

Statement of Chris Wisner

**Before the
Subcommittee on Economic Development, Public
Buildings and Emergency Management of the
Committee on Transportation and Infrastructure
U.S. House of Representatives**

**“Department Of Veterans Affairs Leases: Is the VA Overpaying
For Leased Medical Facilities”**

September 28, 2016

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 and suitable leased space for our partner Federal agencies, including the Department of Veterans Affairs (VA).

GSA’s mission is to provide the best value in real estate to government and to the American people. GSA currently manages 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 and 190.8 million rentable square feet across the country. GSA seeks 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 strategy, GSA works to maximize utilization of the existing federally owned inventory, including reducing GSA’s leased portfolio. By improving utilization of GSA’s inventory, we have saved millions of dollars for our partner Federal agencies and for the public.

GSA’s Leasing Process

GSA works to streamline, standardize, and simplify our leasing processes to minimize the costs associated with acquiring leased space. 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 quickly to our partner agencies, and to secure competitive lease rates in our procurements.

GSA uses a comprehensive, deliberative process to deliver space that meets agency mission requirements and secure competitive rental rates, while taking into account public interests such as proximity to public transportation and location in central business districts.

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, published market sources, and local expertise to ensure that we get the best value for our customers.

GSA's Prospectus Process

GSA's prospectus process starts with requirements development, where GSA works with customer agencies to define their space needs. As part of the Administration's goal to maximize the use of existing Federal assets and eliminate unneeded and excess real estate, GSA first looks to the existing Federal inventory of owned and leased space to meet those needs. If existing space is not available, GSA determines whether federal construction or leasing is the appropriate space delivery method that balances the mission needs of the customer, market parameters, resource constraints, and fiscal responsibility to the public.

If leasing is the chosen alternative, GSA continues to work with partner agencies to further define its program of requirements. As with owned properties, the program of requirements for a lease includes a comprehensive housing plan, identification of delineated area, and estimated space utilization rate. The prospectus process also requires market research to establish market-based rental rates. GSA conducts its procurements using prevailing market rates as the benchmark for the evaluation of competitive offers to ensure that lease rates are in line with the private sector. The result of this thorough process is submittal of a prospectus and supporting documentation for projects over the threshold¹ that propose the best solution for a validated Government need.

VA Delegation Authority

One of the ways GSA supports customer agencies in acquiring needed lease space is through the delegation of GSA's real property authority by the Administrator of GSA to other Federal agencies. As GSA's core leasing expertise is general office and warehouse space, GSA has a history of delegating authority² to enable Federal agencies to acquire space to meet their mission needs. In 1996, the GSA Administrator granted all Federal agencies conditional delegations of leasing authority to procure general office type space³. Standing delegated authority exists for all Federal agencies for certain categorical space delegations,⁴ and for special purpose space⁵.

In 2007 and 2013, based on feedback from both the Government Accountability Office and the GSA Inspector General, GSA completed comprehensive reviews of the delegations program and

¹ 40 U.S.C. § 3307

² 41 CFR 102-72.30

³ 41 CFR 102-72.30(b)

⁴ 41 CFR 102-73.155

⁵ 41 CFR 102-73.160

modified the overall management of the delegations program for general office, categorical, and special purpose space.

The standing delegations of authority, inclusive of categorical and special purpose space, are explicitly restricted to below the prospectus threshold. Any delegation of leasing authority over the prospectus level is outside the scope of these standing delegations and must be addressed individually.

GSA's Delegated Leasing Authority to VA

In 2014, VA began relying exclusively on GSA's delegated authority to conduct its leasing activities. Some VA requests for delegated leasing authority are above the GSA prospectus threshold, and GSA will submit prospectuses to this Committee and to the Committee on Environment and Public Works of the Senate.

The initial delegation requests from VA required a number of revisions to comply with GSA delegation program requirements, both in form and substance. Furthermore, as delegation requests above the GSA prospectus threshold were not within the normal delegation program management, there was no standing GSA processes for consideration, requesting, and granting such authorization. GSA and VA have worked together to ensure that documents GSA receives from VA are in line with like GSA prospectus submissions to Congress.

Choice Act

GSA supports VA's mission to provide assistance to veterans and their families. From June 2014 to September 2016, GSA has granted VA 761 lease delegations, of which 96% have been granted routinely under GSA's standing delegation program. Only four percent (4%), or 27 of those delegated leases, have exceeded the 19,999 usable square footage (USF) limitation on the standing delegation and have required an individual action by the GSA Administrator. Only six of those requests also exceeded the \$2.85 million prospectus threshold.

The Choice Act, enacted in 2014, provides new authorities and funding to continue VA's mission, including statutorily authorizing the Secretary of Veterans Affairs to carry out leases for 27 VA medical facilities in 18 states and Puerto Rico. Out of these 27 leases, there are eight remaining that are above GSA's prospectus threshold. The Committee's help is needed in providing GSA with resolutions for those projects. As indicated above, GSA will submit those prospectuses to this Committee in upcoming weeks.

Future Planning

As we move forward in our partnership, VA and GSA are working closely to ensure VA projects comply with GSA policies and practices. For instance, as mentioned earlier, GSA has a solid methodology for determining market rental rates, but currently, our methodology does not

provide for clinical or hospital rates. With VA's expertise, and the addition of third party sources of data we have jointly identified, we can bring the same discipline and structure to the market rate justifications for VA prospectuses that we provide for GSA prospectuses.

GSA will also work with VA to continue to refine a hospital cost model, adding to VA prospectuses the same consistency in cost analysis as that found within GSA prospectuses. Furthermore, as part of strategic planning, VA and GSA have an opportunity to identify opportunities for VA to backfill existing underutilized or vacant space instead of initiating new leasing actions.

As this Committee is aware, GSA is committed to earlier upfront planning with our partner agencies to avoid costly extensions and holdovers, and to provide ample time for maximum competition. In that vein, we also stand willing and able to help VA plan and develop future prospectus submissions to ensure compliance with this Committee's expectations.

Conclusion

Chairman Barletta, Ranking Member Carson, and members of the Committee, GSA is dedicated to meeting the requirements of all of our partner agencies in an efficient, transparent, and user-friendly manner. We are committed to streamlining the leasing process and delivery of our projects by constant evaluation of our performance and by incorporating new technologies and approaches to improve efficiency. We will continue to support VA in their mission of providing assistance to veterans and their families. Thank you for the opportunity to testify before you today, and I am happy to answer any questions.