

**STATEMENT OF
MARK RITCHIE
BOARD MEMBER, NATIONAL FEDERAL DEVELOPMENT ASSOCIATION**

HOUSE COMMITTEE ON VETERANS' AFFAIRS

LEGISLATIVE HEARING

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Chairman Bost, Ranking Member Takano, and Members of the Committee: Thank you for the opportunity to testify today. My name is Mark Ritchie, and I serve on the Board of the **National Federal Development Association (NFDA)**. The non-profit NFDA represents the private-sector partners who have invested billions in the infrastructure essential to the VA mission. We are not just vendors; we are the bridge between private capital and the public service of our nation's veterans. We understand the mechanics of the federal real estate leasing market better than most, and we are here today to express our strong support for **H.R. 6599**, the *Leasing and Infrastructure Act of 2025*. This bill provides for common-sense solutions by adopting modern standards and If I leave you with anything today, it is by adoption of these reforms, we will be able to deliver timely, cost-effective medical facilities for use by our nation's veterans.

This testimony should also serve to answer the question; Why does U.S. Veterans Affairs (VA) keep coming back to Congress for additional money to fund these leased projects?

The three major takeaways are:

- 1) The methodology the VA utilizes to determine rent for these projects makes no sense,
- 2) Current use of full service leases for a twenty year period actually adds to the cost of these important projects, and
- 3) The linear VA/ General Services Administration (GSA) approval process adds significant time to the delivery of these important facilities.

I think we can agree the requisite agency's intentions are to protect taxpayers, all while serving our vets. In reality, the current VA/GSA/Office of Management and Budget (OMB) process is dysfunctional and by maintaining the status quo, these "bid-busts" will continue to haunt us. Why? You will be asked again and again to approve Prospectuses that aren't worth the paper they are printed on.

While my written testimony delves deeper into these three pillars, I believe the best place to start is in the middle of the story; where on May 1, 2024, nearly two years after the approval

of the Promise to Address Comprehensive Toxics (PACT) Act, the Senate Veterans Affairs Committee hosted a Business Meeting with then VA Secretary McDonough. Among the topics discussed were the 31, PACT Act leases and in his remarks to Senator Tillis, Secretary McDonough commented and I'm paraphrasing; He [McDonough] "might need to come back and ask to reauthorize at a higher cost level... we've seen anywhere between 60 - 150% above the authorized level." My written testimony details the timeline of this odyssey, so I won't address that now. However, an experienced industry practitioner can quickly determine the viability of these projects within minutes of review of the initial authorization request.

PACT Act Lease Authorization Timeline

2022	August 2022 - PACT Act signed into law		
2023	March 2023 - Budget submission was published with rents "not to exceed"	Summer 2023 VA receiving market feedback on "authorized" rental rates	YE 2023 One of the 31 PACT leases awarded*
2025	March 2025 - Congressional Reauthorization - 18 Leases		YE 2025/Q1 2026 - 19 of the original 31 awarded**
2029	2029 - Clinics open?		

* Atlanta Veterans Health Administration Central Office; occupancy in traditional office building
 ** At minimum six have been canceled or are languishing

VA Projects- 2025 Reauthorizations

Project Name	Original Auth. (VA '21-'23)	Original PSF	Reauth Level (VA25)	Reauth PSF	Total Rent Increase	% Increase
Allentown, PA*	\$3,532,000	\$43.21	\$4,457,000	\$54.53	\$925,000	26.19%
Baltimore, MD	\$6,479,000	\$57.52	\$8,081,000	\$71.75	\$1,602,000	24.73%
Baton Rouge, LA*	\$2,767,000	\$31.48	\$5,633,000	\$64.09	\$2,866,000	103.58%
Beaufort, SC*	\$2,286,000	\$37.70	\$4,680,000	\$65.30	\$2,394,000	104.72%
Clarksville, TN	\$6,794,000	\$31.57	\$11,925,000	\$55.42	\$5,131,000	75.52%
Hampden, MA	\$3,977,000	\$51.85	\$4,097,000	\$53.42	\$120,000	3.02%
Hampton Roads, VA	\$6,716,000	\$36.85	\$10,497,000	\$57.60	\$3,781,000	56.30%
Jacksonville, NC	\$4,708,000	\$32.67	\$9,934,000	\$52.58	\$5,226,000	111.00%
Killeen, TX	\$8,518,000	\$43.37	\$11,002,000	\$56.02	\$2,484,000	29.16%
Nashville, TN	\$7,241,000	\$46.04	\$13,863,000	\$88.15	\$6,622,000	91.45%
North Kansas City, MO	\$4,332,000	\$42.16	\$6,213,000	\$60.47	\$1,881,000	43.42%
Plano, TX	\$3,973,000	\$41.92	\$6,706,000	\$70.76	\$2,733,000	68.79%
Prince George's County, MD	\$3,740,000	\$43.94	\$5,697,000	\$66.93	\$1,957,000	52.33%
Salt Lake City, UT	\$3,606,000	\$42.40	\$7,760,000	\$91.24	\$4,154,000	115.20%
Sarasota, FL	\$4,808,000	\$43.80	\$7,934,000	\$72.27	\$3,126,000	65.02%
Tampa, FL	\$5,884,000	\$38.32	\$8,707,000	\$56.71	\$2,823,000	47.98%
The Villages, FL	\$4,959,000	\$35.38	\$9,145,000	\$65.25	\$4,186,000	84.41%
Tri-Cities, WA	\$4,812,000	\$48.78	\$7,129,000	\$72.27	\$2,317,000	48.15%

*Originally below the prospectus level
 Sources: GSA Prospectus Capital Investments and Leasing Prospectus Library & VA Budget Requests, Congressional Submissions, '21, '22 & '23

I'm not here to castigate VA, as the VA does the best it can with the tools provided. Unfortunately, we've provided the VA with a jeweler's hammer when a sledgehammer is required.

Three Major Pillars of Reform

1. Modernizing Cost Estimating Methodology

The most significant obstacle to awarding new Outpatient Clinic (OPC) leases is the current, flawed prospectus cost-estimating process. H.R. 6599 addresses this through essential technical fixes. Currently, the VA is forced to use a methodology that utilizes current office building rents as a proxy to build and lease what are, "hospitals without beds. Finding lease comparables for an existing office building is radically different than costing out state-of-the-art medical facilities.

This creates a fundamental **valuation mismatch**. To further illustrate the absurdity: the government is effectively asking the private sector to develop high-acuity clinical environments—requiring specialized Heating Ventilation and Air Conditioning, redundant power systems, specialized medical/dental room modules and complex plumbing.

Let's say we were trying to build any highly purposed facility in a market like Washington, DC using currently depressed office building rents to pay for it. The math simply does not work and current depressed office rental markets are magnifying the challenges to make these pencil. By utilizing off-the-shelf construction cost software combined with standard financial return models, we can insert rationality into this process.

- **Life-Cycle and Regional Modeling:** The bill mandates the use of Life-Cycle Cost Modeling and Regional Market Adjustments. This prevents the VA from relying on outdated national averages that fail to reflect local construction realities.
- **Inflation and Indexing:** By requiring inflation indexing, the VA can prevent the price escalations that typically occur during long procurement delays, ensuring that the budget approved by Congress remains viable through the award date.

2. Adopting Commercial Leasing Methodology

By authorizing **modified gross** or triple net (**NNN**) leases, the bill allows the VA to capture savings from operational efficiencies directly. This better alignment with market standards will increase competition, attracting additional high-quality partners who are currently sidelined by these rigid, non-commercial requirements.

The federal government is currently the only entity, public or private, that utilizes this inefficient formula for its long-term commitments. Many of VA's Clinic lessors are "mission driven", particularly Veteran Owned Small Business/Service Disabled Veteran Owned Small Business (VOSB's). These VOSB's are forced to guess what insurance is going to be 10-15-20 years from now and normal Consumer Price Index (CPI) based increases do not apply to the insurance cost line item. I suspect your homeowner constituents have a litany of complaints on insurance cost increases. Well, it's intensified in the OPC universe, as most of these clinics are sited in regions that have suffered disproportionately from natural disasters, thus outrageous increases in insurance premiums. We've seen some significant losses by VOSB owners of these projects. By forcing the owner to guess what the VA's utility usage or insurance costs are going to be in twenty years is patently unfair. One can argue the VA should not be accountable for its own utility use. However, the VA does have history of leasing these clinics – net of utilities. There can be at minimum, small adjustments to these leases that makes this a win-win-win for all participants.

- **Flexible Lease Structures:** The bill allows for market standard leases, utilizing modified gross, full-service gross (with expense stops) or NNN leases. VA and GSA have some experience in utilizing elements of these lease structures. Ultimately it will lower leasing costs, while having the VA pay expenses for only the services they require.
- **Preventing Over-Engineering:** The bill requires design guides to be updated every five years. This ensures the VA utilizes modern commercial standards rather than rigid, antiquated requirements that inflate costs without improving clinical outcomes.
- **Risk Sharing:** For the first time, the bill introduces risk-sharing provisions and the reimbursement of developer holding costs, which will attract more competitive bids from high-quality private partners.

3. Independent VA Leasing Authority and Speed

To be effective, the VA must be the master of its own timeline. H.R. 6599 cuts the "red tape" that currently binds the VA to GSA-controlled schedules. Current process is once a VA Prospectus Lease is approved it then goes to GSA. This GSA delegation isn't just a bureaucratic step - it is a financial burden. Every month of delay in the sequential track VA/GSA approval process subjects the project to construction cost escalations and increased financing carry costs, which are ultimately passed back to the taxpayer.

- **Direct Authority:** Once Congress approves a prospectus, the VA is granted independent leasing authority, eliminating the need for additional GSA delegation hurdles.

- **The 12-Month Mandate:** The bill creates a mandatory requirement to award leases within one year of solicitation. Moving from a multi-year cycle to a 12-month mandate prevents costly project restarts and ensures veterans access modern care years sooner.
 - **The Veterans Leasing Fund:** By establishing a dedicated fund with "no-year" funding and contract authority, the bill provides long-term stability and prevents projects from stalling due to annual budget cycles.
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Conclusion: The Bottom Line

H.R. 6599 is not just a leasing bill; it is a clinical access bill. When a lease award is delayed by years due to bureaucratic friction, that is time veterans spend waiting for the care they have earned. By removing the "Government Premium" and streamlining authority, we ensure that taxpayer dollars go toward veteran health rather than administrative waste.

H.R. 6599 provides the VA with the necessary tools to build a responsive, modern healthcare network while remaining fiscally accountable. By modernizing cost estimation, adopting market-based leasing structures, and establishing independent authority, this Committee can dissolve the gridlock that has stalled veteran care.

The NFDA believes this legislation is the prudent way to ensure that taxpayer dollars are used efficiently to build the 21st-century facilities the VA mission requires. We urge the Committee to move forward with these essential reforms to ensure our veterans receive the high-quality facilities they have earned and deserve.

Chairman Bost, thanks to you and your committee for your laser focus on this important issue. I look forward to your questions.