



U.S. General Services Administration

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Committee on Oversight and Government Reform
Subcommittee on Government Operations
“David W. Dyer United States Courthouse”
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Good morning Chairman Mica and members of the Subcommittee. My name is John Smith, and I am the Regional Commissioner for the U.S. General Services Administration's (GSA) Public Buildings Service (PBS) in the Southeast Sunbelt Region. Thank you for the opportunity to join you here today at Miami-Dade College to discuss the David W. Dyer Federal Building and U.S. Courthouse.

Under new leadership, GSA has refocused on its mission of delivering the best value in real estate, acquisition, and technology services to government and the American people. To meet this mission, GSA is working with agencies across government to improve utilization and reduce space requirements by effectively managing our assets and pursuing innovative real property proposals that will deliver better space to Federal agencies.

These efforts are in line with the Administration's goals of promoting efficiency and effectiveness across the government, particularly in real property management, and GSA's Southeast Sunbelt Region is doing its part to create savings on behalf of the American taxpayer.

Better Utilizing Federal Real Estate

The Administration has moved aggressively to ensure that Federal agencies better utilize their real estate. In June 2010, the President issued a Memorandum entitled "Disposing of Unneeded Federal Real Estate," which charged civilian agencies to utilize space, reduce operating costs, and dispose of unneeded real property more effectively to save \$3 billion by the end of 2012. Detailed results on the savings achieved as a result of this initiative are on track to be published soon.

To further save money on real estate, the President proposed a bill that would usher in a new approach to Federal real estate, the Civilian Property Realignment Act. Building upon the successful model established by the Defense Base Realignment and Closure Commission, the President's proposal would create an independent board of experts to identify opportunities to consolidate, reduce, and realign the Federal civilian real estate footprint, as well as expedite the disposal of properties.

This proposal would utilize bundled recommendations, a fast-track Congressional procedure, streamlined disposal and consolidation authorities, and a revolving fund replenished by sales proceeds to provide logistical and financial support to agencies in their disposal of high-value properties. It would be a comprehensive solution to key obstacles, such as red tape and competing stakeholder interests that hinder the Federal Government's progress on improving real estate management decisions.

Most recently, Acting OMB Director Jeffrey Zients issued a May 11, 2012, memorandum, entitled "Promoting Efficient Spending to Support Agency Operations," which stated, among other things, that agencies may not increase the size of their civilian real estate inventory. Any increase in an agency's total square footage of civilian inventory must be offset through consolidation, co-location, or disposal of space.

All of these initiatives are improving the Federal Government's management of real estate, ensuring that agencies make cost-effective decisions, and saving taxpayers' money.

GSA's Asset Management

GSA is one of more than two dozen major Federal landholding agencies. Of the more than 834,000 buildings and structures reported by agencies in the FY 2011 Federal Real Property Profile (FRPP), GSA manages just 9,600. This number accounts for about 375 million of the nearly 3.3 billion square feet of space under the government's control, or slightly over 10 percent. GSA's Southeast Sunbelt Region is responsible for 1,587 of these assets.

In GSA's capacity as one of many landholding agencies, we supply office space to other Federal agencies in support of their mission. We have a robust asset management program to track the utilization of our inventory, strategically invest in our assets, where needed, and aggressively dispose of unneeded assets.

As a result of our efforts, we lead the market with our vacancy rates and utilization. When we identify vacant space in areas where there is a continuing Federal need, GSA works aggressively to renovate and reuse the asset to achieve greater utilization.

GSA also works diligently to identify unneeded assets for disposal. Since 2005, GSA has disposed of more than 300 of our own assets, generating proceeds of more than \$116 million. In the Southeast Sunbelt Region alone, we've disposed of 20 GSA assets since 2005, generating \$20.3 million.

One such disposal in the Southeast Sunbelt Region is the James O. Eastland Federal Building and Courthouse in Jackson, MS. The Eastland Federal Building, which has 115,829 gross square feet of office and related space and is situated on 1.5 acres of land, was listed in the National Register of Historic Places in 1976 as a contributing property to the Smith Park Architectural District. GSA began an online auction in August 2011, and sold the property to a local Jackson developer, David Watkins, on March 1, 2012, to be transformed into an institute for the arts.

GSA as Disposal Agent for the Government

In addition to managing our own inventory, GSA has authority to dispose of most federal real property governmentwide, particularly administrative assets. GSA provides strategic direction and oversees the development of programs related to the utilization and disposal of Federal excess and surplus real property governmentwide.

GSA develops tailored disposal strategies specific to an asset's characteristics, environmental issues, community interests, political concerns, market conditions, and other factors impacting the repositioning of the unneeded asset. Similarly, when preparing a property for public sale,

GSA develops marketing plans that optimize the public offering. We use tools and techniques designed to reach very broad audiences and we target specific niche interests.

While GSA has the expertise to navigate properties through this disposal process successfully, each individual landholding agency is responsible for making its own asset management decisions as to whether an asset is excess to its needs.

In the last 10 years, GSA has disposed of 2,869 Federal assets. GSA's Southeast Sunbelt Region helped to dispose of 321 of these Federal assets. The majority of these disposals were on behalf of other Federal agencies, and were not GSA assets. GSA conducted the majority of these disposals via public sales on www.realestatesales.gov (previously known as www.auctionrp.com), which provides a cost-effective way to reach the widest possible developmental interests and maximize the return for taxpayers.

The Dyer Courthouse

Today, the Committee has chosen to discuss the historic Dyer Courthouse, a property for which we are actively exploring repositioning strategies.

The Dyer Courthouse was constructed in 1933 and listed in the National Register of Historic Places in 1983. The Courts and court-related activities substantially occupied the building until 2008. The Courthouse has 160,238 rentable square feet of space.

In 2008, GSA completed construction of the new Wilkie D. Ferguson U.S. Courthouse, and tenants of the Dyer building vacated to occupy the newly constructed courthouse. There are a number of unique characteristics associated with the Dyer building, including shared buildings systems with its sister property, the C. Clyde Atkins U.S. Courthouse. Additionally, GSA's leased portfolio in Miami totals to nearly 3 million square feet. At the time of completion of the Ferguson Courthouse, the initial asset management strategy was to renovate and backfill Dyer for the purposes of lease cost avoidance and preservation of a historically significant asset. This approach was consistent with GSA's strategic preference for owned assets over continued leasing solutions.

However, GSA has since made the decision that it would be more cost effective to reposition the Dyer courthouse given the estimated \$60 million renovation cost. GSA is currently exploring ways to reposition this property. GSA issued a Request for Information on August 1, 2012, seeking ideas for redeveloping and preserving the property. GSA received expressions of interest from only two sources. Neither source offered a viable alternative as proposed; however, we are working with the interested parties to see if there is a way to make them workable. We currently are preparing due diligence for a Report of Excess while assessing other potential strategies for the building.

Repositioning the courthouse will not be without some unique challenges. As mentioned, multiple buildings share the utility infrastructure, parking, courtyard, and tunnels, and the

preliminary cost estimates to separate the connections and create separate stand-alone operations exceed \$10 million. GSA is exploring all potential repositioning strategies and engaging the private sector to find the strategy with the highest chance of success and the highest return to the taxpayer.

Conclusion

GSA is committed to carrying out its mission of delivering the best value in real estate, acquisition, and technology services to government and the American people. We are continuing our work to aggressively manage our own assets while also pursuing innovative new processes to better utilize our inventory.

The Southeast Sunbelt Region is pleased to assist with these efforts. The Dyer Courthouse is one property that helps to highlight the challenges of developing long-term asset strategies in changing fiscal times, and the unique characteristics of properties that can present hurdles to repositioning. GSA looks forward to finding the best strategy to reposition this property and working with the Committee to continue our efforts to utilize federal real estate more effectively.

I welcome the opportunity to be here, and I am happy to answer any questions.