



U.S. General Services Administration

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Committee on Oversight & Government Reform
Subcommittee on Government Operations
GSA's Plan to Fully Utilize Constitution Center
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Introduction

Good morning Chairman Mica, Ranking Member Connolly, and members of the Subcommittee. 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 highly efficient space for our partner Federal agencies, and GSA's plan to ensure that the existing lease obligation we assumed on behalf of the Securities & Exchange Commission (SEC) at Constitution Center is properly utilized.

Finding Cost-Effective Space for Agencies

GSA currently has an inventory of more than 375 million square feet of space, approximately half of which is distributed over nearly 9,000 leases across the country. We seek to provide space for our partner Federal agencies that assists them in achieving their missions while best serving the public interest.

GSA, as a part of this Administration's management agenda, prioritizes finding ways to maximize utilization of the existing federally owned inventory. By dramatically improving utilization of our current inventory, we have saved millions of dollars for our partner Federal agencies and for the American taxpayers.

When existing space is not available, GSA determines the best method to acquire new space, whether through new construction or leasing space from the private sector. GSA leases space for most agencies, including, but not limited to 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 partners.

Since real property was identified as a high-risk area by GAO in 2003, GSA has worked closely with our partner Federal agencies to maximize the utilization of leased space. In our prospectus-level lease program in Fiscal Year 2013 alone, GSA and our partner agencies have proposed a nearly 10 percent reduction in square footage requirements, from a current requirement of 3.4 million square feet to proposing just 3.1 million square feet. Approximately 80 percent of GSA's leases are for smaller, short-term needs that require fewer than 20,000 square feet. Nationally, GSA's leased space vacancy is only 1.6 percent; this compares to a national average of 15.6 percent in the private sector.

How the Constitution Center entered GSA's inventory

Of course, GSA is not the only agency that leases space on behalf of the Federal Government. More than 25 agencies and commissions have their own statutory authority to hold land and acquire leasehold interests.

Constitution Center is an example of our efforts to assist an agency that entered into an agreement using its independent leasing authority. In 2010, the SEC, under its own authority, signed an agreement to lease approximately 900,000 square feet in this building. Shortly thereafter, the SEC indicated that this space was not needed, and the Federal Housing Finance Agency (FHFA) and the Office of the Comptroller of the Currency (OCC) agreed to take on approximately two-thirds of the space.

In 2011, GSA reached an agreement with SEC to assume control of and backfill the remaining 358,000 square feet under SEC's lease. Since that time, GSA has worked to identify potential backfill tenants and minimize the financial exposure to the Government that would result from this space sitting vacant.

GSA's plan for the Constitution Center

GSA is taking advantage of the leasehold interest in the Constitution Center to consolidate space for the Federal Trade Commission (FTC), the National Endowment for the Arts (NEA), and the National Endowment for the Humanities (NEH). FTC will be moving from two expiring lease locations at 601 New Jersey Avenue Northwest and 1800 M Street Northwest in Washington, D.C. GSA and FTC have used this opportunity to reduce FTC's footprint, improving FTC's utilization of office space from 167 square feet per person in the old leases to only 119 square feet in Constitution Center.

The balance of the space will be used to provide needed housing for the NEA and NEH. The move of NEA and NEH is part of GSA's agreement to redevelop the Old Post Office.

As you know, GSA recently reached an agreement to outlease the historic Old Post Office, securing the investment of \$200 million in private sector funds in the restoration of the 114-year old federal building. This significant investment will allow GSA to convert the Old Post Office into a mixed-use development that will serve the local community, preserve the historic facility, and save taxpayer dollars.

This agreement is contingent on GSA's ability to vacate the existing Federal tenants from the Old Post Office. Relocating NEA and NEH from the Old Post Office in a timely fashion is imperative to GSA's ability to implement the proposed redevelopment agreement for the Old Post Office, and failure to deliver the unencumbered site will result in significant financial penalties for the Government.

Upon delivery of the Old Post Office to our private sector partner, we will receive a base rent of \$250,000 per month, escalating at the Consumer Price Index over the term of the 60-year lease. The funds that GSA receives from the Old Post Office outlease can be used for repair and upkeep of historic Federal buildings across GSA's inventory, saving additional taxpayer dollars.

GSA's portion of the Constitution Center will have zero vacancy once we complete construction of tenant improvements and FTC, NEA, and NEH move into their new space. Construction is underway for all tenants, and FTC's space is approximately 40 percent complete. The NEA and NEH, as well as the FTC employees currently housed at 601 New Jersey Avenue and 1800 M Street, are all scheduled to move into this building by March 2014.

Previous Considerations for Constitution Center

At the direction of Chairman Mica and the House Committee on Transportation and Infrastructure, GSA examined alternatives for Constitution Center aimed at consolidating FTC's entire Washington-area presence, including FTC Headquarters functions currently housed in the historic Apex Building at 600 Pennsylvania Avenue Northwest.

Accommodating FTC's projected needs in Fiscal Year 2015, even under the improved space utilization, would require 446,054 rentable square feet of space. Even at current, on-board staff levels, FTC would require more space than is available to GSA in Constitution Center. In addition to the space limitations, relocating the FTC employees currently housed in the Apex Building would increase moving costs by nearly \$50 million. At the same time, the 30-year net present value cost of moving FTC Headquarters operations from federally owned space into a lease would exceed \$170 million. Given the size limitations and costs associated with such a move, consolidating the FTC's entire Washington presence into Constitution Center is not feasible.

Conclusion

Thank you for inviting me to appear before you today. Given GSA's expertise in leasing, we look forward to continuing our dialogue on how to maximize utilization at Constitution Center and throughout GSA's inventory. I am pleased to take your questions.