the volume of new space, if any, that will be required over the next several years to replace old existing facilities and provide for any expected growth?

Answer. Office space under GSA's control increased on an average about 3.2 million square feet a year, from 76 million to 92 million square feet, for the five-year period ending June 30, 1971. During the same period the total space under GSA's control—storage, special purpose space as well as office space—increased on an average about 5.1 million square feet a year, from 194.4 million to 220 million square feet. GSA estimates that its future total space needs will increase by about 5 million square feet a year.

Question 4. Have you done any studies that might indicate the impact on the productivity of a Federal employee working in antiquated and crowded office space compared with an employee in a new building?

Answer. We have not made these studies.

Senator GRAVEL. Thank you, gentlemen, for coming forward. We appreciate your very fine statement.

Our next witness is Mr. William Marshall of Norfolk, Va., vice president of the American Institute of Architects.

Mr. Marshall, the floor is yours.

Will you please introduce your two colleagues for the record.

STATEMENT OF WILLIAM MARSHALL, JR., VICE PRESIDENT, THE AMERICAN INSTITUTE OF ARCHITECTS; ACCOMPANIED BY JAMES DONALD, DIRECTOR OF FEDERAL AGENCY PROGRAMS, THE AMERICAN INSTITUTE OF ARCHITECTS; AND TOM BENNETT, DIRECTOR OF CONGRESSIONAL RELATIONS, AMERICAN INSTITUTE OF ARCHITECTS

Mr. MARSHALL. Yes, sir; Mr. Chairman.

On my right is Tom Bennett, director of congressional relations for the American Institute of Architects.

On my left, Mr. James Donald, Director of Federal Agency Programs for the Institute.

I have a short statement, Mr. Chairman. If I may, I will just read it.

Senator GRAVEL. You may read it.

Mr. MARSHALL. Mr. Chairman, I am William Marshall, Jr., AIA, a vice president of the American Institute of Architects, and a principal in the architectural and consulting engineering firm of Mc-Gaughy, Marshall, and McMillan, of Norfolk, Va.

Today, the American Institute of Architects, a professional society representing 24,000 licensed architects, wishes to express its views on S. 1736 and S. 2479, legislation to establish a Federal building fund with which to finance the construction and operation of public buildings and facilities.

For as long as the National Government has constructed buildings for its operations, the architectural profession has been closely involved in the entire Federal building process. The architect does not cease his activity which his drawings and specifications are approved by an agency. He administers the construction contract to assure that his client—the U.S. Government, in this case—receives construction fully consistent with its requirements and expenditures.

From this vantage point, we have had an opportunity to view firsthand the problems facing the General Services Administration and other Federal agency building programs.

Our involvement has exposed us to GSA's difficulty in coordinating project authorization, site selection, design, funding, and construction, into an orderly and expeditious procedure. The problems preventing a smooth sequential procedure have often led to costly delays—made particularly acute in recent years by the disproportionately rapid rate of inflation in the construction industry.

The removal of these obstacles to an effective, efficient Federal building process will make our job easier and enable us to assist the Federal Government in improving its present construction program.

But, more importantly. The American Institute of Architects believes that the significant reforms reflected in the concept of a revolving construction fund as embodied by both S. 1736 and S. 2479 will strengthen the strong business-oriented procedure of the General

Services Administration and will result in buildings and facilities serving the needs of Federal agencies and the taxpayer with a savings of both time and money.

While we believe that this legislation will vastly improve the present building process of the Federal Government, we also view this committee's current consideration of these bills as an opportunity for Congress to take a positive step toward encouraging excellence in architecture and design in public buildings.

Without question, the General Services Administration has been one of the leading public agencies in seeking superior design of the facilities it builds. What we propose is that Congress give statutory recognition and encouragement to these existing efforts as a means of insuring that all Federal buildings reflect the finest examples of American architecture and design.

Similar statutory language has already been adopted by Congress in present laws for federally-assisted housing and elementary and secondary educational facilities in section 304 of title III of the Elementary and Secondary Education Act of 1965 and section 4 of the Housing and Urban Development Act of 1968.

In establishing this statutory guidance, Congress acknowledged that good design is in the public interest from the standpoint of economy as well as esthetics and environmental quality.

We encourage the committee to consider the addition of language to this legislation that will reflect an emphasis on excellence of architecture and design consistent with prudent budgeting.

Now we would like to offer our specific comments on the bills pending before this committee.

The purpose of both S. 1736 and S. 2479 is to amend the Public Buildings Act of 1959, as amended, and the Federal Property and Administrative Services Act of 1949, as amended, to establish a Federal building fund, subject to legislative branch controls, which would be utilized by GSA to finance and maintain a congressionally authorized public buildings program. The fund would receive its revenues from Federal agencies paying user charges for the space they presently occupy free of charge.

In our dealings with both public and private clients, we have long recognized the disadvantageous position that GSA has as the major Federal realtor in today's real estate and construction market.

GSA is faced with restraints which have developed over a period of years when market considerations were not critical. However, due to the massive inflation factor experienced in the construction field today—now up to 12 percent a year—a more efficient means of property management must be found to insure the most effective and economical expenditure of the Federal construction dollar.

Reform of present Federal construction financing is essential to take advantage of emerging techniques in the construction industry. The existing system is a multiappropriations process with separate funding appropriations for feasibility studies, site purchase, and design moneys, construction funds, and operation and maintenance expenses.

Each request can mean delays. And in today's real estate and construction market, time is money and unnecessary time expended invariably means more money expended for the same work.

To be efficient, you must have an owner with sufficient financing authority and understanding to make a proper decision expediently and accomplish the job in the quickest time possible. The revolving construction fund established by this legislation will make this goal possible. This single fund will give GSA the flexibility necessary to accomplish proper planning and carry out its construction program with a minimum of roadblocks, and saving the tax dollar by its more efficient utilization.

However, the revolving fund concept offers more than this to the legislative branch. It provides an opportunity for Congress to determine the full administrative costs of each Government program through the inclusion in each agency's budget of user charges for its physical space requirements, heretofore not included in the program budgeting method.

This new accounting approach would encourage Federal agencies to consider carefully their space requirements, undoubtedly influencing them not to ask for more space than needed and to be more willing to give up excess space not being properly utilized.

Both bills establish a revolving construction fund and eliminate the maximum limiting cost on individual project construction. It is anticipated that the Federal building fund procedure will provide more rapid completion of needed facilities and consequently reduction in costs. Further, the elimination of the maximum provision will permit GSA to exercise maximum flexibility in structuring an effective system. For these reasons, it is believed that this provision should be given thorough consideration.

We would also like to comment on a matter that only S. 2479 addresses itself to—the existence of a backlog of 62 congressionally approved but unfunded public building projects.

S. 2479 authorizes GSA to contract, within a 3-year period, purchase contracts or lease agreements on those 62 public building projects. These projects represent about a \$1 billion backlog of work for which sites have already been identified and purchased and architectural designs completed.

Over the past 10 years, construction funds for GSA have been limited to an average of \$115 million per year. Based on this funding history, it would take a decade to provide these facilities whose immediate need has already been recognized by congressional authorization.

Purchase-lease construction will result in getting these needed buildings constructed within a reasonable time frame. We understand that GSA has estimated that savings in efficiency of operation will be realized in excess of \$50 million annually.

When you consider an inflation rate of 12 percent a year and the fact that these buildings will not be immediately built without this purchase-lease authorization, you can easily calculate that inflation alone will add at least \$90 million a year to the cost of these buildings without improving the quality of the construction.

Financing by the private sector will allow the Federal Government to have the use of this space much earlier, allow expenditure of this year's Federal dollars for higher priority items, and permit the Federal Government to take advantage of immediate construction.

We do have two recommendations concerning the procedures for purchase or lease construction of the 62 projects:

(1) We would prefer to see GSA retain title of the drawings and specifications and furnish these to the developer as a part of its package of requirements. This would avoid a transfer of liability and allegiance of the architect-engineers from the Government to the developer.

(2) We would strongly urge that the procedures provide for administration and supervision of construction by the design architect-engineer to assure proper compliance with the design documents.

The American Institute of Architects believes that the legislation under consideration by this committee will establish a financing procedure that will greatly enhance the ability of the General Services Administration to serve the space needs of Federal agencies in a timely and more effective manner, as well as eliminating the existing backlog of approved but unfunded public building projects.

We have appreciated this opportunity to present our views on this legislation and trust that the committee will thoroughly review our recommendations and act favorably on them.

Thank you.

Senator GRAVEL. Your views are well expressed. I certainly appreciate your endorsement of this legislation.

To what extent does the architectural profession take into consideration earthquake hazards in the design of buildings? Is this standard?

Mr. MARSHALL. Yes; it is standard in those areas that have been deemed to be a problem. Earthquake zones, I believe they are generally called. They are spotted around the country. The most extreme example would be on the west coast and in Alaska.

Senator GRAVEL. Thank you very much.

I have no further questions.

We appreciate your coming.

Mr. MARSHALL. Thank you very much.

Senator GRAVEL. The next witness is Mr. Harold G. Tufty, national vice president for communications, Society of American Value Engineers.

Mr. Tufty, it is a pleasure to see you.

If you will, introduce your colleagues for the record.

STATEMENT OF HAROLD G. TUFTY, NATIONAL VICE PRESIDENT FOR COMMUNICATIONS, SOCIETY OF AMERICAN VALUE ENGINEERS; ACCOMPANIED BY RUDY KEMPTER, PRESIDENT OF THE NATIONAL CAPITAL CHAPTER

Mr. TUFTY. Thank you, Mr. Chairman.

With me today is Mr. Rudy Kempter, president of the National Capital Chapter of the Society of American Value Engineers.

We in the value engineering profession appreciate the opportunity to comment on S. 1736 and S. 2479, both of which will amend the Public

Building Act of 1959, "to provide the financing, the acquisition, construction, alteration, maintenance, operation, and projection of public buildings, and for other purposes."

Value engineering is a management method which can also be called value analysis, value improvement, or value extension. Application of the value techniques locates and removes hidden costs which are unnecessary and results in the lowest possible cost of ownership of a building or facility.

We appear before you today as spokesmen for the VE profession. I also happen to be vice president of LCK & Associates, Inc., the first private firm to formally adopt these value concepts to achieve wiser spending in the construction industry.

I say this because I believe some of the hard truths we have learned by practicing value engineering for the last 7 years might be of some help to the Government to improve its total construction programs. In fact, it has been our experience that we have identified VE savings of at least 10 percent of the construction costs on all the Federal and State projects we have analyzed.

We understand that GSA is responsible for approximately \$275 million of construction on an average annual basis—this includes both GSA projects and those it administers for other agencies.

We presume that any specific efforts at reducing the total cost of ownership under the terms of the new construction fund would apply to all GSA administered projects when these bills become law.

To effect a long-range target of potential savings achievable upon the full application of the value approach, we believe a reasonable target figure would be \$27.5 million, which is 10 percent of the total.

A realistic short-range goal would be 5 percent of the construction costs achievable within the next 2 years, assuming a vigorous application of these techniques.

What does a successful VE program need? We have learned these truths:

(1) Top management has to insist on a specific effort to achieve results. A small separate budget for the value effort is required. This is true in both government and private industry.

Unless a special effort is directed by top management, proper application of VE just doesn't happen.

For example, the 1970 Highway Act authorizes the Secretary of Transportation to use "value engineering or any other cost reduction analysis" on any federally aided highway project. As of today, to our knowledge, he has not done so within the scope of the profession as we practice it.

We are talking about something beyond that outlined by the then Director of the Bureau of Public Roads before the full committee in 1967.

I am convinced that there are significant additional savings available over and above DOT's current VE efforts. In view of the size of the highway trust fund in construction, we would assume these savings would be in the order of about \$500 million, 10 percent of the total.

(2) Successful VE programs have several skilled people working full time at applying VE. Experience has demonstrated that a part-time VE worker is not effective.

Four years ago, evidence was presented before this committee—on August 1 and 2, 1967—of the early achievements and the potential of VE activities. At that time, the Corps of Engineers achieved with its 2-year-old civil works VE program savings of \$6 million. In fiscal year 1971, the corps civil works VE program generated \$30.9 million savings from staff actions and from contractors.

(3) Savings targets should be established as a percentage of the construction budget.

In summary, we are confident that a properly supported, organized and managed VE effort will produce significant economies and a better product. Our experience shows that a successful VE program must include at least these ingredients:

(1) A specific level of budgetary support.

(2) Full-time VE personnel should be authorized as required in GSA.

(3) Management must set target savings, monitor progress, and support the effort.

And finally, we believe that such a value engineering program could materially assist GSA achieve greater economies in its building program and that VE should be a specific part of the fund.

Senator GRAVEL. Thank you very much, Mr. Tufty.

You talk of savings in the order of \$500 million if the highway program is targeted.

What has been your experience in the application of VE to highway engineering to date?

Mr. TUFTY. We have, I believe, pioneered in the application of value engineering to a highway program. We are not at liberty to reveal the State involved, but we did a study of a \$16 million section of interstate highway in a rural sector and identified potential savings in the order of \$3.2 million.

Senator GRAVEL. You also talk of innovative solutions.

I wonder if you can tell us what you mean by that?

Mr. TUFTY. Value engineering by definition encourages new ideas, and innovative solutions. It asks a lot of hard questions and questions not usually asked and, in many ways, that is why it is effective. In particular, we are aware of an opportunity that exists before GSA at the moment to adopt some of these value engineering innovations and talents at no cost to the Government.

We believe that if GSA were able to respond to this kind of initiative quickly, that significant savings could be materially achieved quite soon. Every day of delay costs the taxpayer money. As I say, it is a new approach and it requires resourceful handling by everybody involved.

Senator GRAVEL. I am impressed by the possibility of this new approach. I just wonder if there would not be a possibility of initiating some type of temporary project or a demonstration project on one particular building with respect to GSA's 63 buildings.

Mr. TUFTY. I think that would be a very helpful way to investigate the opportunities of the potentials of the program.

Senator GRAVEL. Have you had any discussion at all with GSA in this regard about the possibility of setting up a demonstration project?

Mr. TUFTY. There have been tentative indications from some of the new people involved there that are several layers down in management.

As I have said previously, our experience is that unless top management interest and support is there that things just don't happen. It gets farther down the list of priorities.

Senator GRAVEL. I would like to go on record as endorsing this approach.

I hope the staff of the subcommittee will contact GSA and apprise them of this testimony. I would like to get a response from GSA with respect to the possibility of setting up a demonstration project.

I have no further questions.

Thank you very much, Mr. Tufty.

Mr. TUFTY. Thank you, Mr. Chairman.

Senator GRAVEL. There being no further witnesses, we stand in recess.

(Whereupon, at 4:10 p.m., the hearing concluded.)



