

**COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE
SUBCOMMITTEE ON ECONOMIC DEVELOPMENT, PUBLIC BUILDINGS, AND
EMERGENCY MANAGEMENT
“INDEPENDENT LEASING AUTHORITIES: INCREASING OVERSIGHT AND REDUCING
COSTS OF SPACE LEASED BY FEDERAL AGENCIES”
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TESTIMONY BY CHRIS WISNER

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

I appreciate being invited here today to discuss GSA's efforts to provide cost-effective leased space for our partner Federal agencies.

GSA's mission is to provide the best value in real estate to government and to the American taxpayer. We currently have an inventory of more than 374 million square feet of space. Approximately half of this is leased space, comprising more than 8,302 active leases across the country. We seek to provide space that assists our partner Federal agencies in achieving their missions while best serving the public interest.

As a part of this Administration's management agenda, GSA prioritizes finding ways to maximize utilization of the existing federally owned inventory, including reducing the number of leases we hold in our portfolio. By dramatically improving utilization of our current inventory, we have saved millions of dollars for our partner Federal agencies and for the public.

Shrinking the Government's Real Estate Footprint

GSA works closely with OMB to help implement the *National Strategy for the Efficient Use of Real Property*. GSA is advancing the Administration's Reduce the Footprint policy by helping other Federal agencies increase office space utilization and minimize operations, maintenance, and investment costs by targeting specific properties for disposals and consolidations.

In order to accomplish the goal of reducing the federal footprint, GSA is aggressively working to reduce the amount of leased space in its inventory, since leased space is often more costly than government-owned space. GSA proposes space reduction and consolidation options as tenant agencies require new or replacement leases. GSA also works with agencies to reduce their requirements and implement new and innovative workplace strategies that maximize space utilization.

GSA will also continue to develop new Client Portfolio Plans and update existing plans to identify and implement opportunities for customers to reduce space in leased and government owned buildings. Through these plans, GSA assesses agencies' current real estate portfolio

and develops action plans to increase asset utilization, as funding is available. GSA also works with agencies without a Client Portfolio Plan to reduce their space. We develop and utilize local portfolio plans and leverage market opportunities to help our customers consolidate and reduce real estate costs.

Since 2013, GSA has put a renewed emphasis on aligning projects aimed at reducing the Government's need for costly private sector leases with other required work to maximize the efficiency of its owned real property portfolio. Whenever possible, GSA seeks to consolidate government tenants within federally owned space rather than adding additional leased space to GSA's inventory. GSA is estimating a 1.3 million square foot reduction in leased space across its inventory between FY2017 and FY2018. This projection emphasizes GSA's efforts to better utilize space and to maximize project effectiveness by measuring improvements in space utilization.

GSA's new construction and acquisition program has also significantly reduced the Government's need for leased space. One of the most notable construction projects currently underway by GSA is the consolidation of the Department of Homeland Security at St. Elizabeths. This consolidation, due to be complete in 2021, has already had a positive impact. GSA completed the first phase of the project in 2013, consolidating headquarters components of the U.S. Coast Guard within the new Munro Building on the St. Elizabeths campus. As a direct result of project, GSA was able to vacate 955,712 rentable square feet of leased space. When all three phases of the consolidation are complete, DHS will have moved from more than 50 locations to fewer than 10.

To summarize, GSA's efforts to shrink the government's real estate inventory are having real effects. From FY2014 to FY2015, the leased portfolio decreased by 2.6 million square feet -- from 193.4 million square feet to 190.8 million square feet. GSA is helping the government reduce the federal footprint and save customer agencies money. Customers are looking for ways to consolidate space and minimize costs in this current budget climate and GSA is helping them achieve this goal by offering innovative solutions and technologies to reduce and optimize space.

GSA's Leasing Process

GSA constantly looks for ways to streamline, standardize, and simplify our leasing processes to minimize the costs associated with acquiring a lease when necessary. As of September 2015, GSA has an inventory of 8,302 active leases with 190.8 million rentable square feet under lease. Overall, GSA's goal for the leasing program is to make it easier for the real estate industry to do business with the Federal government, to deliver leased space quicker to its Federal customer agencies, and to receive competitive lease rates.

GSA leases space for most agencies, predominantly offices, laboratories, warehouses, and clinics. GSA uses a comprehensive, deliberative process that ensures full competition and fair rental rates for the taxpayers, while taking into account such public interests as proximity to

central business districts or public transportation and the mission requirements of GSA's agency partners.

In terms of cost to our partners, we strive to keep leasing costs at or below market levels and have developed comprehensive strategies to do so. We use standard industry benchmarks and market surveys to assure that we get the best value for our customers. We use published market sources to gain a better understanding of area markets. To reiterate, GSA's goal for the leasing program is to make it easier for the real estate industry to do business with the Federal government, for GSA to deliver leased space quicker to its Federal customer agencies and for GSA to receive competitive lease rates.

Competition

GSA and the House Transportation and Infrastructure Committee have been partnering closely to eliminate the barriers that GSA faced in reducing costly extensions and holdovers. GSA has been aggressively working with our customer agencies to emphasize the importance of earlier planning for upcoming lease expirations. The earlier development of customer agency requirements allows not only for the footprint reduction mentioned earlier, but also allows GSA to make significant progress in reducing costly extensions, securing longer term leases, and ensuring a competitive approach in our procurements. This year the number of extensions processed is down 25% from the same period last year, and we are seeing an upward growth in the number of long term leases signed (23% compared to 20% last year).

In FY2015 and FY2016, GSA established two important programs to ensure success. The "Lease Portfolio Planning" program tracks project planning nationwide for the entire inventory. GSA regions are tracked on their progress in collecting agency requirements, utilizing GSA's workforce multiplier and streamlining tools (GSA Leasing Support Services contract and the Automated Advanced Acquisition Program, both of which are discussed below), and planning for full and open competition in procurements. In 2015, GSA was planning for competitive procurements in only 40% of FY2017 projects. Through the hard work of GSA and our customer agencies, we now anticipate that number will be over 60%, and we are currently planning for further improvements in competitive procurements in FY2018 projects. While the Lease Portfolio Planning program tracks our planning, our new "Lease Competition" measure will track our results and measure success.

AAAP

In our efforts to improve the delivery of leased space, in 2015, GSA rolled out its online leasing platform, known as the "Automated Advanced Acquisition Program" (AAAP), in all markets in the United States. The goal for the platform is to make it easier for the real estate industry to do business with the Federal government, for GSA to deliver leased space quicker to its Federal customer agencies and for GSA to receive competitive lease rates. AAAP's paperless online offer submission process enables the Government to accomplish this goal. Since its inception in

the GSA National Capital Region in 2005, the AAAP has conducted over 200 lease transactions, totaling over 4 million square feet and over \$1.7 billion in total contract value.

The AAAP enables building owners to complete a series of online questions and route the response to the correct location on the GSA lease form; the offeror then transmits the offer electronically to the Government in response to a generic Request for Lease Proposal. With the AAAP, the initial “traditional” procurement step of offer submission occurs prior to identifying the customer agency requirement, which saves time. The main difference between GSA’s standard lease process and the AAAP is the order that the process steps occur. Once the GSA receives the customer agency requirement, GSA can access the AAAP’s inventory of pre-competed offers and identify the successful offeror within a matter of days and proceed with lease award. From this point forward, the lease award process and tenant-improvement build-out process continues along the same path as the “traditional” method. The key to the AAAP is that the time savings comes at the beginning of the acquisition process.

GSA Leasing Support Service (GLS) Contract

In September 2015, GSA awarded nine GSA Leasing Support Services (GLS) contracts across the country, including two to small businesses. For this generation of the broker contract, GSA changed the award structure by increasing the number of contracts and awarding them by geographic zones instead of nationally. GSA believes that this will provide better service and market-specific expertise. This zonal approach also made it easier for small businesses to compete for prime awards, and helps brokers build better business relationships with GSA’s lease contracting officers.

GLS, formerly the National Broker Contract, provides broker and leasing support services (i.e., market surveys, site visits, document preparation, negotiation) for GSA’s contracting officers, and has, since FY2005, saved taxpayers approximately more than \$250 million in rent cost avoidance through the reduction of federal agency rental payments. GSA anticipates that these savings will continue as GSA continues to leverage GLS services.

Independent Leasing Authority

While GSA manages a large portion of the Federal inventory, we do not manage all of it. According to the Federal Real Property Profile, GSA holds only about 10 percent of the government’s overall real estate, and manages 41.8 percent (or approximately 194 million square feet) of the entire Federal Government’s 464 million square feet of leased space.

Congress has provided leasing authority to other agencies, and GSA respects these independent leasing authorities. In our experience, some agencies with independent leasing authority exercise that authority and others have chosen to have GSA to execute their leases as they look to GSA for our leasing expertise. Having the option for agencies to voluntarily come to GSA for assistance with leasing rather than mandating GSA as the sole leasing authority has been a positive over the years.

Over the years, GSA has accepted responsibility for the execution of replacement leases for the Securities and Exchange Commission. Although SEC has independent leasing authority, SEC determined that GSA is in a better position to execute leases for SEC occupancy. More recently, two agencies with their own independent leasing authority, Commodities Future Trading Commission and Pension Benefit Guaranty Corporation, have asked GSA to support their leasing efforts. Using GSA for their lease procurements provides them benefits beyond the market and acquisition expertise we provide. Client agencies can reduce redundant facilities staff, shift lease execution risk to GSA and the Federal Buildings Fund, and tap the market expertise of our private sector broker network through the GLS contracts.

Conclusion

Chairman Barletta, Ranking Member Carson, and members of the Committee, we are dedicated to meeting our customer agency requirements in an efficient, transparent, and user-friendly manner. We are committed to streamlining the lease process and delivery of our projects by constant evaluation of our performance and by incorporating new technologies and approaches to improving efficiency. Thank you for the opportunity to testify before you today. I am happy to answer any questions.