

**MAKING THE GENERAL SERVICES AD-
MINISTRATION LEASE AND CON-
STRUCTION PROCESS EFFICIENT,
TRANSPARENT, AND USER-FRIENDLY**

(110-135)

HEARING

BEFORE THE

SUBCOMMITTEE ON

ECONOMIC DEVELOPMENT, PUBLIC BUILDINGS, AND
EMERGENCY MANAGEMENT

OF THE

COMMITTEE ON

TRANSPORTATION AND

INFRASTRUCTURE

HOUSE OF REPRESENTATIVES

ONE HUNDRED TENTH CONGRESS

SECOND SESSION

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U.S. House of Representatives
Committee on Transportation and Infrastructure
Washington, DC 20515

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June 4, 2008

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SUMMARY OF SUBJECT MATTER

TO: Members of the Subcommittee on Economic Development, Public Buildings, and Emergency Management

FROM: Subcommittee on Economic Development, Public Buildings, and Emergency Management Staff

SUBJECT: Hearing on "Making the GSA Lease and Construction Process Efficient, Transparent, and User-friendly"

PURPOSE OF HEARING

The Subcommittee will meet on Friday, June 6, 2008, at 10:00 a.m., in 2167 Rayburn House Office Building to receive testimony on "Making the GSA Lease and Construction Process Efficient, Transparent, and User-friendly." The witnesses will provide testimony on the intersection of the General Services Administration (GSA) and the private sector in procuring space for the Federal Government by construction or leasing, and suggestions for making the procurement process more efficient.

BACKGROUND

The Subcommittee on Economic Development, Public Buildings, and Emergency Management has jurisdiction over the General Service Administration's real property activity through the Federal Property and Administrative Services Act of 1949, the Public Buildings Act of 1959, and the Cooperative Use Act of 1976. These three Acts are now codified as Title 40 of the United States Code. Within GSA, the Public Buildings Service (PBS) is responsible for the construction, repair, maintenance, alteration, and operation of United States courthouses and public buildings of the Federal Government. Additionally, PBS leases privately owned space for Federal use. PBS, with a work force of approximately 6,000 employees, owns, operates, maintains, and repairs existing Federal buildings, and plans for the construction of new Federal buildings, including courthouses.

GSA owns over 1,600 Federal buildings totaling 175.5 million square feet of space, which provide office space for 640,000 Federal workers. GSA also leases approximately 176.3 million square feet of space in over 7,100 buildings and houses approximately 700,000 federal employees. In 2007 the functional replacement value of GSA owned buildings was \$41.7 billion. The agency also provides space in federal buildings for child-care and telecommuting. The inventory ranges from 2,500 square foot border crossing stations along the U.S.-Canadian border, to million square foot courthouses located in major metropolitan areas.

The Public Buildings Act of 1959 requires that GSA projects for construction, repair, alteration, and alteration in leased or owned space above prospectus level be submitted to Congress for approval. In fiscal year 2009, GSA prospectus level, for construction, repairs, alterations, and leases is \$2,600,000 and the prospectus level for alterations in lease space is \$1,330,000. The Public Buildings Act of 1959 prospectus level projects are required to be submitted to the House Committee on Transportation and Infrastructure and the Senate Environment and Public Works Committee for approval. In fiscal year 2009, GSA submitted six construction prospectuses and three leases while in fiscal year 2008, the Committee on Transportation and Infrastructure approved fifteen leases and two alterations in leased space by resolution.

Once the Committee approves a prospectus with a resolution authorizing appropriations, GSA has the authority to issue a solicitation for a lease and a request for proposals for a construction, repair, or alteration project. The private sector responds to these solicitations in a full and open bid competition. GSA evaluates the proposals, ensures the submissions meet various federal requirements, and makes a best value award based on a combination of price and quality factors.

The purpose of the hearing is to examine the construction and leasing procurement process and how GSA can promote greater savings throughout the process by working collaboratively with the private sector in reducing costs and/or eliminating costly provisions in the process.

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WITNESSES

Panel 1

Mr. David Winstead
Public Buildings Service Commission
General Services Administration

Panel 2

Mr. Art Turowski
Senior Leasing official
Jones Lang LaSalle

Ms. Gail Seekins
Senior Property Manager
Akridge Company
Member of the Building Owners and Managers Association (BOMA) International

Mr. Ken Grunley
President
Grunley Construction

MAKING THE GSA LEASE AND CONSTRUCTION PROCESS EFFICIENT, TRANSPARENT, AND USER-FRIENDLY

Friday, June 6, 2008

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON ECONOMIC DEVELOPMENT, PUBLIC
BUILDINGS AND EMERGENCY MANAGEMENT,
COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE,
Washington, DC.

The Subcommittee met, pursuant to call, at 10:57 a.m., in Room 2167, Rayburn House Office Building, Hon. Eleanor Holmes Norton [Chair of the Subcommittee] presiding.

Ms. NORTON. Today the Subcommittee will examine the processes and costs associated with leasing and construction by the General Services Administration. Although leasing and less frequently construction are perhaps the most important work of the Public Buildings Service Commission, during my years on this Subcommittee, there has never been a top to bottom look at out how the agency accomplishes this work or whether it needs changes. It is long past time for the Federal Government, the Nation's major procurer of lease space, with 700,000 Federal employees at leased sites and with approximately, 640,000 employees in government owned space to look more closely at the benefits and burdens of its lease and construction practices. This is especially the case today when we are about to undertake the largest building project in the history of GSA, the new headquarters for the Homeland Security Agency.

The stakes for the taxpayers and for government and private sectors alike are incredibly high. Taxpayers want the best deal the marketplace can offer. Especially considering the leverage that GSA's outside footprint should afford, developers, building owners and contractors who incur considerable risk and substantial cost simply to compete for Federal leases and construction contracts want a cost efficient process that yields timely decisions. GSA wants to assure its clients are adequately served and that Federal requirements are met.

The Subcommittee and ultimately the full Transportation and Infrastructure Committee authorizes GSA requests for space which come to the Committee in the form of an agency prospectus. The processes for leasing and construction are inherently complicated. But this does not mean that they cannot be streamlined or made less costly, more transparent and more user friendly. Is the present process the best we can do? Today we ask ourselves whether con-

sidering Federal requirements and professional and technical demands for leasing and construction, can the GSA leasing and construction process be improved? Before prospectuses even arrive on Capitol Hill, the GSA has used its considerable expertise and spent many staff hours of work, request for leasing, of course, occur far more often than for construction.

GSA issues a solicitation for offers based on prospectus approved by Congress. After submission of offers, GSA evaluates the initial submissions for technical compliance with the original solicitation. Negotiations ensue on costs for tenant improvements, the availability of amenities, the range of acceptable rental rates and other tenant agency requirements. After GSA requests best and final offers from potential lessors, the final evaluation takes place. Even after final award is made, GSA must negotiate a final lease with several clauses designed to protect the government's interest, although some of these same clauses may be at issue at today's hearing.

Clauses that give the government the right to terminate a lease at any point and to buy the building at market rates may create an economic risk that although not likely to be exercised by GSA, drive up the final price to private industry and ultimately to the Federal Government. If, however, construction is authorized by Congress, and usually that happens in advance, a lengthy set of steps also ensue, including consultation to determine client needs, site selection, architect and engineer selection, final design and procurement strategy. The current release steps GSA also develops a prospectus for Committee approval.

Once the prospectus is approved the procurement phase begins and the private sector is engaged and award occurs and further refinements are made and negotiations are finalized. However during procurement, construction documents, advertising the project, preparation submission of bid awards, of contracts and final negotiations can stretch on for years. Market conditions, market volatility and labor costs, in the meantime, complicate the task of contractors in preparing a winning bid. In addition, numerous Federal requirements such as the provisions of the National Environmental Protection Act, or NEPA, Buy America, competition and contracting act, small and minority business Act, Fair Labor Standards Act, energy, historic and environmental rules and regulations all are incorporated into the procurement.

During my service on this Subcommittee, I have had an opportunity to closely observe GSA as it has located agencies in particular here creating a virtual microcosm of GSA's location policies nationwide. GSA is assigned this responsibility because unlike other Federal agencies, it has unique professional and technical knowledge. This is only part, but as it turns out, often the most visible and an important part of GSA's leasing responsibilities. This function is assigned to GSA and not to Federal agencies themselves in order to ensure adherence to uniform policies to control important variables such as cost per square foot and to ensure taxpayers receive the best value for available Federal funds.

Many of GSA's decisions have created the impression that some locations are acceptable and some locations are not, despite the proximity to public transportation and amenities as required by

law and even where there has been existing Federal investment. To make this point, I held my first hearing as chair in NOMA, the part of downtown Washington north of Massachusetts Avenue that provided a case study for looking closely at GSA's location policy. This area is bounded generally by Union Station, North Capitol Street, Florida and New York Avenues, you will recognize as main downtown parts of the district, as well as second street on the northeast side.

The area, in addition, is very close to the Capitol, to the Senate and the House and is a prime location here, leading to a makeover that began almost two decades ago. The private sector found NOMA long before the rapid development in progress there today. For years, NOMA has been the headquarters for brand name private public and nonprofit entities among them, XM Radio, CareFirst, BlueCross/BlueShield, SEC and Kaiser Permanente. Yet although finally in the midst of a building boom, with 60 percent office space and 40 percent housing, a supermarket and amenities not available on K Street, Federal agencies still show reluctance to locate in NOMA. What should the Federal Government do about this?

NOMA is not only close to the New York Avenue metro but to Union Station, the city's major transportation hub where rail, light rail, metro bus and taxi service converge. The local bid is running a taxi, a free service between New York Avenue and Union Station. Nor can it be doubted that the Federal Government regards the centrally located NOMA area as vital to Federal interests because the NOMA transformation now in progress has been significantly influenced by Federal policy, the new Bureau of Alcohol, Tobacco and Firearms, their headquarters which was just opened last month, signaled that NOMA was regarded as an ideal site for Federal facilities. Make the point unmistakable.

The Federal Government also did what it never has done before, did a one-time only investment, at least thus far in an extra Metro station that had not been planned as part of the net metro station that had not been planned as part of the Metro system and specifically positioned the station to serve the NOMA area and thus fulfilling indeed more than fulfilling GSA requirements for Federal facilities and that they are arguably located in close proximity to public transportation.

As a result, NOMA, unlike most areas where Federal facilities are located, has a new Metro station on the north end in addition to Union Station and the transportation hub on the south end. How then could anyone explain to taxpayers that there would be any reluctance by the Federal Government to locate agencies in 50 city blocks downtown Washington of existing space rapidly being developed at below market office space rates here. In years of oversight, this Committee has found evidence that agency preferences, not statutory mandates, often dominate GSA location selections.

The 57-acre government-owned Southeast Federal Center, located on M Street in the neighborhood known as Capitol Riverfront, today is 5 minutes from the Capitol and is another case in point. GSA was unable ever to convince Federal agencies to locate there, even though long ago the Navy Yard Metro station at both ends of M Street have been located there. After 10 years of seeing

agencies avoid the area, and I introduced the southeast Federal Center legislation, that for the first time is allowing the private sector to develop on a Federally-owned site, a very valuable piece of land located on the River, shortly will there after the new Department of Transportation headquarters was built there still capital River front near the new Navy yard a multi use development which will have parks, to be found nowhere else where Federal agencies are located also a supermarket, a mall, may be experiencing the same reluctance by Federal agencies to locate there in the M Street Yards Southeast area.

I will be holding a forum for agencies along with the local businesses improvement district or bid being formed just as NOMA has had a very effective bid to inform agencies more about the area and its amenities just as I did for NOMA. Several years ago, GSA cooperated with me in the form which introduced agencies to NOMA. And I am pleased that GSA is again involved with this upcoming forum in late June. But I must say that even after we had the forum, GSA had difficulty getting agencies to locate in NOMA, even as amenities tumbled down and were clearly being developed.

Meanwhile Federal agencies continue to want to lease higher-priced space in more traditional areas, near K Street Connecticut Avenue and similar downtown locations. Not surprisingly, Federal employees often prefer downtown locations near their shops and their restaurants and their theaters regardless of what shops and restaurants and theaters are being built in new areas. Agency preferences are, of course, central and very relevant and must always be taken into account. However significant questions are raised concerning GSA's adherence to statutory requirements when sites compete which have amenities and are continually bypassed by GSA.

As a result of the NOMA hearing, the Subcommittee added important language to every GSA prospectus that requires GSA to notify our Subcommittee if any changes are to be made to the area designated in the prospectus. This language has had some effect. It was designed to keep Federal agencies from dictating where they will be located regardless of costs once a fair competition has occurred and enforces the original intent of executive order 12072 that requires GSA to give serious consideration to neglected parts of urban areas.

At bottom, GSA's leasing and construction process requires not only more leadership from this Subcommittee but particularly from GSA in performing the vital role it has been assigned by Congress. Its role requires initiative as well as deference to serve its numerous and often inherently inconsistent roles to develop as developer, landlord, real estate agent and agent for major repairs and rehabilitation.

The Subcommittee is earnestly looking for ways to help especially considering that GSA is a peer of the Federal agencies it serves and may need statutory or prospective changes from Congress for agencies to fully understand GSA's role and what we expect of GSA and of other Federal agencies.

In today's atmosphere, budget deficits and requirements of PAYGO spending, agencies must be directed to convenient sites that have the required amenities, that the government of United

States can afford. NPR employees who will shortly be located in downtown NOMA, and CNN who was there before the current NOMA building boom began, did not try to veto the site, as some Federal agency officials and employees have done.

Moreover, the most economical site agencies will surely find in this atmosphere is best for agency budgets who pay rent to the building fund, and I assure you will not get increases any longer to relocate wherever they choose.

It is just as important, however, for GSA to work collaboratively with the private sector in reducing their costs of leasing and construction not only in these budget crunch times but because a costly and cumbersome process for leasing and construction by the Federal Government is not in the interests of any of the parties involved.

We welcome the Commissioner of the Public Buildings Services this morning and the other witnesses who bring professional and personal experience and expertise that can help the Subcommittee and the GSA.

We are going to ask all the witnesses to take the table at the same time. I think a good exchange might be beneficial to all concerned. So Commissioner David Winstead, Public Buildings Service Commission at GSA; Art Turowski, senior leasing official at Jones Lang LaSalle and a former official of the GSA, leasing official of the GSA; Gail Seekins, senior property manager, Akridge Company, and a member of the Building Owners and Management Association, or BOMA; and Ken Grunley, president of Grunley Construction.

TESTIMONIES OF DAVID WINSTEAD, GSA PUBLIC BUILDINGS SERVICE COMMISSIONER; ART TUROWSKI, SENIOR LEASING OFFICIAL, JONES LANG LASALLE; GAIL SEEKINS, SENIOR PROPERTY MANAGER, AKRIDGE COMPANY, AND MEMBER OF THE BUILDING OWNERS AND MANAGERS ASSOCIATION (BOMA) INTERNATIONAL; AND KEN GRUNLEY, PRESIDENT OF GRUNLEY CONSTRUCTION

Ms. NORTON. I am pleased to hear all of your testimony beginning with Mr. Winstead.

Mr. WINSTEAD. Madam Chairman, thank you again. I am David Winstead, Commissioner of the Public Building Service. I am pleased to be before the Committee again. I thank you for the hearing on April 17 on Greening the NCR, and your continued oversight and interest in our business housing Federal agencies.

I am also pleased to submit written testimony for the record which covers in detail a lot of the issues you raised and some of the concerns you raised, and I hope the Committee will take consideration of the written testimony. I am also pleased to be on this panel with a lot of our private sector partners. Everybody on my left is actually engaged in one way or another in delivering lease space or building programs or modernization for GSA.

As you mentioned, Madam Chair, GSA leasing and construction is, in fact, governed by many statutory and regulatory requirements that do not apply to similar private sector transactions and are much more constrictive. GSA must comply with a really com-

prehensive list of laws and executive orders, some of which are contradictory. For example, urban policy versus rural requirements.

We also have the Davis-Bacon Wage Act; we have the National Environmental Policy Act; we have the Competition and Contracting Act; we have the Small Business Act and other energy, environmental, historic preservation laws, orders and regulations. So this list of important laws and regulations, executive orders, OMB circulars, and other mandates has a really significant impact, as you noted, on our leasing and construction program, in particular, the time it takes to secure a lease or construct a building and the time it takes for customers to budget for space. I want to talk a little bit about some of the challenges and concerns you mentioned and the initiatives that we are taking and have taken to make the process more effective.

In our capital program, which is substantial, 3 billion in the current year, there are a number of challenges faced by the construction industry in general that have had serious impact on GSA in recent years. I think, in former testimony to this Committee, I have mentioned that we have had over a 20 percent increase in construction costs over the last 4 years and this has impacted our bidding process. This includes the volatile market and the competition for construction, which has been very severe in southern California and the southwestern part of the country.

Also, security requirements have presented additional challenges and impact construction two ways—obviously the background check of contractor workforce that is doing renovation in our buildings, and Ken Grunley is here and can speak about that in spades, and also the physical security of our building. The HSPD-12 requirements are administratively complex and delay access to work sites; getting crews for multiple crafts cleared through the program is challenging and time consuming.

We have seen that with EEOB, we have seen that with the Department of Interior Renovation, and especially when we have phased construction such as the Department of Interior where crew sizes and composition vary during construction time periods, or the security of EEOB in terms of access to it. The physical security of buildings includes such items as perimeter security, obviously blast resistance glazing, structural design, and progressive collapse. All these are quite unique and require costly investments by the Federal Government through GSA, as well as time in terms of getting bids and being able to proceed on those.

Besides these challenges, I would like to highlight some of the following initiatives that we have taken to improve our construction program in addition to ones detailed in my written statement and these include strengthening collaboration with industry. On April 17th, I mentioned to you, Madam Chair and the Committee, that I would be reaching out to the DCBIA, ULI, NAIOP and the other—BOMA and the others, to try to make sure that our requirements for green leasing, which are now on the table, are understood by them looking ahead.

But we are using new technology such BIM technologies in design and construction of our building and new approaches to project delivery. We now use over four approaches to project delivery in addition to our emphasis right now on the CMC approach, which

I know has caused some issues about staffing with some of our contractors. Industry collaboration is key, and this panel, I think, reflects that. To find ways to better collaborate with industry partners and to build a common understanding, last fall we convened a building opportunities conference here at the NCR with representatives from the AIA, the Building Owners and Management Association as well as the Association of General Contractors.

I would mention we do continue to have a strong commitment to design excellence. Our design and construction peer program is still very much intact. We develop a robust design and construction peer review, which does take time, and as you all probably know, this Committee has seen 2-year cycles for design excellence to be applied and construction excellence.

I have taken a lot of action over the last 2-1/2 years in response to direct concerns expressed by our biggest clients in the construction area, the courts, the FBI, the DHS, and the construction board of protection who have pulled me off very early in my tenure and said design excellence is great, but it is taking too long. We have, in fact, selected a new AC for construction excellence who is taking a major new approach to shortening the design cycle. In some cases with a new border station, like the Adonna border station in Texas, we have cut the design time from 2 years to 1 year.

We used design-build to get it in place earlier, and CBP appreciated that. The courts had a similar concern. I heard it from the top administrator of the courts. So we have been reviewing our projects for design quality, looking at shortening design and construction cycles, looking at cost realism, because obviously with the market escalating at 8 percent per year in costs, we have to constantly be looking at the prospectus level and make sure our management timeline is focused. Now I know you have mentioned concerns in that regard and we do have some.

The private sector has, in fact, and some of these panelists might underscore that, expressed concerns about the construction charging undue burden on some of their general contract needs, and I think we are working with the construction management association in BOMA and looking at approaches that we can more effectively staff out in terms of our management of the construction versus the contractor. We are also looking at new approaches in construction estimating. We are working closely with the design and construction community to help us re-examine our cost estimating and our benchmarking. We have had major challenges by the courts, for example, in the benchmarking that we have applied to the former LA courthouse proposal.

We have minimized the impact of market conditions on the construction cycle time. We have performed market surveys. We have met several times in San Diego to assess the nature of that market and our proposed construction approach for the San Diego courthouse, and that has yielded a lot of regard and a lot of good suggestions back to us.

New technologies are part of the solution to get a more cost effective approach to construction. One of these, perhaps leading that area, uses the building information system approach, the BIM approach, which is a new technology of 3-D visualization of the building showing not only the structural side, but looking at the elec-

trical and HVAC systems and looking at buildouts requirements. Earlier this week, I actually talked with some Canadian counterparts that are vested with us, as well as other countries, on standardizing that BIM approach which we think will create more competitiveness in bidding for projects. I also met earlier this week with HVAC engineers who see value with a BIM because it does lay out those specifications early on in the project and visually shows how they will fit together.

Consistency in design and planning is still a major focus. We are taking steps to be more consistent nationwide. My deputy behind me, Tony Costa, has spent a lot of his time ensuring that our policy guidelines from headquarters are consistently applied throughout the 11 regions so, again, contractors dealing with us have the same protocols in place to respond to bids and to build these buildings for us. One major issue, which I will say I still think we need to focus more on, is project management training and certification.

If you were to ask me, "what is our major problem in terms of contract and project management?" it is the lack of regional and consistency in approach and experience. We have very committed project managers in all 11 regions, but project size varies between a courthouse and small border station addition, or a buildout, or just a T and I improvement in a standard building.

They vary enormously and, quite frankly, with retirements in the Federal Government, we are losing people like Art Turowski, who have decades of experience. We have to focus on training, and we have to lean on the BOMAs and other industry groups for that input.

I would also mention that there are other initiatives that I think will address some of the problems you mentioned in your opening remarks, Madam Chairman, and that is that we are rewriting the GSA standard clauses. We have a library of scope of work templates that we are reviewing right now and we are looking at various project types and construction options and contracting options. We think these tools will make our project solicitations more consistent, both for our needs in safeguarding the expenditure of Federal Buildings Fund money as well as the ability of our private sector partners, on our left, to respond to those.

We will continue to engage with industry partners in reviewing and commenting on these templates to make them as effective as possible in promoting team work, in collaboration, ultimately saving time and money for the private sector as well as the Federal government.

Just some comments on leasing, because we have some continued challenges in that regard. You have mentioned several. Nationally now our lease inventory is 51 percent of the Federal Building Fund—175 million square feet of space. We are now at 49 percent government-owned space. We have now more leased space than government-owned. Since 1965, we have seen 400 percent increase in the amount of leased inventory with GSA from 43 million square feet to that 175 million I mentioned.

As you know, in the fiscal year 2009 Congressional Budget Justification, we are increasing 7 percent more and leasing up to 187 million square feet. This increase has created stress on the program. We have also lost people, such as Art Turowski, who have

decades of experience, but we have Francesca Ryan and her team at NCR, and Bart Bush that are there to pick up the reins and continue to address the needs.

But we do hear from our customers. We do hear from contractors that inconsistent organizational structures from the past, and quite frankly, 10 or 15 years ago, the governmental philosophy of GSA was to really decentralize into the regions and decentralize in terms of management or leasing in the NCR from centralized to essentially a service center orientation. We feel that we need to bring back more consistency through the regions by more protocols and direct policy from Central Office.

Specifically, we set up an independent office about 1 year ago, the Office of Real Estate Acquisition in Central Office, to oversee leasing policy at the national level, and the regions. We are completing the trend towards creating new leasing divisions at NCR with clear lines of authority and accountability. And in fact, we are holding a workshop on June 17th next week and 18th with PBS senior managers from around the country to again review and make sure this implementation is done as quickly as possible.

In order to meet the increasing needs for leased space, and to strengthen our capacity and leverage the expertise of the private sector, as you well know, and I know this Committee had a great deal of debate on this. Three years ago, we awarded the National Broker Contract in 2005. That effort is still well underway. We have had a GAO report on it. We actually implemented the 11 recommendations of that GAO review. Private sector lease support now is very, very strong from our contracting firms, one of which is on my left, assisting us in efforts to standardize our leasing practice nationwide and provide more support to our customers and government tenants.

As of March 31 of this year we have tasked our four national broker contractors with 1,500 lease acquisitions totalling about 30 million square feet. These leases represent a contract value of \$2.5 billion. Usage of this contract have continued to increase. Our goal for implementation and utilization of the national broker contract is 70 percent.

Madam Chair, I will tell you that usage is not consistent between the regions. We have some regions that still only have 20 percent utilization, only two, but they are being driven to increase that utilization. Quite frankly, we have seen benefit not only in the rent credit, but also in terms of the market rate yields we are getting on our leased inventory. We are targeting 9 percent below market, and with the National Broker Contract, in some cases, we are getting 11 percent below market rates.

I think it is also significant that our brokers are not paid by the GSA Federal Buildings Fund. Instead, they receive market-based commissions from successful lessors with GSA receiving commission credit, as you know, from the brokers paid to offset some of the costs for our rent of our tenants agencies. These credits today have generated in the pipeline \$33 million in direct savings to our clients customers in the form of reduced rent.

In addition, we have had 882 additional lease acquisitions in the pipeline, which would increase that recent aggregate rent credit to almost \$77 million when they get in place. We have achieved rent

rates, as I mentioned, that continue to be below market. In order to succeed, I think, with our leasing program, we not only need to leverage this National Broker Contract, we also need to grow our inhouse leasing expertise. I was talking to Art before this about the attrition we have had in our leasing realty specialists. We do not have uniform competency through all of our regions. But I will tell you that in the last 4 years, even with the National Broker Contract in place, we have had the need to add about 10 percent more leasing specialists. We are now in the range of about 526 leasing specialists through our 11 regions nationwide.

This also continues to be a challenge. We have a retiring workforce some 50 percent over next 5 years. We are recruiting, training and trying to retain people of quality. I will tell you that I am proud of my 2-1/2 years at PBS in watching how the Federal government, particularly the team at PBS, trains and brings in new recruits and has a mentoring program and ALD training, and it really is a team spirit across the country, and I think that does help us to get kids to be interested to come into GSA and to become leasing specialists or project management specialists. And we have wonderful co-op programs with universities. I happen to be on the board of John Hopkins real estate program. We have recruited several graduates of that program that have MS's in real estate. So while I do think that we are losing talent, we are doing our best to attract new talent.

One of your major concerns in your opening statement again was solicitations for offers and the issues of how long that is taking and some of the concern and burden that puts on the private sector offerors in the National Capital Region. We have 800 million square feet here. We have 53 million square feet leased, and the market is difficult. I went to the real estate round table about 2 months ago and listened to the top CEOs in the industry talking about the credit crunch impact on commercial development.

We are very focused on trying to make that lease, the SFO process more transparent and efficient. We have, in fact, looked at revisions to the SFO process to make them better organized so that an offeror can review the first section to determine whether they want to pursue an offer before they are spending \$100,000 or more to do so. We also reorganized to recognize the normal, essentially chronological events in lease procurement between offer, award, design, construction and administration. We have put a great deal of effort into this.

The work is not completed. I think Bart Bush and Francesca could comment and provide the Committee further about what we are doing in NCR. But this is a comprehensive and thorough program, and I will tell you that we hope the new SFO will be more user friendly, particularly during the bidding process for offerors, and as well as in a life cycle of a lease.

Lastly, I will tell that another major concern is security requirements. It is not surprising that we have varied between level 1 and level 4 security requirements. There is a need for greater building setbacks, glass resistance, building access requirements, as well as challenge of co-location of tenants at work places where we are leasing space but do not have the whole building. I think we can better capture some of these security costs in terms of our leases

and make them more transparent to the private sector, and we are developing—and have developed—a security unit price that will allow an offeror to review the security requirements more easily in the lease and determine and categorize those costs.

I will tell you that I am concerned about the impact of the security requirements. And I am concerned about the ISC standards that are reflected in our lease portfolio and offers. We are going to continue to try to make sure that that does not impact on the competitiveness of offerors in the region.

Lastly, I will talk a little bit about the concern raised about the time it is taking to clear leases and get them in place. We do have a unique challenge in terms of those requirements that I went through earlier, the sheer size of the portfolio in the NCR is huge. We have 10 percent annual expiration of leases and resolicitations. But both NCR and this new Office Of Real Estate Acquisition are addressing and trying to create more efficiencies in lease acquisition. I know that Art only left us 6 months ago, so a lot of this was on his watch, but we are committed to fixing programs and trying to reduce delays and trying to make sure that we are commencing rent payments and processing invoices timely. I can't tell you that in all regards we have done that in a timely manner.

Some of the hold over leases and some of the closeouts of leases are taking longer than I am comfortable with. And Bart knows that, as well as Tony and the rest of the ARAs.

It is unacceptable really to cause unnecessary delays for the contractors bidding on these leases. We do hope that some of this improvement will improve the tracking, and some of the efforts underway will improve basically the cost effectiveness for people to bid.

I would also mention that we are, on the construction side, we are looking at lease construction clauses nationwide and trying to make sure that they are more uniform. We have recently had a lease construction round table in June, I guess it will be next week, and we are also looking at improving our ability to get more uniformity in competition.

I will tell you several of the courthouses in the southwest had very few bidders, and I was very concerned about that. And part of it obviously was the construction process as well as the competition the DOD and other builders in that region were creating for us, and we did not have the bidding that I would like to see.

Anyway, I do want to conclude by just saying I hope the statement deals with some of the issues you mentioned in the beginning. I really do thank our colleagues on the left for their partnering in the many ways that they do through the leasing construction as well as BOMA industry and their support in working with us. And I would be pleased to answer any questions that you might have. Thank you.

Ms. NORTON. Thank you very much, Mr. Winstead.

Why don't we go right on down. Ms. Seekins.

Ms. SEEKINS. Good morning Madam Chairman and Members of the Subcommittee. Thank you for holding this important hearing. I am Gail Seekins, senior property manager of Akridge, a full service real estate firm in Washington, D.C. I am here today representing the Building Owners and Manager's Association Inter-

national. First and foremost, I would like to say that GSA is one of BOMA's largest and most valued members. Our comments today are intended to highlight improvement opportunities that will help the Federal Government and the private sector companies that build and lease to government agencies and better streamline the processes to save money for all parties involved.

Our comments are a compilation of feedback we receive from a number of our member companies and are not intended to highlight any specific project-related concerns of my company or any other.

We would also like to compliment GSA for ongoing cooperation with BOMA in seeking mutually beneficial changes to construction and leasing practices. Scoring rules are at the top of the list when asked to identify problematic aspects of doing business with the government. To avoid the harsh accounting treatment required for capital leases, GSA writes only operating leases. The Office of Management and Budget offers the rules for operating leases and OMB's circular A 11.

OMB's rules are generally more stringent than the equivalent private sector. Scoring rules can contort lease procurement and increase costs in the following ways. GSA is prohibited from leasing government land and leasing back improvements even when they own acceptable sites. GSA is prohibited from outleasing underutilized buildings which could be renovated and leased back. Unique features required by the government must be paid outside the rent in a lump sum. Longer lease terms that would reduce rental rates are often prohibited by A11 rules to avoid capital treatment. Yet leasing for 20 years yields a lower rate than 10 to 15.

Lease to ownership options are not allowed ruling out the cheapest financing options and lowest rates.

Let me give you a specific example in FBI build to suit leases. Under present scoring rules, the rental rate is based on a class A office building with no consideration given to specific security and construction requirements for the FBI which can increase the cost up to 20 percent.

The prospectus real estate rate is often not enough to complete this job without a lump sum payment, frequently in the millions of dollars for security that FBI and similar agencies simply do not have in their budgets. Discovering this at the time of bid evaluations causes problems and costs for everyone.

We believe GSA should make solicitations for offers net of real estate taxes. When a project is bid, real estate taxes are unknown, so local government assessors and project bidders guess. Every bidder will guess a little differently, making it impossible for GSA to compare apples to apples. Many SFOs include square footage requirements for specific rooms and offices without providing additional detail of actual dimensions required. SFOs should be as specific as possible to alleviate the possibility of a building being designed and constructed that does not meet the agency's or system's furniture requirements although the square feet requirements were met.

Generally, the Federal Government is perceived by the office building industry as terrific tenant for all the obviously reasons in-

cluding creditworthiness. The use of outside brokerage firms over the past several years has been a positive development.

But I must highlight a few frustrations as well. Prospectus rental rates often approved well before lease procurement have not kept up with rapid increases in construction materials and labor costs. In addition, they may not take into account differentiating features such as proximity to mass transit. This may preclude commercial landlords from competing for GSA leases who might otherwise do so. Government leases do not reflect private sector practices and many clauses are not yet landlord friendly. Over time one learns which clauses get enforced and which don't. However, lenders look at all the clauses when assessing risk and assigning interest. Clauses that are not used do cost government. For example, there are no holdover provisions in a government lease. But the government can introduce condemnation, which means a government tenant cannot be evicted.

While this makes sense due to the nature of government functions, leases should have a hold over provision with a rent escalation to include, encourage GSA to reduce or eliminate hold overs. With the pending impact of BRAC relocations and associated delays the hold over issue will become more intense in the years to come.

Termination without notice and restoration clauses may not be typical but are used in some regions. When used, they should be aligned with industry standards to make them understandable by the building owner community increasing competition for GSA leases. Additionally, some clauses serve no benefit while costing the government in the rental rate obtained for their use. An example is clause included in builder suit leases already alluded to allowing the government to buy a building at market rates at any time. Although the government does not exercise this clause, lenders see it as a risk and penalize the project for it.

Personnel turnover is inevitable in any entity, public or private. However it sometimes appears that GSA reassigns its staff to positions where they have limited experience. The idea that anyone can do anything is not correct. When building owners and managers repeatedly start over with new people, investing time and procedures and becoming acclimated, it causes frustration, and more important, lack of productivity.

We recommend that GSA consider modifying its excellent intern program to include more technical training in leasing and facilities management.

In addition, the government is unfortunately notorious for slow payment processing. Delays in payment for work orders, operating expense increases and real estate tax payments are not only frustrating but costly to the government due to the mandate to pay interest on delayed payments and to the landlord in terms of reduced cash flow. Delays in processing leased documents are an issue. Commercial landlords still report that it may take 3 to 4 months to receive an executed lease from GSA after the landlord had signed. Delays associated with lease amendments or modifications are even longer. We know that GSA is working to address this issue and we are appreciative of these efforts.

In summary, improvements in making GSA leases more in tune to industry standards will not only help the private sector but also increase competition for government leases. And that is good for everyone.

We thank the Subcommittee for holding this important hearing and look forward to working with Congress, GSA and other public and private sector partners to achieve our mutual goal of improving the construction and leasing process to make it more effective for GSA and their private sector partners. Madam Chairman, thank you very much.

Ms. NORTON. Thank you, Ms. Seekins.

Mr. Turowski.

Mr. Turowski. Thank you, Madam Chairwoman. It is a great pleasure to be here today to discuss means of improving the GSA leasing and construction process.

Through a rewarding Federal career, I have had a 37-year association with the GSA leasing program. My work with GSA has been in several GSA regional offices and at GSA's headquarters. During that time on watch, I witnessed and was part of many changes and became intimately familiar with the constraints. Most recently, since retiring from GSA's national capital region and joining the firm of Jones Lang LaSalle in its government investment services group, I have acquired the added perspective of building owners in the GSA leasing process.

GSA's leased inventory is large by any measure. Most of the leased transactions which comprise it are undertaken with efficiency, transparency and user friendliness. However, it has been by observation that among GSA which are larger, more valuable or merely complex, this is often not the case. Let me share with you the reasons why this is and how this is apparent in the private sector and what some solutions might be.

First, the GSA lease process has been expanded in recent years. Some examples of added stages in the process are more rigorous acquisition planning, better formulated location decisions, various compliance checks, and the creation of a new set of documents binding Federal agencies to their obligations under GSA leases. While these process additions represent laudable objectives, GSA has yet to minimize their impact on the procurement process, most notably the impact these new steps have on procurement duration and project completion timelines.

Second, and some years ago, GSA implemented new ideas in its organizational placement of leasing. Their goal was to achieve a greater degree of responsiveness to their client agencies' lease requirements. An unintended consequence though was to lose clear lines of knowledgeable leasing accountability up to and through management levels in the leasing program, and as importantly as well back down again into the leasing organization.

Third, GSA has been challenged in its ability to accurately ascertain their client agencies' requirements early in the lease procurement process. By launching procurements without a complete picture of their needs, GSA has negatively impacted the perceived commercial reasonableness of GSA transactions in the marketplace and added to the perception of the government as a challenging transactional partner.

The lengthy budget cycle is clearly one reason for disconnect between GSA and their client agencies when it happens. But it is clear that greater attention is needed to smoothly manage transactions in a manner that will satisfy GSA users, provide the best price to the government, and encourage the continued participation of private sector partners.

Fourth, and this has been echoed already, or I will echo what has been said already, in staffing its leasing operations, GSA faces major resources constraints. In the personnel arena, a combination of factors have had significant impact, including a long period of essentially no hiring of new personnel, a wave of retirements today, and difficulty in dedicating the significant time and expertise required to bring new hires up to a full level of leasing proficiency.

Fifth, and we have heard this before, the volume and scope of GSA's required lease documents significantly exceeds those for lease transactions in the private sector. Again, though often well intended, this added documentation adds to the perception of the government as a difficult partner in private sector transactions.

Process additions, a lack of sufficiently trained personnel, and inadequate communication between GSA and its client agencies have all served to complicate the GSA leasing process. These weaknesses have become readily apparent to the private sector and manifest themselves in many ways, including an exceptionally high numbers of lease holdovers and extensions, short term extensions, increasingly frequent mention by GSA representatives of lease hold condemnations as negotiating leverage, and from the nationwide perspective of a service provider to the industry, each of GSA's 11 regions handles their real estate transactions differently, and therefore in practice there are functionally 11 different ways GSA performs real estate transactions.

Also manifest in more project false starts as a result of rescoping, prospectus shortfalls and reasonably foreseeable site deficiencies as well as significant rent arrearages and lease execution delays. There are solutions to these issues. In fact, I am sure none of the issues I have raised comes as a surprise to GSA. And I was leaving GSA I understood there were moves afoot to take corrective actions.

But most importantly, a rigorous real estate oriented training program is needed for GSA leasing personnel. A coherent top down leasing management structure is needed to strengthen accountability, better manage transactions and maintain an action bias. GSA should take steps to simplify its process and undo or better adapt well meaning but cumbersome procedural steps that increase organizational and transactional inefficiency. A thorough review of the submissions, certifications and requirements of lease procurements should be undertaken by GSA with the goal of streamlining and simplification.

These, Madam Chairman, conclude my remarks and I will be pleased to address any questions or comments by you or Members. Ms. NORTON. Thank you, Mr. Turowski.

Mr. Grunley.

Mr. GRUNLEY. Good morning, Madam Chair Norton. I am pleased to be here today to share my experiences with GSA with your Committee. My name is Ken Grunley, and I am president and

owner of Grunley Construction Company. We are a general contractor located in Rockville, Maryland, and the majority of our work is in Washington D.C. or the surrounding areas. We are a family-owned business employing 280 employees and annual revenues of approximately \$300 million.

Since our inception in 1955, our business is primarily focused on serving the public sector. I personally have 35 years of experience working on GSA projects. Grunley Construction is very proud of our long relationship with GSA and many projects that we have successfully completed as a team. A few of these projects are the National World War II Memorial, the Ariel Rios Building, which is EPA headquarters, the Eisenhower Executive Office Building that we are presently restoring, and my personal favorite was the renovation and restoration of the Blair House known as the President's guest house that we did in 1986 when I was quite a bit younger and a very exciting project for me. I have also been a peer for GSA's design and construction excellence program and have traveled all over the country being involved in ongoing projects and future projects for GSA.

From our inception in 1955 until 1995, so a period of about 40 years, the bid process remained relatively simple. You picked up a set of drawings, you put a bid together, you turned it into a bid room, and the only guarantee that you were going to complete this project was a bid bond from a surety. The bids were open publicly. And the low bidder was typically awarded the project. And it worked fine for years, however, although the bid process remained very simple, the construction process became more complicated, and it was time for change.

I want to go through three changes that became evident to us in how they impacted us. The first, and other people have shared this, reduction in GSA inhouse staffing assigned to the projects. The reality began in the 1990s when the size of the government workforce was under pressure to shrink and it continued for a variety of reasons that has led to the present situation where all the projects are under the leadership of quality project, GSA project execs and project managers, however the majority of the staff involved in the day to day oversight of both construction and paperwork are contract personnel as I refer to as construction managers as agent.

GSA has managed this process well by employing qualified contracting officers and retaining construction managers as agent firms that understand GSA's mission. This approach is necessary in order to assure the government that construction activities are being performed and documented in accordance with the contract requirements.

However, what seems to have resulted from this approach is an increase in general contracting staff necessary to be responsive to the CM staff assigned to the project. RPTS KESTERSONDCMN HOFSTAD[11:56 a.m.]

Mr. GRUNLEY. My sense is that we may have taken this approach to a point where there may be a loss of efficiency; improvements can be made. I was much more concerned with this issue 10 years ago in the mid-1990s when I first saw it. And I think GSA has done a wonderful job over the past decade in making sure they pick the right teams for these projects.

During the late 1990s, the bid process changed drastically to use the best value procurement. In all the years I have been working with GSA, this is certainly the most dramatic change and probably the best change. And, simply, it went from low bid to best value being a combination of price and past performance.

GSA has kept the process extremely simple. The technical proposal usually has four parts, which would be past performance, key personnel, a project schedule, and then a combination of small-business plans and apprenticeship plans. They want to hire a construction company; they do not want to hire a marketing company. And they have made it very clear that they don't want lots of fancy pictures and graphs. They want the facts, and they just want you to take the test. So you take the test the way it is done, and they have made it very easy for the industry to adapt to their process.

There are some obvious advantages of best value procurement. General contractors now compete as a construction professional. GSA is not forced to award to companies that have a long history of claims and poor performance. General contractors are competing against quality firms. A much more collegial relationship between the general contractor and the architects and the tenants and the GSA. And the quality of the projects are certainly better, and there are certainly less claims.

I believe this approach created a much more open and transparent environment between GSA, the contractor and the design team. And it was really sort of the first step in an integrated approach that we are using today in the Government sector.

The third change that we have really seen is the application of design-build and construction management at risk. CM at risk is still in its infancy within the Federal Government, but GSA is actually a frontrunner in using this approach. These methods of procuring and delivering building design and construction are found on two related precepts: integrate the team, and the earlier the better.

Without getting into all the pros and cons of design-build versus design-bid-build versus CM at risk, it is important to note that these added methods of delivery significantly alter the contractual relationships between the three key participants.

GSA has put all these methods, along with variations, into what I call their tool box. GSA makes its decisions to use traditional design-bid-build, design-build, and CM at risk on a project-by-project basis. In recognizing that the this type, location, schedule and other project-specific requirements need to be assessed in order to determine the most advantageous delivery system, GSA has recognized the best value for the Government.

In conclusion, I need to say that what I believe makes GSA special is they have their own culture. And although they are operating all across the country in 11 different regions—and I have traveled those regions—you get a feeling of fair, honest and open communications. They are open to newcomers, for new companies. They have fairs. They advertise their projects very well. And they give very clear, concise direction on how to submit proposals for a GSA.

They certainly have a business-like atmosphere and always looking for new ideas through the business community. They are con-

stantly having meetings at the various construction organizations are invited to, just to come and talk about changes, what they are doing well, what they could improve on.

The last item for me, as a businessman, every time we bid a job I do risk millions of dollars. And in the best value procurement, GSA is certainly now knowing who they are buying services from. But what is important for me is that GSA is so consistent that I really know who I am selling to, which impacts our price dramatically. You know, all contractors are going to weigh risk and reward, and GSA has truly taken the risk away, a large piece of the risk away, from contractors.

Thank you.

Ms. NORTON. Well, I thank you very much, Mr. Grunley.

All this testimony has been very, very important. Even as you spoke, I have been having conversation about what some of you have said because of its implications for what we want to do.

Let me ask first Mr. Winstead a question.

First I should say that not only in my opening statement but I think, Mr. Winstead, you have heard at the table that people who deal with GSA, respect its expertise, inside GSA we have heard some problems about staffing and about decentralization, I will get to. But everybody understands that GSA is the center of whatever real estate expertise we are going to have, and they can handle so much of it that you have learned to do it well.

The problem here—and that is why we want to get to what it is that we can do to improve the processes, because we hear about them all the time. I mean, you can give an overall—these people seem to know what they are doing, and then you continue to hear all kinds of issues that come up. You need to look at the entire process.

For example—and understand this Subcommittee is here to help, including changes in statute and prospectus, if necessary. Mr. Winstead says it right at the top of his testimony, on page 1, and cites the numerous laws and regulations and executive orders and OMB and the rest of it.

Now, this is the Government. We recognize that a great deal of that is necessary. Fraud of any kind in Government work gets a big Bronx cheer, and it simply has to be avoided. And the way you avoid it is layer on layer on layer that reduces risk to the Government, a risk that the private sector is willing to take. Because in taking that risk, the private sector in fact saves money. The Government can't do that.

At the same time, I have to ask you whether you believe all of the regulations, laws, executive orders, OMB circulars and et cetera, things which you cannot change, do you believe all of them are necessary, Mr. Winstead?

Mr. WINSTEAD. Madam Chair, you know, a lot of them are statutory requirements. So the question—

Ms. NORTON. That wasn't—I know that I am—me, Congress; you, agency.

Mr. WINSTEAD. Right.

Ms. NORTON. But Congress is not going to know what to do if—and that is why we have assembled a whole panel here—if we

never hear from the agency that there is anything that Congress can do, that Congress can change.

And as you are well aware, Mr. Winstead, Congress hasn't looked at this process. We don't know diddly-squat about this process.

So I am simply asking you—I am not saying we are going to change the laws or that we are going to change the regulations. But I am asking you, can you think of any of these that, over time, may have become obsolete or may no longer be necessary or may be too cumbersome to be useful today?

Mr. WINSTEAD. Well, I do think that that would be very important for us to look at. And I think what we are doing both on the national level to look at those requirements and to figure out better what can be—

Ms. NORTON. You know what I am going to ask you to do, Mr. Winstead? If you have been there 2 years and you have not experienced enough frustration to be able to name some when you have a Member of Congress here willing to give help, I am going to ask you to get me, in 30 days, some that you think I ought to look at, even if you are not willing to believe they should be changed.

This should be asked of the rest of the panel, who may not feel similarly constrained. Are there specific, I mean, specific laws, regulations—understand that the burden will be on you and, if I go about trying to change it, on me to show why this or that law or regulation or executive order or whatever is no longer necessary or is inconsistent.

Remember how we enact laws, one on top of the other. We don't go back and say, "Oh, that law isn't needed because of something we did 50 years ago." So I kind of depend on the people who use laws, regulations, executive orders and the rest to tell me the truth, the whole truth.

So anybody else have something to say about specific laws or regulations you would like to see changed and why you think we could change it without increasing the risk or harm to the Government?

Mr. GRUNLEY. Madam Chair?

Ms. NORTON. Any of you?

Mr. GRUNLEY. The Davis-Bacon wage rates, which I am actually in favor of—

Ms. NORTON. You say you are?

Mr. GRUNLEY. I am in favor of the Davis-Bacon wage rates.

Ms. NORTON. That is good, because that is not about to change.

Mr. GRUNLEY. But the reporting I find to be obsolete.

You know, we all need to pay minimum wage, but none of us report to the Federal Government that we pay minimum wage, or we don't certify we pay minimum wage. The Davis-Bacon reporting is a paperwork nightmare. Our company has at least eight people that full-time do nothing but collect certified payrolls, check them to make sure they are correct and turn them into GSA. And GSA also has people that are also reviewing what we turn in to make sure they are okay.

And, to me, competent contractors should just be able to certify that they are paying the Davis-Bacon wage rate, and we will save lots of trees.

Ms. NORTON. Well, I find that is a very useful comment. You say they look to see if, in fact, they are paying the rate. Now, this is

complicated, look at the market rates, et cetera. Is it some kind of surveys of others that have to be done? And how complicated is the process of looking to see whether you are paying those rates?

Because this is a very useful comment.

Mr. GRUNLEY. Each specification that we bid on has the most current Davis-Bacon wage rate.

Ms. NORTON. Where do you get that from?

Mr. GRUNLEY. GSA issues it in the request for proposal. So the rates exist for each project. And what I am saying is that we have to keep track—we collect them from all of our subcontractors.

Ms. NORTON. So they tell you what is the rate?

Mr. GRUNLEY. Yes.

Ms. NORTON. You look to see if the rate is being paid. How does that get complicated? They give you a number; you look at a number. I am missing something.

Mr. GRUNLEY. If a typical project has 50 subcontractors, they have somebody in their office sending our firm their certified payrolls, which lists every employee, how much money they were paid, how many hours they worked during the week, their gross pay, their net pay. We check them to make sure they are correct, and then we send them to GSA, who then checks them.

Ms. NORTON. Now, does GSA then go through the same process? Now, you have already checked it to your subcontractors. Does GSA go through the same process, Mr. Winstead?

Mr. WINSTEAD. Madam Chair, the Davis-Bacon threshold was recently raised from 1 million to 2 million, not 2,000. We want it raised—I apologize—we would like it raised. That would help. Again, as a suggestion, you asked earlier, but raising the threshold would help. It is not 2,000—it is currently 2,000. We would like it raised to 1 million to 2 million.

Ms. NORTON. Raising the rate based on what?

Mr. WINSTEAD. Based in terms of the streamlining the Davis-Bacon effort, trying to get adherence to the wage rate, but to raise the threshold from 2,000. And it has never been indexed, which would help.

Ms. NORTON. That is interesting. Apparently you have to do it up to a certain rate, but GSA's projects are so large that you generally go above the rate?

Mr. WINSTEAD. Yeah. And apparently that 2,000 constraint makes it unrealistic, very difficult to deal with.

Ms. NORTON. Mr. Turowski?

I mean, I don't understand. I mean, is there redundant work going on here between the Government and the contractor?

All I am asking you, Mr. Winstead, is, do you go through the very same process he goes through? Do you check him in some way? Do you spot-check him in some way?

Mr. WINSTEAD. Yes, in terms of the compliance with Davis-Bacon, we do.

Ms. NORTON. You don't go through the same process he has just gone through? Do you go back to his subcontractors, do you go back to him—

Mr. WINSTEAD. No, we have our own market-based information, labor wage information—

Ms. NORTON. But you have already given it to him.

Mr. WINSTEAD. Right. So we verify based on their submittal, their compliance with the Davis-Bacon rates.

Ms. NORTON. Well, it sounds to me the same thing is going on.

Mr. GRUNLEY. What I am suggesting—I don't believe it needs to be done at all if you—again, by law, we all need to pay minimum wage if you own a business. But you don't report to anybody, you don't list all of your employees and show that you are paying minimum wage. So on a Federal construction project where you need to pay the Davis-Bacon wage rate, which is in the book, what I am saying is for every single employee, so if you have a project that has 1,200 employees on it, every week you are getting reports on 1,200 employees on what they are being paid, that we need to check to make sure it is accurate, and then GSA does. And I am suggesting that the general contractor just certify that everybody on the job has been paid the Davis-Bacon wage rate, and there is no reason—

Ms. NORTON. You do that for minimum wage? You do that for minimum wage?

Mr. GRUNLEY. You don't do that for minimum wage.

Ms. NORTON. I thought you said you don't do every employee—

Mr. GRUNLEY. For minimum wage I am not aware that companies turn anything into the Federal Government on every one of their employees. But the Davis-Bacon wage rate is clearly higher than minimum wage.

Ms. NORTON. Yeah, sure. You recognize that if the Government were to allow that, that there would have to be some penalties associated with not paying the rate. Nobody would say, are you certifying, that is fine. Would you be willing to incur such a penalty if—

Mr. GRUNLEY. Sure. If you certify that you are paying the wage and then under an audit you are not, it is whatever the penalties would be.

Ms. NORTON. Do you audit, Mr. Winstead? Or do you simply go through and cull every—

Mr. WINSTEAD. We basically look at the rates in order to certify that they are in compliance.

Ms. NORTON. He has eight employees that do it; is that right?

Mr. GRUNLEY. Full-time, yes.

Ms. NORTON. How many do you have?

Mr. WINSTEAD. I would assume in every region we have—at NCR, how many? Bart?

Ms. NORTON. How often do we find—

Mr. WINSTEAD. I can get you that figure.

Ms. NORTON. How often do we find the contractor or subcontractor is not paying Davis-Bacon?

Mr. WINSTEAD. I think it is probably fairly rare. But I will have to submit to the Committee, you know, how many in our reviews. But I suspect it is pretty rare.

Ms. NORTON. GSA is going to have to—before I decide to have the GAO do it, it seems to me a quick audit could tell us whether or not this is even a problem. And it may be emblematic of the kinds of things you could do. You are not going to change Davis-Bacon. You weren't able to change it with 12 years of Republicans.

You are not going to be able to change it now that the Democrats are here.

So then you go to the next-best thing, and you get to why it is so opposed. And it turns out that there are a number of reasons. And this is the part of Government I hate. To the extent that the reasons on the table have a lot to do with paperwork, that, it seems to me, the burden then shifts to Government to show why it needs to cost so much to do it.

So I am going to ask staff to work with GSA to design—I am going to have you work with staff to have an IG audit of contracts, representative of various kinds and levels of contracts, so that we know what we are doing here. This is classically what I would like to do.

If I find there are problems, then I will know the degree of problems and whether there can be changes. At least get those eight employees doing something that benefits the economy, if I may say so, besides their own paperwork. If we find there are problems, there may need to be changes that we aren't aware of. That is a—

Mr. WINSTEAD. I would be happy to work with the Committee on that.

Ms. NORTON. Thank you. In 30 days, I want the IG to come back here, 30 days from today. Because I am not asking for a whole, big audit of everything they have ever done. I am trying to get a snapshot of whether we have a problem here or not.

Let me ask Mr. Turowski a question. More than one of you has spoken about decentralized leasing, which apparently occurred sometime in the 1990s. In essence, I guess it is you, Mr. Turowski, that says you have 11 different kinds of leasing practices being practiced in your regions.

Mr. TUROWSKI. GSA's regions.

Ms. NORTON. Excuse me?

Mr. TUROWSKI. In GSA's regions.

Ms. NORTON. In GSA's regions.

Mr. TUROWSKI. Right.

Ms. NORTON. I would hate to take a close look at that one, because I can't—the first thing I have to ask you, Ms. Seekins and Mr. Winstead, on that one is, what is to assure the Government that there is uniform adherence in policy, in national policy, if, in fact, there are 11 different leasing regions and no centralized leasing expertise of the kind there was before it was decentralized?

I mean, in terms of—while all these may differ, the notions of a negotiation strategy, time frames that should be expected region to region, how does GSA know that national or congressional policy and regulations are being adhered to if people are going off in 11 different regions of the country as their own leasing offices?

Mr. WINSTEAD. Madam Chair, the point about consistency and as well as enforcing the leasing policies in the stages of the lease, facing program management, pipeline, workplace requirements, development, some of these things are, in fact. I will tell you we have centralized that effort in terms of a new office, as I said, about a year ago, because of the growth in leasing, because of the amount of activity—

Ms. NORTON. Listen. What has been centralized?

Mr. WINSTEAD. The policy guidance for leasing—we have broken out and established a new Office Of Real Estate Acquisition—Chip Morris behind me heads it up. For the same reasons you are mentioning, we wanted to ensure that all the regions who are responsible—we don't procure out of central office; the regions do, NCR and the other 10 regions—to make sure that they are following guidelines, they are following all of the procurement regulations, but that they are doing it consistently and there is not variation, so that—

Ms. NORTON. There is not variation because you have moved to centralized leasing once again?

Mr. WINSTEAD. In terms of our lease policy guidance and strengthening an office of leasing expertise at our central office in D.C. Similarly, the NCR is now regrouping—

Ms. NORTON. The National Capital Region?

Mr. WINSTEAD. Yes, ma'am—regrouping—previously, and I think through most of Art's tenure, the leasing was centralized in the service centers. And Bart Bush and Francesca Ryan are looking at bringing some of the centralized administrative responsibilities back into the regional office to, again, address the uniformity issue, management issue and efficiency of getting leases done and getting rent start dates in place.

So that is what we have been doing through this new office over the last year or so.

Ms. NORTON. Complaints we have received had to do with the different service centers, and one didn't know what the next was doing. I wanted to ask Ms. Seekins, what is your comment on the decentralized leasing? And have you seen any evidence of more centralized management?

Ms. SEEKINS. Excuse me. You are getting my Lauren Bacall voice, because I have a cold. I apologize.

Our members contributed a number of these comments, and they did not speak specifically to the decentralized leasing process. So my familiarity with that is primarily from hearsay. I would be happy to go out to our membership and get some specific comments and transfer them to Committee.

Ms. NORTON. Well, we would appreciate it.

But, Mr. Turowski, you have been on both sides with centralized leasing now, then decentralized leasing, then apparently some moved back to centralized leasing. What have you seen?

Mr. TUROWSKI. Well, the problem typically manifests itself when you compare one region to another in the areas where the process affords judgment.

Ms. NORTON. So obviously you have to make room for the difference between a Washington, D.C., and for that matter New York City and a rural area where there is a courthouse?

Mr. TUROWSKI. Well, in the leasing arena, if I might give one example, I mean, we see regions when they are in expiring-lease mode resorting to a technique available within the regulations that permits them to forego the issuance of competitive solicitations. It is a long—

Ms. NORTON. By doing what, Mr. Turowski?

Mr. TUROWSKI. By affording themselves of the process within the regulations, a justifying a less than full competition and foregoing

the issuance of a competitive SFO. When the lease is expiring, the occupying agency is predisposed to stay. There is no room in there, but there is no availability in their budgets for move costs, which we know can run \$80, \$100 a square foot today. Some regions will utilize the piece of the regulations which allows them to simply advertise for informational quotes and, based on the information they get, decide if they need, in consideration of the move and replication costs, decide if they need to issue a competitive solicitation.

Ms. NORTON. But you said they couldn't afford to move. So it sounds like the agency is just trying to indicate that, while they do need space, they can't afford what it would take to move, because it does come out of their budget.

Mr. TUROWSKI. That is right. And what they are doing is justifying negotiating with the incumbent owner.

Other regions, on the other hand, won't avail themselves of that wherewithal in the regulations. They will proceed with issuance of a competitive solicitation when we in the market know that the likelihood of a move eventuating from that competitive SFO, solicitation for offers, is probably less than 5 percent.

So we go through a process there that probably—well, does deserve a lot of people. And that is a difference in regional interpretation of the regulations.

Ms. NORTON. Well, that is a huge difference. That is a huge difference because of what it takes to go through the solicitation process.

Mr. TUROWSKI. Procedural, in terms of the time it consumes and so forth, yes, it is.

Ms. NORTON. That is what I mean, staff time, GSA time, and I hate to say—I mean, do people bid? Do people bid under those circumstances?

Mr. TUROWSKI. Some do.

Ms. NORTON. Because then I think that is an outrage. Of course everybody wants a Federal lease. And if you think the Government is out here in good faith, you may think there is more to it than you know.

Mr. TUROWSKI. You know, Congresswoman, if I might, this goes to the question you put earlier about what conceivably might be changed in the law or the regulations.

Only because I was present at the passage of the Competition in Contracting Act and was somewhat privy to the debates at the time, the policy debates, about whether it applied to leasing or not am I sensitive to the idea that potentially there might be a carve-out, as it were, a statutory carve-out or exception to leasing from the Competition in Contracting Act.

That wouldn't for a moment suggest that GSA dispense with competitive solicitations when they are genuinely on the market for a real estate transaction. But it would render far more easily and consistently not going on the market and justifying the price they pay based on information and the cost to move were they to move.

It strikes me that if that were far clearer in the statute, that that would be a significant improvement and enhancement of the process across GSA's regions.

Ms. NORTON. Mr. Winstead, what—well, I don't think I will get a direct answer. But, Mr. Winstead, here is a suggestion. That, in

essence, GSA has forced agencies to use tactics that are in conformity with the regulations, fool the public, fool those at least who respond to the solicitations, when in fact the agency has no intention or is trying its best not to move because of the costs associated with the moving.

There is a classic example of the transparency within the agency that perhaps is needed. And if regulation is clouded, the question then becomes, how do you proceed in the absence of that regulation?

But it does sound to me that any regulation that makes people take action at odds with what the regulation requires and, worse, makes those who deal with the Government spend money when everybody knows that there is, in fact, no change that a Government can afford to be made, something is wrong with that regulation and perhaps not with what is being done.

But if I don't get some indications, then we can't work through the process. Because every time you change a regulation, you have to watch that you are not making moves that endanger the Government in the first place. After so many years, though, under such regulations, you would think that the agency would know, particularly from its experience with the marketplace, whether or not a regulation is useful. And this sounds to me as though it does not have uses on either side.

So I won't ask you, Mr. Winstead, because I think I will get the same kind of answer I have been getting from you, unless you have something to say. If you have a direct answer to his suggestion, I will take it.

Mr. WINSTEAD. Well, Madam Chair, I do think that the issue that Art mentioned about having more flexibility is certainly something that could benefit us. But on the other hand, we are trying to deal with the current regulations in advertising. We have put in a new lease-tiering process that gives us advance notice so we can get to the agency and understand fully, which we do track when their leases are expiring, and have enough time with requirements to compete in the market to decide whether, you know, a succeeding lease—

Ms. NORTON. Mr. Winstead, see, that is what I mean. We are not talking about when people don't know. We are talking about the agency and having those central abilities to advise the agencies that this doesn't make sense and a regulation that seems to tell them that either you solicit or not. And they seem to be at cross-purposes with one another. And it may go back to having some advice from central policy.

Mr. WINSTEAD. Yes, we will do that.

Ms. NORTON. Mr. Winstead, up here I have been put in the arduous position of dealing with two appropriations for very important Federal construction. Has it occurred to GSA that the agency should be requesting all the funding for Level 4 construction, including whatever add-ons, like technology add-ons, security add-ons, so that the project would not have to go to two separate appropriators?

Mr. WINSTEAD. I think that, you know, we put an awful lot of thought in the prospectus handling of trying to reduce and trying to get authorization up front for a lot of these, you know, stages,

such as design and construction, and the separation of those authorizations. I think there is great efficiency to be gained from that.

Ms. NORTON. Why isn't it done in the first place? The major appropriation—to give you an example of the things we would like to change if we understood why in the world it was being done, the Department of Homeland Security construction is where you might expect, in the appropriation Committee that handles GSA. But security technology, a very small amount was in the appropriation for Department of Homeland Security.

It has been easier to get out of the GSA than the Department of Homeland Security for reasons that doesn't have much to do with anything except the foibles of the appropriation process.

But if I were sitting at GSA and I had experienced what you experienced, the President put money in his budget, not being able to get this out even when he controlled the House and the Senate, I mean, what kind of reflection is that on GSA? And what do you suggest should happen in such cases?

Mr. WINSTEAD. I think, again, it is a question—in the case of St. Elizabeth's, the projections, as you well know, are about a billion from DHS in terms of contribution to cost and about \$2 billion from the Federal Building Fund. I think it is all a question of, you know, if we have the resources on our side. And, quite frankly, I think that, you know, the additional supplemental appropriations on the DHS side helps us.

Ms. NORTON. I am sorry. I didn't hear that last—

Mr. WINSTEAD. I think that the billion that we project coming from DHS for security and fit-out and equipment does help expand our ability because of the constraints in the Federal Buildings Fund to get that project done. So I think the concept of having to—

Ms. NORTON. First of all, you see what you are doing? The fact is we are talking about one building at this moment. We are talking about the Coast Guard building.

Mr. WINSTEAD. Right. That is correct.

Ms. NORTON. We are not talking about the whole project. We are talking about that building. That building we could have gotten out of here far more easily if it were all in the GSA. Long term, we probably shouldn't be building this way in the first place. This is Government-owned land. And we have been trying to think of a way to do this far more economically to the Government.

But let's deal with what we have now. If we have to do a construction one building at a time, is there any policy reason why the prospectus and the submission should not be submitted such that it would go to one agency appropriation Committee, the appropriation Committee that handles GSA? Is there any reason for it to be divided?

Mr. WINSTEAD. Madam Chair, obviously that would be more efficient. The reality is OMB requires customer agencies to pay certain—

Ms. NORTON. See, if you not going to help me if you say—

Mr. WINSTEAD. But you are correct.

Ms. NORTON. Because I know what it requires, and I know OMB is part of the problem, and I know that we can't change OMB un-

less I know whether it works or not. And I am not asking you who did it. I know who did it.

I am asking you, would it be better if, in fact—would it be more efficient, would it be less costly to the agency and to all involved if this were submitted to one appropriation? And could it be developed such that that would happen? Could it technically be done?

Mr. WINSTEAD. I do think that it would make things more accountable and easier to get authorization for. But the Committee—

Ms. NORTON. We have the authorization. I am going to insist that my questions be answered. We have the authorization for one building, Coast Guard. What we don't have is the appropriation, in part because a small part is in one Committee and most of it is in GSA. Ask the GSA building service commissioner, do you believe that changes should be made that would place such appropriations before one appropriator?

Mr. WINSTEAD. Obviously I think it would be easier to manage, and obviously procedurally it will be easier. I guess—

Ms. NORTON. We need to look at that, unless the agency—I ask you these questions because, if you find a reason why some of this is done, then that overcomes what would seem like a simple-minded change. Not because, you know, "This is the answer. Why don't you give me the answer?" I am looking for a reason why perhaps this was done this way in the first place.

You have given me one reason: In the long term, you would like DHS to pay for part of the building. I like that reason. But when it comes to this particular building, it doesn't seem to me one has to be looking at a project that is going to take, what, 15 years to build and that I hope won't be built this way.

Mr. WINSTEAD. Right.

Ms. NORTON. Let me ask all of you about the new security requirements. Obviously, they add delay and expense. My concern in this Committee is that if you look at those security requirements, there is simply not the inventory in the United States of America to meet them. So I am trying to find out where they come from and whether you have any recommendations for streamlining them and particularly whether you think they are all necessary.

Anything any of you would have to say on that would be very helpful.

Mr. GRUNLEY. Madam Chair, for the construction workers themselves, HSPD 12 is a real burden for the construction workers. And I say that—

Ms. NORTON. And of course to those who lease, because they then have to meet certain kinds of requirements as well.

Go ahead, Mr. Grunley.

Mr. GRUNLEY. The construction workers now under HSPD 12 now fill out a form that I believe is the exact same form you fill out if you are trying to get a top-secret security clearance. They want to know every time you have been out of the country. They want to know three friends from high school and three friends from your neighborhood. And if you have a transient workforce, it becomes very difficult.

They ask about your siblings and your parents. And we can easily have legal employees that are here with green cards whose par-

ents or siblings may be in the country without those, and they are unable to fill out those forms without perjuring themselves by, you know, saying they don't know where their family is.

So it is hurting us getting construction workers to the job site, which is impacting the schedules.

Ms. NORTON. It sounds like overkill, but it does raise questions about—you are building a Federal building and what you need to know about those who are constructing the building where I guess you could do the most damage by the way you construct it.

Who issues those requirements? GSA? Department of Homeland Security?

Mr. WINSTEAD. Department of Homeland Security, in coordination with the Federal Protection Service in terms of the clearance side in the Federal buildings.

But the HSPD 12 is, in fact, being implemented now, and it does have the issues that Mr. Grunley mentioned. I know firsthand that we have had experiences here in Washington about the time it is taking and the lack of mobility in terms of taking certain workers or craftsmen to other sites. And it is a burden. But it—

Ms. NORTON. This raises very fundamental questions.

Ms. Seekins?

Ms. SEEKINS. My perspective is a little bit different in that I manage buildings in place. But I am sure my experience is similar, and that is that there can be a disconnect between GSA and the agencies. And I frequently get the agencies advising X, Y and Z with regard to security while my privity of contract is with GSA.

I think that improving—

Ms. NORTON. What do you mean, the agency advising somebody with regard to security—

Ms. SEEKINS. I have one building where the agency is imposing higher security standards than are called for on the lease.

Ms. NORTON. How could that be? You have a lease—

Ms. SEEKINS. And in this instance, the agency oversees the guards in the building. The guards won't let construction workers in the building even though I have been to GSA. It becomes a problem. There is a considerable amount of confusion.

I would like to see—

Ms. NORTON. But GSA has authority over the guards.

Mr. Winstead, the Federal Protective Service?

Mr. WINSTEAD. Yes, ma'am. Madam Chair, the Federal Protective Service is under DHS. We do have an MOU with them in the buildings, in terms of the protocols.

But this issue is really getting—and I was not fully aware of that, that there is a different level both in terms of the contract clauses versus what is being imposed in the buildings. I do know that we are meeting regularly with Federal Protective Service to make sure that there are no inconsistencies in the—

Ms. NORTON. Well, Ms. Seekins, when an agency violates the lease, considering that the lease is with the GSA, do you report that to the GSA?

Ms. SEEKINS. Yes, I do. And, in this case, GSA gave me permission to work around the agency, which I proceeded to do, and my construction process is finished. I am a little—I think this is prob-

ably emblematic of some larger problems where agencies forget that GSA has the privity of lease.

Ms. NORTON. I do think that these lapses—it is not the first time I have heard of agencies taking charge of security.

Mr. Winstead, are you aware that apparently for security reasons I would daresay anybody in this room who is not a Federal employee, who sought admission to the new Department of Transportation, not a very high-risk target, on M Street, who came through the door, might be asked to offer her identification, would still not be able to get into the building? This could be a taxpayer with children who needed to go to the restroom. It could be along M Street, which is being built up and its amenities are not all in place. It could be somebody who knows, "Wow, this is a Government building; I know I can find a cafeteria."

Are you aware that you cannot get into that building unless you are a Government employee or are accompanied by somebody on the stairs to show you have an appointment? Are you aware of that?

Mr. WINSTEAD. I do know that protocols are in place for the screening at that building, and Bart might know more, but in terms of appointment review and calling up for a specific appointment—

Ms. NORTON. No, I just asked, did you know that a taxpayer can't get in the building?

Mr. WINSTEAD. I was not aware.

Ms. NORTON. This is a—they are not exactly a—it is obviously built to resist terrorism, but it is not exactly considered a target. Who set that policy?

Mr. WINSTEAD. Well, that would have been done with the Building Security Committee and FPS and the requirements dealing with DOT, looking at their—you know, they have control—tenant agency has control over the building and works with the Federal Protective Service in terms—

Ms. NORTON. The tenant agency has what?

Mr. WINSTEAD. Sorry?

Ms. NORTON. The tenant agency has—

Mr. WINSTEAD. They have control over their entry of the building. They work with DHS and the Federal Protective Service. We do negotiate often on behalf—

Ms. NORTON. So you are telling me that there is no uniform guidance among agencies even about admission of the public, based on whether or not—based on the security needed for the building, the mission and function of the building, that agencies are free to make that decision on their own, even if it means the average taxpayer who paid for the building can't get into the building to use the restroom? That is satisfactory policy, as far as you are concerned?

Mr. WINSTEAD. No. I think what we—

Ms. NORTON. I am just giving you a case in point.

Mr. WINSTEAD. I understand. And it seems illogical and an inconvenience to the public and taxpayer. I mean, I totally agree with you.

My understanding is that we are constantly engaging with the Federal Protective Service on either lease properties like DOT or our own buildings to make sure—

Ms. NORTON. Well, you obviously are not, because you did not know about this. This is why in those hearings—those answers, Mr. Winstead, will get you nowhere at these hearings.

Now, what I am going to ask GSA to do is, within 30 days, create a questionnaire for agencies on their security and admission policies affecting the public. In designing that questionnaire within 30 days, I want that questionnaire submitted to the Subcommittee.

Mr. WINSTEAD. I will do so.

Ms. NORTON. There will be very different kinds of things needed, but I know who is not qualified to do it, is the agency head. And I can't figure out who does it. Indeed, I would like to know about your own leadership on security. Apparently there is a committee, an interagency security committee.

Mr. WINSTEAD. Right.

Ms. NORTON. Who decides the security, and what security are they deciding? And who puts it before them? And is it factored into the cost of the construction and the cost to lessors?

Mr. WINSTEAD. Basically, it depends on the level of the security of the facility. But the ISC essentially is made up of the Federal Protective Service, GSA, and the tenant agencies. The standards that are suggested for Level 1 to 4 facilities are essentially enforced by the Federal Protective Service. But we work—that is what we do. We actually help—

Ms. NORTON. No, I am not asking who enforces them. I am asking who says what the security is and, in designing that security, all the people at the table, including those who can tell you whether or not the Government or, for that matter, the private sector can or will pay for the kind of security you are ordering.

Mr. WINSTEAD. Well, we do decide that within the security elements of either a new construction project or a leased facility. We work with the Federal Protective Service and the Interagency Security Committee standards. That is how we arrive at these standards.

Ms. NORTON. So who has the final say on this? Who has final say on what the Interagency—

Mr. WINSTEAD. Each agency has an official designee for that purpose and advisors from both the Federal Protective Service and GSA. The cost is an issue, which is what we try to arbitrate to make sure that, you know, the requirements are not unrealistic given the risk that has been identified and the risk levels that have been identified.

Ms. NORTON. The costs are relevant in the recommendation made?

Mr. WINSTEAD. That is correct.

Ms. NORTON. Ms. Seekins, what has been the effect—perhaps Mr. Turowski and Mr. Grunley as well—what has been the effect of the additional security that the Government has had to require following 9/11? And has it been done in a way so that the private sector can meet the demands that the Government now puts forward?

Mr. TUROWSKI. Madam Chair, I think from the standpoint of security, physical security in leased space, and keeping in mind that offset of 50 foot or even 100 foot setbacks are not required when

GSA is seeking existing product, except for law enforcement, it hasn't really been—

Ms. NORTON. Say that again. Only for law enforcement?

Mr. TUROWSKI. Well, law enforcement, defense and intelligence have their own—

Ms. NORTON. Like the ATF?

Mr. TUROWSKI. Precisely, have their own security.

Ms. NORTON. For example, no great setback had been required for the Department of Transportation? They have a setback, but it is very different from the ATF setback.

Mr. TUROWSKI. I think agencies can upgrade their security requirements from the standard if they are willing to pay for it. But—

Ms. NORTON. Who will pay in the first place?

Mr. TUROWSKI. Well, the agency. If they are requiring—

Ms. NORTON. The taxpayers of the United States of America.

Mr. TUROWSKI. Well, out of their budget, as opposed to the GSA budget.

Ms. NORTON. All of this is out of their budget. And the budgets are just not going to be there.

Mr. TUROWSKI. But if I might return to the question, in terms of physical security, when lease space is sought in existing product, we don't see any material impact. The idea of magnetometers and X-ray machines in the lobby and at the loading docks, the treatment of air intakes and so forth, while on occasion problematical, really don't amount to major challenges.

However, as part of GSA's leasing process, they do require an inspection, a security inspection, by a physical security specialist. Typically, that is from the Federal Protective Service. And often-times the waiting that it takes to get a security specialist to a proposed lease location can be fairly extended, and that, in and of itself, can extend the process.

So just to reiterate a bit, physical security when GSA seeks existing product tends not to be a problem. However, the security inspectors—

Ms. NORTON. When it comes to leasing?

Mr. TUROWSKI. When it comes to leasing, yes.

Ms. NORTON. Because GSA is living with the existing inventory.

Mr. TUROWSKI. For the most part, yes. I mean, they do specify build-to-suits, and build-to-suits at level 4 we understand would kick in a requirement for at least 50 foot setback. But in major urban areas where we see most GSA activity, it is for existing product and, again, build-to-suits generally aren't pursued.

Ms. NORTON. Ms. Seekins and Mr. Grunley, I would like to hear what both of you have to say on security to make sure that we are being realistic here.

Ms. SEEKINS. I think that the physical security standards are quantifiable and administered in an even-handed way. So I find that quite acceptable.

I think I join Mr. Grunley in the idea that some of the personnel security requirements are quite costly and do not seem to be evenly administered.

Ms. NORTON. Do you mean like guards?

Ms. SEEKINS. Bringing contract employees into a building, do you do a NACI background check? Do you have them go through what is called an eQIP form, which is longer? Do you have them go through a higher level of security clearance? That—

Ms. NORTON. Is there some guidance so that, for example, the building owner knows the difference in which employees are required—RPTS JOHNSONDCMN MAYER[12:52 p.m.]

Ms. SEEKINS. I would like to say—I would like to get that. Because I don't see it.

Ms. NORTON. All right. We would like to see that guidance clearer so that the building owner won't be faced with the people are ready to come in the building, contract signed to do it, and then he has got to figure out which level of forms this contractor has to meet them. That's the kind of thing I am after.

Ms. SEEKINS. Precisely. Thank you very much.

Ms. NORTON. Again, GSA can't know these things unless we bring them out at public hearings. We are just trying to get rid of these things as soon as possible.

Mr. Turowski, you have anything to say on that.

Mr. TUROWSKI. No.

Ms. NORTON. Mr. Grunley, on security, surely you are building buildings. I guess if the government wants to pay for it, you build whatever they require.

Mr. GRUNLEY. I think the buildings we are working in that is doing some sort of structural hardening seems adequate. You know, I don't see it being overkill. I think they are important buildings with prominent people that could be targets.

As far as getting the construction workers in, I think they should look at it more practically. If you had a brand-new site and the first guy on the job is putting up a construction fence, and then he is going to leave, I don't think he should need a security clearance.

And do I believe that the—

Ms. NORTON. The construction worker just putting up a fence you mean?

Mr. GRUNLEY. Right. Under HSPD-12 may very well have to fill out the form just to put the fence up for 2 days and leave.

Certainly, the mechanical and electrical trades that are working inside, working in telephone closets, I think that is a wonderful idea. Maybe the painter who is roaming a building like this at night should have the clearance. But I think there needs to be a practical approach to it.

Ms. NORTON. Are any of those different—Mr. Winstead, requiring necessary—indeed, I am on Homeland Security Committee, so I am listening with two kinds of ears here. And these requirements of employees, are distinctions made between somebody who has been called to put up a fence and somebody on the inside putting up cables?

Mr. WINSTEAD. Obviously, Mr. Grunley mentioned they have not been. Perimeter fence security might be if, you know, it was related to a high security building. But I think he is correct in that there could be more flexibility in people who are not in the interior of the building.

Ms. NORTON. These are the kinds of practical suggestions we—

Mr. WINSTEAD. We would be happy to, you know, to take these suggestions and others and get them back. And obviously our responsibility is to try to make it as easy as possible, working with the HSPD-12, this new system of badging, as well as the requirements that DHS and FPS have.

Ms. NORTON. Let me ask you about the Prompt Pay Act.

By the way, Mr. Winstead, it is not the case that Federal Protective Service comes entirely under my other Committee, the Homeland Security Committee. There is jurisdiction shared there. And we have had very, very important hearings on the Federal Protective Service, which is in very dire straits since its transfer from GSA. If I might say so, it ran very much better at GSA.

One of the ways brought into question the Prompt Pay Act when we found that—and this is one example; obviously, if you apply it to leasing and construction I would be most interested. But this example had to do with security guards.

It was reported to my office they weren't being paid—that kind of scared us, since they guard secure sites and Federal buildings—and learned that one of them had fraudulent—you know, was a felon, shouldn't have a contract in the first place. We passed legislation there.

But the most pathetic case was one we corrected by working very closely with ICE and the GSA, and working hand-in-glove with them, which is why I say we want to help. Instead of just bringing them up here and exposing them, we have helped ICE within a period of—didn't take any more than 2 or 3 months to reorganize their relationship to contractors.

The best case was a former police commander at D.C. and his wife, who owned a contracting company, who had habitually and chronically not been paid.

Now, Mr. Grunley is a pretty big guy. This was a—would be considered a small business owner. So how did he keep from getting in the same position as the felon whom we caught, whom we found out had the GSA money, the FPS money, and simply hadn't paid his guards? Why had this man not done the same thing?

Well, besides the fact that he was honest, what he was doing was essentially depending upon the fact that he had a government contract, getting a loan from a trusted bank that continued to fund him until his FPS ship came in. Not until he came before us did it begin to come in. It was an outrageous case of failure to—a violation of the Prompt Pay Act that endangered government facilities.

As a result of this, they centralized their contracting, put in an ombudsman, not only brought themselves current, but quickly negotiated what amounted to many contractors who, in fact, were owed money.

But there were disputes. So you could set those aside forever and just ring up the cash register. Part of the problem was that people also thought they weren't getting paid under the Prompt Pay Act.

I have got to ask you both, all three of you, do you know of instances where people have failed to be paid promptly? I ask you, if GSA pays a penalty for late payments—I can tell you this much, you will pay a penalty if it goes the other way. I would like to have your experience.

On this one I feel a little passionate because of the small business person. So anything you have to say to me. Remember, our answer to ICE and FPS was not to beat them about the head and shoulders, but to actually develop a relationship with them which changed the system, which didn't turn out to need a lot of wholesale makeover.

So give me, first, the experience. Maybe with construction and leasing this is not the same problem.

Mr. GRUNLEY. First of all, thanks for the comment about being large, but—I was thinking I should go on a diet. But until 1987, we did operate as a small business, so it was nice to graduate from that program.

We have absolutely zero problems getting paid from GSA. They meet the Prompt Pay Act. Occasionally, a check may be a day or two late because somebody was on vacation—

Ms. NORTON. Would there be a penalty if they did not meet the Prompt Pay in your case?

Mr. GRUNLEY. Yes. And they automatically send the interest. We do not have to ask for it. So occasionally we will see \$12.82, and we don't know what it is for, and we will call and find out it is an interest payment.

Ms. NORTON. Fabulous. Because they know if that added up it would ultimately come to the attention of the government because the amounts are so large.

Go ahead.

Mr. GRUNLEY. I would say 80 to 90 percent of the people that are having trouble getting paid, it is because they either don't understand the process or they are not doing it correctly. And it happens in my company also.

I will have a young—

Ms. NORTON. What do you mean, they don't understand the process?

Mr. GRUNLEY. They should. You can't just submit a requisition; you need to have it approved by somebody. The Prompt Pay Act starts with approval.

Ms. NORTON. But people want their money.

We also found that some contractors, that some of the problem at FPS really were the contractors themselves. In this case, they were small businesses that didn't understand everything. And part of what they did was to train all their contracting officers, submit new material to people, the ABCs of what you have to do. And they don't have the problem anymore.

I don't understand. In other words, these fools don't understand what they have to do to get their own money. Well, whose fault is that?

Is it that the agency has made it perfectly clear, Mr. Winstead? And if these people only did what you told them to do, they would be paid just like Mr. Grunley has been paid? I don't understand what the problem is.

If there is no problem, we know if they are as big as Mr. Grunley—not very big in his chair, but he has grown from a small business—apparently you all know what to do, but I know what happened to small businesses.

Well, just let me go on. I don't want to—I am trying to find experience.

Mr. Turowski, you on the inside and the outside, did you find this to be a problem or not with leasing and with construction? Prompt Payment Act.

Mr. TUROWSKI. Madam Chair, from both sides of the leasing program, I only have anecdotal recollection of Prompt Pay—

Ms. NORTON. I am not asking you to come with a survey. Once I find anecdotal evidence, then I look to see whether this is endemic or whether this is—

Mr. TUROWSKI. Has it happened on a couple of occasions? Yes, there have been Prompt Pay violations in leasing. But honestly, to my—in my memory, the incidences in the leasing area are comparatively rare.

Of course, if we were talking about prompt execution, that would be another story. But Prompt Pay is not a—

Ms. NORTON. Prompt execution. What is it essentially you are making?

Mr. TUROWSKI. Prompt execution of the lease. Not so much payment on the lease, but execution of the lease once it has been agreed to by—

Ms. NORTON. And what keeps that recurring? In other words, here is this person raring to go with maybe an empty building or at least empty space, but you can't move because of why?

Mr. TUROWSKI. Well, it is the processes that I alluded to in my earlier remarks.

Ms. NORTON. Because some of those processes, and you indicated that those processes—you weren't prepared to say those processes were simply unnecessary.

Do you think that there is a streamlining of those processes that could be done if we all sat down and worked together?

Mr. TUROWSKI. I think it could be done. And I think resources are the key ingredient to getting that done, yes.

Ms. NORTON. Well, you know what kind of strain the government is under.

Mr. TUROWSKI. Yes.

Ms. NORTON. And so the one answer I cannot accept is the answer I most want, but know I cannot produce on, which is, why not just put some more staff in there. That is why I know Mr. Winstead and part of what Mr. Winstead is dealing with, and you don't hear me beating up on him on staff. I know what he has to go through to get staff.

I headed a Federal agency. And now that we are into this, you know, awesome deficit, I can tell you I don't care who becomes President next time, there is not going to be much difference. That is why the agencies need to be put on notice. I am going to be going to the Appropriations Committee to make sure that agencies do not spend well beyond what they are spending now. And the reason I am going to do that is because I am on Oversight and Government Reform, I am here where construction takes place.

So what the agencies have to do is this: When you have this kind of squeeze—and we are in for the squeeze for some time—you have got to take it from someplace. Are you going to take it from personnel? With Federal workers retiring? Are you going to take it

from the child care center? Or are you going to say, I want to be on K Street? So what I am going to submit to the Appropriations Committee is the increased rent that K Street can afford.

I am not going to do this. I am not going to sit on the authorizing Committee and allow that to happen. You had all better put people on notice.

And I don't think the trade-offs that I have just described are fair unless you are overstaffed. Then maybe it is personnel. But the appropriators are going to have my help as an authorizer—and, indeed, I sit on the Subcommittee that has to do with personnel in the Federal Government, and as an authorizer here.

So the squeeze is going to come. It is going to come in the right place. And I don't think the right place is to go to the most expensive part in downtown D.C. or New York.

So, Ms. Seekins, is your Prompt Pay Act—excuse me, execution. Back to what Mr. Winstead needs more than what Mr. Turowski has suggested, more people as smart and experienced as he is. Absent that, do you think that execution within the kind of resources you can say you know you are going to get out of your experience, are there ways to streamline the process so that quite unfairly one does not hold somebody who has a lease but just can't get it executed to essentially absorb that cost?

Or is he absorbing that cost? Mr. Turowski, is he absorbing that cost?

Mr. TUROWSKI. Yes.

Ms. NORTON. Is the rent being paid by the government anyway?

Mr. TUROWSKI. No, not at that point. Not at that point, but the space is being carried by the owner.

Ms. NORTON. He is absorbing the cost?

Mr. TUROWSKI. To the extent there is cost, yes, it is being absorbed by the owner.

Ms. NORTON. Because until GSA is on the dotted line, it is his money, not ours. I am glad of that for the taxpayers, but one of the reasons for this hearing is to try to keep from unfairly burdening those who do business with the government as well. So I am asking whether or not that time period between knowledge of exactly who gets the lease and the signing of the lease—are we talking about that period, Mr. Turowski, so I know what I am talking about?

Mr. TUROWSKI. We are talking about the period between which the owner signs and GSA signs. The owner signed a lease, GSA has not yet signed. Okay. It is the end of the process. And we have seen in—

Ms. NORTON. I would have thought the GSA would have gone through a lot—GSA would have done a lot of work before it would even let the owner sign.

So what has to be done between the time the owner signs and GSA signs?

Mr. TUROWSKI. They do their compliance checks, their scoring checks, their conformity with prospectus checks. They ensure that the agreement they have with the occupying agency fully reflects all the business aspects of the lease. They get the using agency's signature on those documents, their internal pricing documents.

It has proven to be fairly time-consuming.

Ms. NORTON. Scoring? That late in the game we are looking at scoring?

By the way, several of you have mentioned scoring. You have taken the issue I most hate about the Federal Government and have been able to do least about. We had a successful fight on scoring. I know what you are going through. But again, I put my attack dog on them, and this was the Old Post Office Building, where indeed there was an attempt by CBO to score—essentially, Mr. Turowski, what we did at the Monaco Hotel.

So when you put before—which, of course, is now bringing revenue to the Federal Government.

When you put that before them, you realize you are dealing in part with people who don't understand real estate or land management at all. So all they do is do the general crossword puzzle. But I can tell you that that is a very hard—that is the first one I think we have ever won. Well, Southeast Federal Center, but we haven't been able to duplicate this, the Southeast Federal Center.

See, when I find that kind of wall, then I go, okay, what is another way to do this?

So you have heard some of these things. Scoring I am taking off the list. But during this period of prospectuses, occupancy and so forth, does that duplicate what has already been done, Mr. Winstead?

Mr. WINSTEAD. The problem that I think Art is talking about is the close-out of the lease in terms of a winning bidder and how much time it is taking us to basically sign the government on the line. And I will tell you that because—

Ms. NORTON. First of all, I want to make sure he is talking about what?

Mr. WINSTEAD. The time it is taking, on average, now in NCR between the actual signing of the lease and the final lease—

Ms. NORTON. Is that what you are talking about, Mr. Turowski?

Mr. TUROWSKI. That is precisely it.

Ms. NORTON. So at least we are talking about the same thing. Go ahead.

Mr. WINSTEAD. And it has been a concern in terms of that time, taking more. It has in some cases taken 3 months. It should not take that long.

Part of the issue is, and I think we have addressed it, we are addressing it now, it is a burden on the private sector lessor. I mean, they have got a building financed, we have come to a meeting of the minds in terms of price, but there are all those compliance things that Art talked about—some of which cannot be done in advance—that have to be done after an arriving of sort of the real price.

Ms. NORTON. Can't that be streamlined at all, Mr. Winstead?

Mr. WINSTEAD. Sorry?

Ms. NORTON. Can this process be—you see the unfairness.

How long does it take, Mr. Turowski? Give me an example.

Mr. TUROWSKI. Oh, it routinely has taken 2 to 3 months, that period of time in the leases that were being done at the time I left the agency.

Ms. NORTON. How would you like to be left with that for 2 or 3 months, Mr. Winstead?

Mr. WINSTEAD. That is unacceptably too long, I must say.

Part of our problem, Madam Chair, that I don't think everybody is aware of is that we have had, through the National Broker Contract, through looking at a rent bill management effort, which is a new system for managing rent and is contracted out, through basically the new e-lease system, where all the realty specialists are plugging in the details on leases into a new IT tool, that unfortunately—a lot of the demands of these new systems create in the long term greater efficiency—have been on top of the leasing specialists and the COTRs, and have been an additional burden. And unfortunately, I am afraid the time in which closing out this lease and getting a signed lease back is taking more—longer than we are comfortable with.

And I think that is what Art is talking about, as well as Gail.

Ms. NORTON. That comes under the category of not only wanting to save money for the Federal Government, but to save money for people who are unfairly penalized in the private sector.

I am going to ask the IG to look at that process and to make suggestions between lease signing and lease execution. Again, we are looking for recommendations. We understand that these things have been in place. And we are not looking for penalties, we are not looking to criticize the agency, but we can't do anything if we don't know anything about these things.

We have had an instance recently where an unnamed agency simply refused to sign for as long as it got ready. Ultimately, I think it looked closely at the fact that, given what the Subcommittee had already done, it was not going to be able to do what agencies have routinely done: get out of the competition that had won the lease.

So they finally figured out what to do. And they did not—and they did accept the space, albeit not for the unit it had initially wished to be in the space. But the agency, how long—what did it take the agencies? Surely it was almost a year. Well, staff says at least 6 months.

Now, I don't think the agency could have done anything else. And I couldn't understand it, because the agreement was not with the agency; the agreement was with GSA. The lease is not the agency's lease.

So you are going to have to make me understand why an agency can hold up the whole Federal Government, even though the agency has no responsibility under the law for leasing after a fair competition on price, amenities, and everything else has taken place. Understand, this fair competition has occurred after the agency has signed on that it must have all of these things. So make me now understand what GSA can do about the fact that the agency says, well, I am just going to hang out here as long as I want to no matter what it costs the private sector and no matter what it costs the government.

Is there anything you want to suggest that the agencies can be doing about this? Or, if not, what additional authority do you need so that that does not occur?DCMN HERZFELD

Mr. WINSTEAD. Well, Madam Chair, obviously in the original requirements, efforts of looking at agency need and the one in question, we are obviously trying to go to the market and determine

within the delineated area what the competition is. And to get to that stage and then have the tenant agency not party to the move or delaying the move is not what we are supposed—

Ms. NORTON. Are there any time limits on the agency at all? Should there be?

Mr. WINSTEAD. Well, only in terms of any existing lease obligation they have in the current housing arrangement or Federal—

Ms. NORTON. You would know that by now, or you wouldn't be negotiating for a new lease.

Mr. WINSTEAD. Pardon?

Ms. NORTON. Mr. Winstead, that kind of answer doesn't help. Nobody is going to make a move out before their lease is up. That is already understood. That is why I lose patience.

Mr. WINSTEAD. Right.

Ms. NORTON. I am really trying to look for answers. I am not trying to criticize GSA. And therefore, my answer is—my question is does the agency need authority in order to keep an agency from deciding on its own motion when to sign a lease which under law it is obligated to sign? It wasn't obligated to agree to all of these things before the competition. It agreed, sat down with you, and you virtually do everything they say. Fair competition has taken place. They hang out there for as long as they want to. You, of course, call them; you do the right thing. And they say later for you. What I am asking you is what should be done. If you can't tell me, then I am asking somebody else to tell me what can be done either administratively or by law.

Mr. WINSTEAD. I think it is more—I know that case that you presented was a troubling one and makes no sense in terms of the amount of work and the determination we have had on the Public Building Act in terms of where they should go. In terms of strengthening the adherence in a timing sense of that decision and the agency's move, I would be happy—

Ms. NORTON. Strengthening what, I am sorry?

Mr. WINSTEAD. Sorry? Between the commitment in terms of an offer and an option and getting the agency to move, there could be additional guidelines that could be supportive. But I think we do the best we can to get the agency into the best space. We have the delegated—we have the authority to do so, and that is what OMB and the Congress expects us to do is to make the best real estate—

Ms. NORTON. You have the authority to do so. It would have been difficult for you to do. Either we need to do something, or you need to do something. Do any of you at the table see anything that the agency could do on its own?

See, we can instruct the agency, or we can do it by law. We don't think that is fair to just say bide your time, and then when you get ready, you sign. You understand that when they sign, then there is a whole process GSA has to go through. You just heard testimony about that. So the whole works is—one agency, what authority or none? Can't sign a lease. Has none of the obligations under the lease. GSA does. It is taking a hit and saying it is okay, just hit us. Well, you are not going to hit this Subcommittee, so I want to know whether you all can think of anything administra-

tively that can be done, or whether you have any recommendations of any kind.

Mr. WINSTEAD. Madam Chair, again, we have the authority to direct the agency to move. And, you know—

Ms. NORTON. Okay. I get it.

Mr. WINSTEAD. We have that authority. But I agree that there have been some onerous cases, I don't know them in detail, where that has not happened.

Ms. NORTON. The Subcommittee will look to see whether it needs to instruct the agency to issue guidance, or whether we need to issue this guidance by law. We do not intend to sit here and try to get the best deal for the government without—in a one-sided process without trying to help those who must contract with the government to also avoid needless regulations. That is why I appreciate—I am a strong Davis-Bacon supporter, but I have no case to be made for paperwork. The point is to get some money to workers.

Why, Mr. Winstead, does the agency delegate the management of leases in some cases? Give me examples where you do this. I know you do this in some cases.

Mr. WINSTEAD. There are about 13 agencies that have delegated acquisition authority. We passed a new regulation guidance last September that limited the ability of those agencies to execute lease delegation unless it is under 20,000 square feet. And it is generally.

Ms. NORTON. Wait a minute. Are you saying it is limited—I need to hear this.

Mr. WINSTEAD. It limited the agencies that have lease delegation authority to only apply that delegation authority, or we have to grant it to leases that are under 20,000 square feet.

Ms. NORTON. You grant it in the first place, or else it wouldn't be delegated. Are there going to be any more leases delegated?

Mr. WINSTEAD. They have to submit a delegated lease request.

Ms. NORTON. Why are you delegating any leases if you are the agency?

Mr. WINSTEAD. Many of the agencies—USDA, for example, have a lot of leases that are in areas—

Ms. NORTON. Who?

Mr. WINSTEAD. The USDA and Forest Service and agencies like that are in areas where we really do not have the national broker contractors.

Ms. NORTON. So specialized agencies, you are saying specialized agencies. So are all the agencies that have delegation and management leases specialized agencies like Department of—

Mr. WINSTEAD. No. The delegation is generally in a small—only 1 percent of all leases that we manage are delegated.

Ms. NORTON. Would you submit to the agency a list of all of the agencies who have the delegated management of leases authority and any guidelines for those lease delegations that you now have? What is the average number of leases in the lease portfolio for what looks like a dwindling number of specialists at GSA? Average number of leases.

Mr. WINSTEAD. Well, we have about—we have an inventory of 53 million square feet in the National Capital Region. About 10 per-

cent of that turns over every year. Nationally, as I mentioned earlier—

Ms. NORTON. So what is the average number?

Mr. WINSTEAD. The average number per annum, we have, well, 125.

Ms. NORTON. I don't know enough to know whether that is manageable or not. One hundred twenty-five?

Mr. WINSTEAD. Annual leases in the NCR in terms of an average lease load in the National Capital Region.

Ms. NORTON. Handled by a specialist? One—I am asking, I am sorry, the average number in the lease portfolio of a GSA lease specialist.

Mr. WINSTEAD. I think we have about 6,000 lease actions per year in NCR. Is that correct?

Ms. NORTON. I am just saying—

Mr. WINSTEAD. One hundred twenty-five lease actions a year.

Ms. NORTON. How many?

Mr. WINSTEAD. One hundred twenty-five lease actions.

Ms. NORTON. For each specialist?

Mr. WINSTEAD. I am sorry, we have seven specialists—70 specialists and 125 annual lease actions in the NCR.

Ms. NORTON. You consider that adequate or not?

Mr. WINSTEAD. Well, you know, as I mentioned before, I think we are—again, we have had attrition, again the issue of the National Broker Contract and training people on that, and being able to utilize that have, in fact—we have seen it diminish. At one point 10 years ago, we had 1,000 realty specialists. Now we have got 560 realty specialists. So we have seen a long-term decrease in the number of realty specialists.

But the whole concept behind the National Broker Contract was to contract out, and basically under contract, have the expertise to determine and to advise us on the best deal in the market. And the concept behind that was also that the same realty specialists could work upstream with the client agency to avoid what Art talked about in terms of the holdover situation. And that has essentially been the mechanism we have had in place the last 3 years under the National Broker Contract.

Ms. NORTON. Is there a private sector benchmark to measure this by, or is the government unique in this way? Because I don't have any idea whether that number is a good number or not. Is there a private sector benchmark if you look at what the private sector would regard as what is necessary to manage such a portfolio?

Mr. TUROWSKI. Not off the top of my head, Madam Chair. A lot depends on the size of the lease, its complexity. I mean, indeed, some major leases could have two lease negotiators assigned to them. If a lease is comparatively small, a private sector lease negotiator could be working, you know, 10 or 15 or 20 at one time.

Ms. NORTON. These, of course, would be complicated just by the number of rules and regulations and laws of the Federal Government.

Mr. TUROWSKI. Yes.

Ms. NORTON. Mr. Turowski, I am aware that you were working on a streamlined lease before you left the government. I am not

aware that it has been institutionalized. Do you know what I am talking about, rewriting some of the parts of the leases that might be eliminated so that you could streamline? Is that in use?

Mr. TUROWSKI. Honestly, no. That is catching me a bit cold.

Ms. NORTON. What happened? Mr. Winstead seems to know what I am talking about. Streamlined leases.

Mr. WINSTEAD. Yeah, we have looked at the concept I mentioned about trying to centralize more of the policy side in the management of leasing. We have looked—

Ms. NORTON. Very important. Go ahead.

Mr. WINSTEAD. We basically looked at the skill erosion issue and procurement expertise, and made sure that realty specialists that were burdened with all these other things I mentioned, that we do have enough seasoned people to guide their actions and to train them. And I will tell you it is a challenge.

Ms. NORTON. That is good, because to meet the challenge that it looks like the Federal Government isn't about to give more personnel to agencies, one would think that the greater the centralization, the more done by guidance, the better off you would be unless you can expect some influx of qualified people. As you know, people leave because you give them the kind of training that makes it possible for them to earn considerably more in the private sector.

Mr. WINSTEAD. We do have attrition, and Art is an example. Of course, he had 37 years.

Ms. NORTON. Nobody stays these days as long as Art stayed.

Mr. WINSTEAD. Right. But I do think we have taken the management actions for this lease management both from a policy standpoint, in Central Office and the regions. I think the real weakness is the staffing question, and the real weakness is the lack of seasoned expertise that goes back that many years. And what we are leaning on is the private sector knowledge of the market, but we still do not have sufficient members that have had the years of training in lease and action and contract officials.

And I also would like to mention that a lot of our—some of our regions are concerned about that to the extent that, you know, they are taking some of the more complicated leases and trying to ensure that the senior people are using those as examples for the newer incoming lease specialists to be trained on.

Ms. NORTON. You would think that that would be common practice.

Mr. WINSTEAD. It is common practice. I think what—

Ms. NORTON. But the centralization that you say you are doing seems to me would move toward that and toward that kind of guidance.

Mr. WINSTEAD. It is. We are issuing it now.

Ms. NORTON. It is like I am a law associate, to take my own profession. You know, the first thing you do is to look for somebody who has written the same kind of pleadings and then go from there.

Mr. WINSTEAD. Right. We are regularly scheduling zonal trainings in the regions for our realty specialists, and also training them in some of these new tools I mentioned, which will ultimately lessen the burden and allow them to focus more on both, obviously, the client needs and the transaction. That is e-lease and the rental

management and other initiatives that are tied in, which are new tools we put in place in the last 2 years. And I think part of the problem, what I hear when I go to the regions, is that all these are great ideas, but it diverts time and attention from getting people trained on those new systems. And the result is maybe the leases are not getting closed out as quickly. And I guess that is what we heard evidence of earlier.

Ms. NORTON. Well, somehow or the other that is the job of management, to make sure people get trained, or else they just create more of the same problem, or the problem is not a cure.

I am very interested, though, in your notion about seasoned workers, particularly given what I know about this area, and your intern program. Would you tell me about this intern program and whether it leads to conversion, somehow some of these employees to Federal employees?

Mr. WINSTEAD. We have always had a very—

Ms. NORTON. Where do they come from? Where do these interns come from?

Mr. WINSTEAD. Most of the interns, some of them were recruited out of college; some of them actually worked for GSA while they were in college through our co-op program.

Ms. NORTON. How many of them have become government employees?

Mr. WINSTEAD. I think of the six that graduated, we went to an intern graduation at central office about a month ago, and I think all of them have stayed with GSA. And most of them were at GSA before they entered the intern program. So we have two levels. One are the college-age people that are still involved during breaks and summer, that is the Co-Op program; but the intern programs are essentially there were seven and—

Ms. NORTON. Is there any requirement—wait a minute. All right. These are people who work in the summer?

Mr. WINSTEAD. No, the interns actually are full time, but the co-ops, the college grads, or people that are in college rather—

Ms. NORTON. Both would be very valuable. Now, the interns, they are being paid by the government?

Mr. WINSTEAD. Yes. And they are selected by—

Ms. NORTON. Can you be an intern paid by the government and then leave and go to the private sector as soon as you finish your internship?

Mr. WINSTEAD. There is no—I don't believe there is any signed agreement with the intern program that requires—

Ms. NORTON. Why? The reason you are losing people is because they get the training and quickly go to where they can earn good money. Is there a quid pro quo for the government money being used to train people so they can at least get something out of it for the training?

Mr. WINSTEAD. Madam Chair, I think the distinction is that these are selected and prequalified in terms of their potential to go up the career chain to become senior executives.

Ms. NORTON. Are they already government employees you are saying?

Mr. WINSTEAD. Yes, yes, those people. The ones I mentioned before in the—

Ms. NORTON. The word "intern" applies to—you are using the word "intern" because they are interning in GSA?

Mr. WINSTEAD. That is right.

Ms. NORTON. They are already government employees.

Mr. WINSTEAD. That is right.

Ms. NORTON. Are they government employees at the GSA?

Mr. WINSTEAD. Yes.

Ms. NORTON. Where did they come from? What kind of sections of the GSA do they come from?

Mr. WINSTEAD. Well, they are all over. They are in all the programs areas, some in the Chief Architect's Office, some in Portfolio, some in Financial.

Ms. NORTON. So I am in one of those kind of related functions, but I want to become a what, a realty specialist?

Mr. WINSTEAD. Yes.

Ms. NORTON. Okay. You then are paid the same you were paid elsewhere in the agency, except you are learning now the whole business of GSA as a realty specialist, right? Or not?

Mr. WINSTEAD. Yeah, but the GS level could be higher. I mean, obviously it is in some instances. Some of those interns would go—

Ms. NORTON. Okay. It could be higher. I am trying to find out how many of these are there?

Mr. WINSTEAD. Well, I know that there were six in terms of Central Office. I think nationwide there are over 100.

Ms. NORTON. Let me deal with the last six. Did they all become realty specialists at—

Mr. WINSTEAD. No, they didn't, but some of them are in the realty—

Ms. NORTON. What happened to the rest of them?

Mr. WINSTEAD. Some of them went into the Chief Architect, some of them went to Portfolio to manage our portfolio. Others went—

Ms. NORTON. All of them remained at GSA?

Mr. WINSTEAD. Yes. At least the ones I am most familiar with, the ones that graduated this year.

Ms. NORTON. What I would like you—if you are saying that all six at least are with the agency now, first of all, when did they graduate?

Mr. WINSTEAD. The ones I am familiar, which I talked to a week ago, graduated—it is a 2-year—

Ms. NORTON. You know for a fact—

Mr. WINSTEAD. It is a 2-year program, and they participate. The group that I am closely aware of, the group that just graduated, are all staying with GSA. And I would be happy to get the Committee exactly the qualifications of getting into this program, how we determine both from their interest and need in terms of staffing, where they end up after the program, whether it is—

Ms. NORTON. On this, you know, the one thing I don't do, because I ran a Federal agency myself, is try to micromanage something like this. I am trying now to figure out, given what I am sure will be—you have already said is a problem in recruiting realty specialists, whether it makes sense for you—I would like you to try to figure this out—at least for the time being you think these people will remain at GSA. Let me give you this scenario. I am now

an architect someplace else, and I want to get more of what GSA does overall as a realty specialist. So while I know something about one part of the agency, I want to get the others. I can spend 2 years there, I will go back for a year or so, and then I am off here to where people pay top dollar. Nobody is going to begrudge that ultimately, but in terms of the need for realty specialists, the difficulty that you are encountering now you will continue to encounter.

I wonder whether or not—I literally ask this as a question, I have no idea the answer, and I have no idea where to find realty specialists, but I am wondering whether or not it would be useful to the agency to say that this program— that those who get first druthers on this program will be those who make X commitment. I can't tell you what that should be.

We do it in the Federal Government all the time. This is in-kind training that is very valuable. What we do is very different, you know. It may have to do with paying parts of loans in order to encourage people to go to some places in order to practice one or another profession like nursing or something of the kind.

So I am very roughly analogizing to see, one, whether this is necessary, or whether you get the realty specialists from someplace else, and whether or not this would be a useful thing to do, not excluding others, but trying to retain this expertise where it might be particularly valuable.

Mr. WINSTEAD. I would be happy to get you—for the 560 I referred to, I would be happy to get you a breakdown of their tenure, which ones have participated in the intern program and returned to the realty function, and I will get that information to you. But I think it is going to continue—I think the market, obviously the commercial market, is cooling a bit. The residential market has fallen out. I think the reality is the temptation, hopefully, on the near term might be more encouraging to stay than to head to the private sector.

Ms. NORTON. Since I am not dealing with the near term, but dealing with what Federal policy should be generally—

Mr. WINSTEAD. We will be happy to get that down and get to you what we have in place in terms of those requirements and how many are staying with GSA versus going out. And we can get it for the Chief Architect's Office, the engineers and architects and designers.

Ms. NORTON. I am going to ask only one more question. I am going to submit questions, additional questions to all of you. As you will see, my modus operandi is not to ask questions and have staff look at the transcript. I don't know anything about the things I have been asking you. So I am trying, in my own role as Chair of the Subcommittee, to understand what it is you do. I am not a very good person for staff simply to put something on my desk and say, you sign here, Eleanor. So I got to have at least some sense, and I don't know how to get it outside of the inside here if I don't learn by asking questions of those who come before me in the Subcommittee. Rarely am I trying to get the agency on something, because if we knew about that, we would call the agency and not simply use a hearing.

I need to know about contractors supervising contractors. This has been an endemic problem in the government, and we see it in Oversight and Government Reform and huge and horrid abuses. Above all we have been impressed by the fact that the government does not—perhaps you do—have the resources to supervise the contractors. So they can't supervise the contractors in the first place, and then they have contractors that don't supervise supervising other contractors. Why should I have any confidence in that kind of process?

Some of the testimony—I forget who mentioned this, or Mr. Grunley told us among those who mentioned contractors supervising contractors. First of all, I want to know about the process, and then I want to know what, if anything, can be done about it.

Mr. GRUNLEY. The process has been where GSA has not had the staff to have day-to-day inspection and project management on the job sites, they have hired large firms that provide manpower. I have found that the manpower is extremely competent in most cases. And where it has worked the best is where there is still a strong contracting officer or a project exec for GSA who has the oversight that will set the rules straight very early on what they are looking for, that they are typically looking for.

Ms. NORTON. Has there been sufficient contract officers?

Mr. GRUNLEY. Excuse me?

Ms. NORTON. Has there been such oversight?

Mr. GRUNLEY. Absolutely. Especially the last few years.

Ms. NORTON. For large projects you have found for construction projects there has been a contracting supervisor—

Mr. GRUNLEY. Working for GSA on our job site.

Ms. NORTON. Right. So what about the contractors' supervision of other contractors? Are you satisfied with that as well?

Mr. GRUNLEY. Yes, and especially the last few years. When I first saw this was in the mid-1990s. We were actually doing a job in Baltimore, not for the National Capital Region. And there was three employees that worked for the construction manager, and there was nobody on site for GSA, and we felt these people ran over us and around us and everything they could do.

Ms. NORTON. I am asking this question out of your own testimony, where you said that—and I don't have the sections—where you mentioned that it was a problem, although not for you. And we understand that you are a big contractor, sir, but in your experience it had been a problem of contracting, otherwise I wouldn't be raising it. I don't know anything about contractors supervising, so I got to have got it from somewhere. So would you talk to us about the experience of others then?

Staff brings to me the page, and it is not numbered in your testimony so I can at least know what I am asking. What you say is the approach is necessary in order to assure the government that construction activities are being performed and documented in accordance with the contract requirements. However, what seems to have resulted from this approach is an increase in general contractor staffing necessary to be responsive to CM staff assigned to the project. My sense is that we may have taken this approach to a point where there is a loss of efficiency and improvement can be made.

Mr. GRUNLEY. This is my personal opinion. The construction management firms that are being hired to do that work are very large firms. They are doing work for GSA and other government agencies all over the country, and it is very important for them when they get a contract to do a wonderful job. In doing a wonderful job, they look to have larger staffs. They will go back to GSA and say, we really think we need a safety officer, we need two more inspectors, whatever the issue is. Sometimes they are granted those larger staffs, and other times they are not. When they increase their staff, we tend to need to have to increase our staff because of just additional oversight.

That is the lesser problem than we have had, and we do not have this issue with GSA, we have it with other Federal agencies, where they have hired who I consider to be abusive construction managers, who I think—and they do not have the mission of the Federal Government. They have a mission to beat up on the contractor. We do not see that at GSA, though.

Mr. WINSTEAD. Madam Chair?

Ms. NORTON. Yes, Mr. Winstead.

Mr. WINSTEAD. The increased use of the CMC, construction management contractor, option has since the beginning of the 1990s increased a lot, but basically they are on site. We have a project manager who is a full-time GSA employee to assure quality assurance by the contractor and the building. They don't actually supervise the contractor.

I think what Ken is complaining about is that because of our increased use of CMC, because we find that we can manage a very complicated project, looking at cost implications of a major courthouse by the expertise in the private sector, what he is concerned about, I think, is the fact that our increased use of it means there are more people on the quality assurance task than there were before, and then he needs more people to respond to their questions and work with them. So I think it has increased the burden—

Ms. NORTON. I see the issue, particularly having sat on oversight and reform hearings, except that it is hard for me—I understand what you are saying. I am going to give you an example in a moment that I think either may show this is valuable, or that it didn't happen in the example I cite.

The problem that the Federal Government has faced in recent years is essentially that nobody was supervising large contracts. Huge, terrible headlines everywhere. Some of this came from Iraq. Some of it came here, because the Government Oversight and Reform is about that, oversight of every Federal agency. We have had before us, you know, DOD, the State Department, you know, some of these with the most horrendous stories.

So here I am, and the contractor says, look, GSA, we have to hire more to respond to their hiring more of these construction managers. But what it says to me is that for these large contracts, you are doing what we have found is absent very often in very large contracts of the Federal Government; that is to say, not putting that money out there and having nobody on staff with the expertise who is supervising.

Yes, more, that means more cost, I guess, passed on to the government, but what we have found in these oversight hearings is

very frankly we would rather incur the costs because of the really horrible—I can't even begin—they range from straight out stealing and fraud to inefficiency that makes GSA look like the picture of efficiency. Left to their own devices, people spend money on—wow, on things that the taxpayers have found shocking in my oversight hearings. So it may be as long as you pass this, and I bet you do, the costs, on to the Federal Government, Federal Government Oversight and Reform is asking for that rather than to lose, I am telling you, billions of dollars for failure to give appropriate oversight.

Mr. WINSTEAD. Madam Chair?

Ms. NORTON. Go ahead.

Mr. WINSTEAD. I would mention the Grunley firm has a very strong presence in a growth market, as I view it, and that is the renovation of these older buildings. I mean, they have done the Department of Interior, they are doing the EEOB, and that work can be much more complicated than a new field office of the FBI or a new branch office under lease-construct for SSA. Obviously, the security issues at the EEOB and Interior—obviously at EEOB are huge. And so that is also—

Ms. NORTON. Historic problems.

Mr. WINSTEAD. —that is why we on quality assurance and contract—

Ms. NORTON. Are you saying you want it there, but not in other places?

Mr. WINSTEAD. I think there are ways that we can—look, this is the first time with this testimony this morning, quite frankly, I have heard concern by him about this issue of we have got more CMCs, and I am having to hire more, so obviously that is reflected in his cost. And we ought to look at that and see what that pairing is—

Ms. NORTON. Good.

Mr. WINSTEAD. —and figure if it is effective or not. And we will be happy to do that.

Ms. NORTON. Can I give you this example? I don't know if it is even relevant to CMC. I am over at DOT on another matter altogether. An employee comes out and says, oh, my goodness, what are we going through? They moved us all out of a floor or so of DOT, and they completely are redoing how it is set up. And she said, oh, my Lord, we are in a new building, and now we are doing—and this is just a few weeks ago.

And I had somebody from the agency there, and I said, what is she talking about? They said, well, there were, you know, in order to—there were some spaces that were too small, there were some spaces—they were finding that out now.

Why is it they are finding that out, Mr. Winstead? I guess I should just put it that way. I said, who is paying for it? I sure hope the contractor is paying for it.

Mr. WINSTEAD. In the case of the DOT, they are still finishing out some work on several floors there. And I think what DOT's requirements were in their housing plan was to us in advance. We had a good project manager working with JBG, who was the lease construction firm, but there were some issues in terms of the tenant agency changing some space configuration essentially after the

fact. So we have been trying to work with that and trying to get it done.

So I think that is what you saw was the work that is still being finished out at DOT. And Bart and I were just over there talking to the Federal Highway Administrator about his section of that building.

Ms. NORTON. Part of what I was told is that there was—and this may be related to what Art said about the time between the lease and its execution, that people are wanting to get into the building. And so it rings true when you say something about, well, you know, some of this stuff wasn't really completely done. I suppose—and trade-offs are what we have to be ready for. I suppose I would rather take—particularly with the agency rapidly wanting to move in, I would rather take that kind of trade-off than to have a long lag time between execution of the lease and signing of the lease if that was the reason.

What would bother me is after-the-fact changes that you just mentioned by the agency. Why should the agency, which, in the case of this building and any other I can think of, had an enormous amount of time to consider what it needed and has built a huge building out there, why should it be allowed to do after-the-fact changes?

Mr. WINSTEAD. Well, number one, you know, we had a—part of the balance and part of the enforcement of that contract is obviously not to cost either the agency or the government more. But the reality was there were some subsets of DOT, some of the modal groups within like highway or transit, that took—they took longer getting their requirements in. And that is what has led to this. I can get for the Committee from NCR exactly what those costs have been.

Ms. NORTON. But could they have done that and you sign a lease? I mean—

Mr. WINSTEAD. Yeah. I mean, the reality is, had we gotten all the requirements vetted early enough from the tenant agency, some of this would not have occurred. That is the reality.

Ms. NORTON. Well, Mr. Turowski, is there, in your experience, outside and inside, is there a way to somehow have called the question at a point in time? Or are these changes just inevitable no matter what happens and the Government just needs to be prepared to absorb the cost?

Mr. TUROWSKI. Well, lease changes in a building in excess of 1 million square feet are fairly difficult to avoid, particularly given the time from the, I believe—and I am going on memory here, recollection—particularly in projects of that size from the creation of the original program requirements, which can be up to 3 years later when the space is being built out. So that is a bit of an unusual circumstance, I would say, or atypical.

Ms. NORTON. The lesson there is, of course—and here you have dealing with more than one agency in the building; is that right? Department of Transportation—is Federal Transportation Agency in the building?

Mr. WINSTEAD. It is all occupied. The million three square feet are all occupied by the DOT.

Ms. NORTON. Who is paying for the changes?

Mr. WINSTEAD. Oh, who is paying for the changes? Basically it is within—it would be under our contract lease agreement with JBG, and we would be responsible and the tenant agency.

Ms. NORTON. So the tenant, namely the Department, is paying for it out of its agency budget, right?

Mr. WINSTEAD. Yes.

Ms. NORTON. So the Government is paying for it.

Mr. WINSTEAD. That is correct.

Ms. NORTON. It was not a mistake on the part of the contractor?

Mr. WINSTEAD. No.

Ms. NORTON. And I do understand what Mr. Turowski was saying. We really don't expect perfection in this process. And we all expect some losses on both sides. For example, the competition means, you know, it is your risk. If you get the contract, you know, you got it. If you didn't, it is the risk you take. But I don't want to accept the risk of everybody signs on and somebody over here is just not signing, even though he doesn't have anything to do with the lease. And I don't want to take the risk of the time between the agency signing and GSA signing is excessive. So I am trying to measure the differences.

Let me say that there are a lot of things that I would have asked about simply to establish that GSA is doing a very good job in some respects. Some of them—I mean, Mr. Grunley had mentioned best value, which I have looked at for some time. And it does seem—you know, having moved from lowest bid to best value, looking at how it is done, it is done fairly. I have seen GSA oversee the certified apprenticeship program. I have some terrific misgivings, but I am going to be working with GSA on that. It was very important. The certified apprenticeship program is really not simply about getting work. Most of these apprentices won't come from—certified apprentices, certainly won't come from the people in my district who need it most.

But if you look at what the best contractors want, they really do want the people who have had that kind of training and are not working with people who have thrown together apprenticeship programs. And then you get somebody who really doesn't know how to do the job.

In working with GSA for—we have heard good things about construction manager as opposed to no oversight, know about the cost, we understand the tradeoffs. Some tradeoffs we are willing to accept.

We heard about security. And I am on Homeland Security. I also represent the District of Columbia. I don't lightly tread on that. I am not satisfied that GSA is the leader there. There is every indication that who leads the band are the people whose only mission is security. And that is very bothersome to the Subcommittee. We are going to be looking at what we can do about that. It may take some statutory changes; it may take other kinds of changes.

And because of my long experience with GSA, I still regard it as the repository of extraordinary expertise available nowhere else. I also see it dwindling, going, retiring. I am very concerned about it and doing all I can. That is why you hear me talking about the intern program. I would like to see it expanded. It is in the best interest of the Government.

I am not going to be able to get that done unless I can assure the Government, as the Government has required, on, for example, the substitute it gives for doctors, lawyers and Indian chiefs to go to certain places in the country. If I can assure the Government, I think I can get some kind of trade-off there, so you don't have just six, you begin to replenish the supply.

Because today for, let's say, a young person interested in real estate work, the question is, shall I go with Mr. Turowski's company, Mr. Grunley's company, or the GSA? I will tell you what. If they take very bright people that just graduated, have some interest, it is no contest; the Government isn't going to get them. So one of the things the Government has to say is, what is it that could make people want to come here? Or with respect to those people who work for GSA and could then go off, not simply come here to this division, get expertise and then fly off to the Federal sector.

I want to thank each and every one of you for bearing with me so long while essentially I was engaged in a training exercise for myself and the Subcommittee. And I promise that you will see the results of this hearing.

Thank you very much. The hearing is adjourned.

Before it adjourns, excuse me, I do want to submit for the record the opening statement of the Ranking Member.

Ms. NORTON. And I do want to say that the Congress went out of session yesterday. And so the Ranking Member, like every other Member of Congress except me, could be expected to return to his own constituents. And I appreciate that Mr. Graves, in fact, is just as interested in this matter as I am and has left his own opening statement in that regard.

Now the hearing is adjourned.

[Whereupon, at 1:56 p.m., the Subcommittee was adjourned.]

**Subcommittee on Economic Development, Public
Buildings and Emergency Management**

**Hearing on “Making the GSA Lease and Construction Process
Efficient, Transparent, and User-friendly”
Friday, June 6, 2008**

Statement – Congressman Jason Altmire (PA-04)

Thank you, Chairwoman Norton, for calling today’s hearing to examine steps that can be taken to streamline the U.S. General Service Administration’s (GSA) lease and construction processes.

As stewards of taxpayer dollars, Congress is responsible for ensuring that funds are spent in an effective and efficient manner. Today’s hearing provides us with yet another opportunity to ensure that our current processes are adhering to this responsibility.

I look forward to hearing from each of our witnesses today. They bring with them years of contracting experience, and their knowledge will greatly assist us in understanding what processes can and must be improved.

Madam Chair, thank you again for holding this hearing today. I yield back my time.

###

Congress

**The Honorable Sam Graves, Ranking Republican
Member**

**Subcommittee on Economic Development, Public
Buildings and Emergency Management**

**Hearing on “Making the GSA Lease and Construction
Process Efficient, Transparent, and User-friendly”**

June 6, 2008

[WHEN RECOGNIZED]

Thank you, Chairwoman Norton, for holding this hearing on making the General Services Administration’s lease and construction process efficient, transparent, and user-friendly.

I also want to thank our witnesses for being here today to discuss this important issue.

Looking at ways GSA can streamline the process for leasing and construction is important. The length of time it takes to move forward on new construction, for example, has resulted in higher costs to the government. Often the costs for construction outpace the government's process of proceeding on a project.

For example, the cost of new construction for courthouses in San Diego and Los Angeles has far exceeded the budgeted amounts due to the length of the process. I look forward to hearing from the witnesses today on how this process could be streamlined so that costs can be reduced to the taxpayer.

While the hearing today is focused on streamlining the GSA leasing and construction process, addressing the issue of the increased reliance on leasing by the Federal government would provide the taxpayer with even more savings.

Since 2003, the Government Accountability Office has included Federal real property on its High Risk list. They noted a number of issues that resulted in real property being added, including the Federal government's reliance on costly leasing.

GSA predicts that, this year, it will lease more space than it owns. In a GAO report released in January, it noted that, in four of seven GSA leases it analyzed, leasing was more costly over the long term than construction by an estimated \$83 million over 30 years. If we multiply that number across all Federal leases, the cost is astounding. It is similar to a renter who pays each month for a home, but never gains ownership.

The scoring rules for Federal projects drive government agencies to lease. A proposal to construct a new project or to purchase property must reflect the full cost of the government's obligation upfront. Short-term operating leases, however, only need to reflect costs for the first year plus any cancellation costs.

The result is that leasing looks cheaper for long-term needs, but many times is actually more expensive.

In addition to paying more for leased space, there are other consequences. One is it severely impacts the Federal Buildings Fund that is used for new construction, repair, and renovation. It also results in more unused or under-used real property, which is also a high risk factor identified by the GAO.

In the 2005 Consolidated Appropriations Act, Congress enacted legislation that provided some flexibility to GSA and helped to address the issue of scoring by the Congressional Budget Office; however, the scoring guidance used by the Office of Management and Budget continues to encourage short-term leases to meet long-term needs.

It is important to examine the inefficiencies in the leasing and construction process that drive up costs to the government. But, I also believe that resolving the scoring issue, as highlighted by the GAO, is crucial in cutting the cost to the taxpayer.

I would like to thank Chairwoman Norton and our witnesses today.

Thank you.

STATEMENT OF
THE HONORABLE JAMES L. OBERSTAR
SUBCOMMITTEE ON ECONOMIC DEVELOPMENT, PUBLIC BUILDINGS, AND
EMERGENCY MANAGEMENT
HEARING ON "MAKING THE GSA LEASE AND CONSTRUCTION PROCESS EFFICIENT,
TRANSPARENT, AND USER-FRIENDLY"
JUNE 6, 2008

The General Services Administration (GSA) serves an important role as the property manager for the federal government. Today's hearing rightly chooses to focus on how GSA can find more efficiencies in managing the real estate portfolio of the federal government by streamlining the solicitation and Request for Proposal processes and creating savings for both the federal government and private sector.

This committee will continue its oversight of GSA this summer, as we plan to take a comprehensive look at the GSA Capital Investment and Leasing Program and how savings can be achieved in housing federal agencies like the Federal Bureau of Investigation, HUD, and the Social Security Administration, agencies that expected to have a long term presence in their communities

I would like to thank Commissioner David Winstead of GSA for joining us today to outline the real estate procurement process of the agency, as well as the private sector representatives for coming in today and giving us their perspective on working with GSA through the procurement process.

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Statement of

Mr. Kenneth M. Grunley, President

Grunley Construction Company, Inc.

Rockville, Maryland

to the

Subcommittee on Economic Development, Public Buildings

and Emergency Management

Committee on Transportation and Infrastructure

U.S. House of Representatives

for a hearing on

Making the GSA Lease and Construction Process Efficient,

Transparent, and User-friendly

June 6, 2008

GRUNLEY

Building on Tradition

**Statement of Mr. Kenneth M. Grunley, President
Grunley Construction Company, Inc., Rockville, Maryland
Subcommittee on Economic Development, Public Buildings and Emergency Management
Committee on Transportation and Infrastructure
U.S. House of Representatives
June 6, 2008**

My name is Kenneth Grunley and I am president of Grunley Construction Company, a Rockville, MD based firm providing general contracting, design-build and construction management services to both the public and private sectors of our economy. Grunley is a family-owned firm with 280 employees and annual revenues of approximately \$300 million. Grunley's predecessor firm was founded in 1955 by my father, Mr. Martin Grunley, and his partner, and in 1988 my dad and I formed Grunley Construction.

I have been working in the construction industry all my life. After graduating college in 1974, I began working my way up through the ranks of the company and in 1994 assumed the position of president of the company.

Since its inception back in 1955 our business has focused its principal activities on serving the public sector. In those days public procurements for general contracting services (whether they be at the local, state, or federal level) were all relatively simple – get the bidding documents from the Owner, put a price on it, turn the price and a bond guaranteeing performance in on time, and see if you were the low bidder. With few exceptions the low bid won. In some ways I still look back fondly at those times as simple and exciting. This process did not fundamentally change until the 1990s.

Today procurement of public buildings, both new construction and major renovations, is a much more complex and sophisticated process with the anticipated benefits being better quality designs and construction, lower first and life-cycle costs, more timely delivery of facilities, and attainment of other social, political and economic goals.

Experience with GSA

I am pleased to come before the Subcommittee today to share some of my thoughts and insights based on over 30 years of experience working for the U.S. General Services Administration (GSA) and its Public Buildings Service (PBS). Grunley is very proud of its long relationship with GSA/PBS and the many projects that we have been privileged to complete over the years. Today we are working on 9 contracts for GSA's National Capital Region (NCR) including the modernization and renovation of the Eisenhower Executive Office Building, the U.S. Department of Interior Headquarters Building, and the Mary E. Switzer Building. We are also constructing a new building at the George P. Shultz National Foreign Affairs Training Center. In fact approximately 50% of our company's work over the past 20 years has been for the GSA.

Included in this experience are traditional design-bid-build, design-build with bridging documents, and construction manager at risk procurements. All of these procurements since 1998

have followed the FAR procedures for best-value type procurements – that is, very few of these procurements were simple Invitations for Bids.

Grunley's experience with GSA is limited to a certain extent. We have performed almost all of our work for the NCR with only one project to date for another regional office, Region #3 in Philadelphia. We are familiar with the Region #3 programs and are looking forward to doing added work for them in the near future. We are looking at ways that we may deliver the knowledge that we have gained over the years in other parts of the country.

I should also add that we are performing construction services on a facility that is being improved under a GSA lease for use by an agency of the Federal Government. This is our first experience under the leasing program and the special nature of the project certainly does not qualify me to talk about the issues of efficiency, transparency and user-friendly processes related to the leasing program.

Changes in Construction Process

Over the years that I have been providing construction services to the GSA there are few milestones worth noting that have altered how we do business. These include the following:

Reduction of GSA in-house staffing assigned to manage and oversee construction process – This reality began in the 1990s when the size of the Government work force was under pressure to shrink and has continued for a variety of reasons that has led to our present situation where all projects are under the leadership of a GSA Project Executive and/or Project Manager, but the majority of staff involved in the day-to-day oversight of both the construction and the paper work are contract personnel – CM as Agent. GSA has managed this process well by employing qualified Contracting Officers and retaining CM as Agent firms that understand GSA's mission.

This approach is necessary in order to assure the Government that construction activities are being performed and documented in accordance with the contract requirements; however, what seems to have resulted from this approach is an increase in general contractor staffing necessary to be responsive to the CM staff assigned to the project. My sense is that we may have taken this approach to a point where there is a loss of efficiency and improvement can be made.

Movement to Best Value Procurement and Partnering – In the late 1990's GSA, and other agencies, recognized that the lowest price on bid day often did not result in the lowest price at the end of the job and in no way assured that the quality, timeliness, or other requirements and goals would be attained. GSA changed their procurement process to a best value approach. In adopting the best value approach, the general contractor was put in the position of competing as a construction professional and the GSA was able to select the firm that demonstrated the capabilities to best meet the requirements of the particular project. This approach, coupled with the use of Partnering and its goal of creating a more collegial relationship among the complete project team (i.e., architect, engineers, subcontractors, special consultants), had a significant positive impact on how we work and the product of our efforts. I believe this approach created a more open and transparent environment between the GSA, the contractor, and the design team. I

believe that this was the first formal step toward some of the more integrated approaches that we use today in the Government sector.

Application of Design-Build and CM at Risk – Although design-build and construction management at risk type services had been used in the private sector for many years, it was not until the late 1990s that design-build was allowed under the FAR and began to be embraced by U.S. Army Corps of Engineers (COE) and U.S. Naval Facilities Engineering Command (NAVFAC). CM at risk is still in its infancy within the Federal Government, but GSA is actually a front runner in using this approach. These methods of procuring and delivering building design and construction are founded on two related precepts – integrate the team and the earlier the better. Without getting into all of the pros and cons of design-build versus design-bid-build versus CM at risk, it is important to note that these added methods of delivery significantly alter the contractual relationships between the three key participants in the delivery process – the Owner, the A/E, and the Contractor.

In my opinion the GSA has taken the high road in the application of these processes to its procurements. GSA has put all of these methods, along with variations such as design-build with bridging documents, into its “tool box”. GSA makes its decisions to use traditional design-bid-build, design-build, and CM at risk on a project-by-project basis. This is in contrast to the COE and NAVFAC which have made design-build their default procurement method with “waivers” required in order to use alternative methods. In recognizing that the type, location, schedule, and other project specific requirements need to be assessed in order to determine the most advantageous delivery approach, GSA can realize the best value for the Government.

Other General Comments

I have been a member of the GSA Construction Excellence Peer program for 6 years. In this capacity I have had the opportunity to visit a dozen projects across the country and dig into a variety of construction issues being faced by other contractors. I believe that efforts, such as the Design and Construction Excellence Peer programs, serve GSA well and are effective in improving quality, timeliness and cost savings.

Conclusion

Grunley Construction works well with GSA and has found its overall approach to procurement and delivery of construction projects to be business like, easy to understand, and fair. We look forward to continued opportunities to serve GSA.

I thank the Subcommittee for this opportunity to provide this information and would be pleased to provide any additional information that you may desire.

Statement of

Gail H. Seekins
Senior Property Manager
Akridge

Representing the
Building Owners and Managers Association (BOMA)
International

Before a Hearing of the Subcommittee on Economic
Development, Public Buildings and Emergency Management
Committee on Transportation and Infrastructure
United States House of Representatives

Making the GSA Lease and Construction Process Efficient,
Transparent, and User-friendly

June 6, 2008

Good morning Madam Chairman, Ranking Member Graves, and members of the Subcommittee. Thank you for holding this important hearing on improving the GSA leasing and construction process and inviting me to testify today. I am Gail Seekins, Senior Property Manager of Akridge, a full-service commercial real estate firm here in Washington, D.C. I am here today representing the Building Owners and Managers Association (BOMA) International and am a past-president of its local association, the Apartment and Office Building Association.

First and foremost, I would like to say that the General Services Administration is one of BOMA International's largest and most valued members. Our comments today are intended to highlight improvement opportunities that will help the federal government and the private sector companies that build and lease to government agencies, and better streamline the processes to save money for all parties involved. I would also like to state that our comments are a compilation of general feedback we received from a number of our member companies that do business with GSA, and are not intended to highlight specific project related concerns of my company or any other BOMA member company. We also would like to compliment GSA for their continued improvement over the years and their willingness to work with BOMA to further improve. Some of the issues to be identified can be improved internally by GSA, but some require OMB and the Congress working together to correct.

The Construction Process

Scoring Rules. Scoring rules are always at the top of the list when asked to identify some of the problematic aspects of doing business with the government. To avoid the harsh accounting treatment required for capital leases, the GSA only writes operating leases. The Office of Management and Budget (OMB) authors the rules for operating leases in OMB Circular A11. OMB's rules are generally more stringent than equivalent private sector practice. The distorting effect and complications of Federal budget scoring rules are becoming a deterrent to bidders on government procurements. Scoring rules often contort the lease procurement practice and increase costs in the following ways:

- The GSA is prohibited from leasing on government land and then leasing back the improvements even when they own acceptable sites.
- GSA is prohibited from outleasing underutilized buildings which could be renovated to meet new requirements and then leased back to the government.
- "Unique" features required by the government must be paid for outside the rent in a lump sum. This accounting for what is unique and then parsing the financing complicates the lease procurement process.
- Longer lease terms which would reduce the rental rate are often prohibited by A11 rules to avoid capital lease treatment. Leasing for 20 years yields a lower rate than leasing for 10 to 15 years. Leasing for short terms for long term Federal requirements drives up costs.
- The government cannot accept a bargain priced purchase option at the end of the lease term.
- Lease to ownership options are not allowed which rules out the cheapest financing options and lowest rates.

- Scoring rules do not seem to recognize the historic appreciating value of real estate which causes government risk factors to be overestimated.

A specific example involves FBI build to suit leases. Due to the present scoring rules, the rental rate is based on a normal "Class A" office building, with no consideration given to the specific security and construction requirements in FBI buildings, which can increase the cost of the building by as much as 10-20 percent. The Prospectus Rental Rate set by Congress is often not enough to do the job without a large lump sum payment, frequently in the millions of dollars, if not much more, for security that FBI and other agencies simply do not have in their budget. This problem has been evidenced by several failed lease construct projects after award, in addition to a number of high profile projects that cannot be awarded due to lump sums that are simply too high for FBI and other federal agencies with high technology or security needs to fund. Discovering this each time, at the time of bid evaluation, causes problems and cost for everyone that must be corrected.

BOMA understands the need for high security in high profile buildings for FBI, other law enforcement agencies, and certain Department of Energy and other agency functions. We also understand that build to suit lease buildings for these functions are quasi federal buildings and deserve the same security as their government owned counterparts. However, since the leases are usually for long periods of time and the special security features are in place for that entire period, we don't understand why the security features can't be factored in the lease prospectus rental amount so that a rent rate adequate to complete the entire project without a large agency lump sum can be approved.

Until OMB and Congress fix those system issues, GSA will have serious issues delivering projects for FBI and other agencies with high security requirements. This process is broken. For developers, it costs \$150,000-400,000 to bid on each project and when they just don't award the bid, it is wasted effort for everyone and could eventually result in less industry competition for these types of leases.

Real Estate Taxes. We believe that GSA should make Solicitations for Offers (SFOs) net of any real estate taxes. At the time the project is bid, the real estate taxes are unknown, and local government assessors and project bidders can only guess. The result is that every bidder will guess differently, making it impossible for GSA to compare "apples to apples." An inaccurate guess for the developer can result in large discrepancies in their operating budgets as well. Eliminating this unknown from the process would benefit both parties.

Site Selection/Ground Leases. BOMA believes that GSA should avoid using ground leases whenever possible. Instead, we would support GSA selecting and acquiring the site prior to issuing the SFO. The winning developer would then take assignment of the site. This would level the playing field for the bidding process. In addition, ground leases may cause additional complications to the selected developer, as these projects are difficult to finance. Lenders have their own standards for ground leases, and the developer is unable to renegotiate a deal that has already been agreed to between GSA and the owner of the land. Eliminating the ground lease would simplify the bid process and increase the quantity and quality of participants.

Square Footage Requirements. Many SFOs will include square footage requirements for specific rooms or offices without providing the additional detail of the actual dimensions required. We believe that SFOs should be as specific as possible to alleviate the possibility of a building being designed and constructed that does not meet the agency's needs or system furnishing even though the square footage requirement was met. In addition, while GSA began using the BOMA *Standard Methods for Measuring Floor Area in Office Buildings* several years ago, we still see SFOs from time to time that use terminology to measure square footage (such as "net usable") that are not defined in the Standard.

The Leasing Process

Generally, the federal government is perceived by the office building industry as a great tenant, for all of the obvious reasons including their creditworthiness. The use of outside brokerage firms over the last several years has, we believe, on balance, been a positive development, helping to instill certain private sector norms into the GSA leasing process. However, we have all encountered some frustrations as well.

Prospectus rental rates, which are often approved well before the lease procurement begins, have not kept up with the rapid increases in construction materials and labor costs; historic rates do not reflect current costs. In addition, they often don't take into account certain differentiating features, i.e., proximity to mass transit. This phenomenon often precludes many commercial landlords from competing for GSA leases who might otherwise do so.

In broad terms, government leases do not reflect current private sector market practices and many clauses are not landlord friendly. Over time, one learns which clauses get enforced and which ones don't. However, lending institutions look at all the clauses when assessing risk and assigning interest to the project. Clauses that are never used do cost the government. The leases should certainly be drafted to protect the occupant, but only when the protections make sense. For example, there are no holdover provisions in the government lease, but the government can introduce condemnation, which means a government tenant cannot be evicted. That may make sense due to the nature of government functions, but leases should have a holdover provision with a rent escalation to encourage GSA to eliminate holdovers. With the pending impact of BRAC related relocations and the anticipated delays associated with them, the holdover issue will become even more of an issue for commercial landlords over the coming years.

Termination without notice and restoration clauses may not be typical practices but are used at times in some regions. When used, they should be more aligned with industry standards to make them understandable by the general building owner community and thus increase competition for GSA leases, which should in turn result in reduced cost for the government. Additionally, some clauses serve no benefit while costing the government in the rental rate obtained for their use. An example is a clause now included in most build to suit leases which allows the government to buy a building at market rates at any time during the period of the lease. The problem is the government never exercises this clause, although lending institutions see this clause as a risk and thus penalize the project for it. GSA should not use clauses that are not used or do not provide adequate return for the cost of the clause being in the lease.

BOMA would be happy to work with GSA, and the Committee (since many of these clauses are bound by law) to identify clauses that are not industry standard or cost the government without appropriate benefit and recommend appropriate substitutes.

Staffing and Operating Procedures

The next set of issues I would like to highlight today is probably the easiest to cure. Improved communications between the GSA, federal agencies, and their private-sector business partners would resolve many of these.

Personnel turnover is certainly inevitable in any entity whether it's private sector or government. However, it sometimes appears that GSA often reassigns their staff to different positions where they have limited technical experience. The notion that anyone can do anything is simply not correct. When building owners and managers must start over with a new person, who must then invest much time learning procedures and becoming acclimated to the property, it causes frustration. We would recommend GSA consider modifying its excellent Intern Program to include more technical training in the leasing and facilities management area and target specific hires for careers in real estate leasing, both for existing buildings and build to suits.

In addition, the federal government is notorious for their slow payment processing. Delays in processing payments for work orders, operating expense increases, and real estate tax payments are not only frustrating but also costly to the federal government due to the mandate to pay interest on payments not processed within thirty days. Invoices for additional work, accompanied by supporting documentation, may be rejected without explanation or with a request for information that was provided at the outset. While the government does pay interest, they should understand slow payment creates a cash flow problem for the lessor.

Delays in processing lease documents are also an issue, and many commercial landlords are now finding that it may take three to four months to receive an executed lease back from the GSA after the landlord has signed the document. The delays associated with lease amendments or modifications are even greater. We understand that GSA is presently working to address this issue and we appreciate these efforts.

Finally, the billing process needs to be explained in more detail so that new or inexperienced to government lessor know where and how to send bills to GSA so that they can be effectively processed.

In summary, improvements in making GSA leases more attuned to industry standards will not only help the private sector, but also increase competition for government leases, which is good for everyone.

We thank the Subcommittee for holding this important hearing, and look forward to working with Congress, GSA, and other public and private sector partners to achieve our mutual goal of improving the construction and lease process to make it more effective for GSA and their private-sector partners.

About BOMA International

Founded in 1907, the Building Owners and Managers Association (BOMA) International is an international federation of more than 100 local associations and affiliated organizations. BOMA International's members are building owners, managers, developers, leasing professionals, medical office building managers, corporate facility managers, asset managers, and the providers of the products and services needed to operate commercial properties. Collectively, BOMA members own or manage more than nine billion square feet of office space, which represents more than 80 percent of the prime office space in North America.

Statement of Arthur Turowski
Senior Vice President, Jones Lang LaSalle
Before the
U.S. House of Representatives Transportation and
Infrastructure Committee, Subcommittee on Economic
Development, Public Buildings and Emergency
Management

June 6, 2008

It is a great pleasure to be here today to discuss means of improving the GSA leasing and construction process. Through a rewarding Federal career, I've had a 37 year association with the GSA leasing program. My work with GSA has been in several GSA Regional offices and at GSA's Headquarters.

During that time, I witnessed and was part of many changes. And, most recently, since retiring from GSA's National Capital Region and joining the firm of Jones Lang LaSalle in its Government Investor Services practice group, I have acquired the added perspective of building owners in the GSA leasing process.

GSA's leased inventory is large by any measure. Most of the lease transactions which comprise it are undertaken with efficiency and

transparency and some degree of user friendliness. However, it has been my observation that among GSA leases which are larger, more valuable or complex this is often not the case.

Let me share with you the reasons why this is, how this is apparent in the private sector and what some solutions might be.

First, the GSA lease process has been expanded in recent years. Some examples of the added stages in the process are more rigorous acquisition planning, better formulated location decisions, various compliance checks and a new set of documents binding Federal agencies to their obligations under GSA leases. While these process additions represent laudable objectives, GSA has yet to minimize their impact on the procurement process, most notably the impact these additional layers of process have on procurement duration and project completion timelines.

Second, some years ago, GSA implemented new ideas in its organizational placement of leasing. Their goal was to achieve a greater degree of responsiveness to their client agencies' leased space requirements. An unintended consequence, though, was to lose clear lines of

knowledgeable, leasing accountability up to and through management levels in the leasing program as well as back down again into the leasing organization.

Third, GSA has been challenged in its ability to accurately ascertain their client agencies requirements early in the lease procurement process. By launching procurements without a complete picture of end needs, GSA has negatively impacted the perceived commercial reasonableness of GSA transactions in the marketplace and added to the perception of the Government as a challenging transactional partner. The lengthy budget cycle is clearly one reason for the occasional disconnect between GSA and their client agencies, but it is clear that greater attention is needed to smoothly manage transactions in a manner that will satisfy GSA users, provide the best price to the Government and encourage the continued participation of private sector partners.

Fourth, in staffing its leasing operations, GSA faces major resource constraints. In the personnel arena, a combination of factors have had significant impact including a long period of essentially no hiring of new personnel, a wave of retirements and the significant time and expertise

investment required to bring new hires up to a full level of leasing proficiency.

Fifth, the volume and scope of GSA's required lease documents significantly exceeds those for lease transactions in the private sector. Again, though often well-meaning, this added documentation adds to the perception of the Government as a difficult partner in private sector transactions.

Process additions, a lack of sufficiently trained personnel and inadequate communication between GSA and its client agencies have all served to complicate the GSA leasing process. These weaknesses have become readily apparent to the private sector and manifest themselves in many ways, including:

- Exceptionally high numbers of lease holdovers
- Increasingly frequent mention by GSA representatives of leasehold condemnations as negotiating leverage
- From the nationwide perspective of a service provider to the industry, each of GSA's eleven regions handles their real estate transactions differently and therefore, in practice, there are functionally eleven different ways GSA performs real estate transactions.

- More project “false starts” as a result of rescoping, prospectus shortfalls and reasonably foreseeable site deficiencies
- Significant rent arrearages and lease execution delays.

There are solutions to these issues. In fact, I am sure none of the issues I have raised come as a surprise to GSA. And, as I was leaving GSA I understood there were moves afoot to take corrective actions. Most importantly:

- A rigorous real estate oriented training program is needed for GSA leasing personnel
- A coherent, top down leasing management structure is needed to increase oversight, better manage transactions, and maintain an action bias
- GSA should take steps to simplify its process and undo or better adapt well-meaning but cumbersome procedural steps that increase organizational and transactional inefficiency
- A thorough review of the submissions, attestations and requirements of lease procurements should be undertaken by GSA with the goal of streamlining and simplification

This concludes my remarks. I will be pleased to address any questions or comments by the Chair or subcommittee members.

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**STATEMENT OF
DAVID WINSTEAD
COMMISSIONER
PUBLIC BUILDINGS SERVICE
U.S. GENERAL SERVICES ADMINISTRATION
BEFORE THE
COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE
SUBCOMMITTEE ON ECONOMIC DEVELOPMENT, PUBLIC
BUILDINGS AND EMERGENCY MANAGEMENT
U.S. HOUSE OF REPRESENTATIVES
JUNE 6, 2008**



Good morning, Chairman Norton, Ranking Member Graves, and Members of the Subcommittee. My name is David Winstead and I am the Commissioner of the Public Buildings Service (PBS) in the U.S. General Services Administration (GSA). I am pleased to appear before you today to discuss how we meet our federal customer's workplace requirements through new construction, leasing and lease construction. Specifically, I would like to describe how we are making these processes more efficient, transparent and user-friendly. I will also briefly describe some of the challenges we face, how we are meeting them and some of our initiatives to further streamline our processes.

GSA is the nation's largest public real estate organization, providing workspace for more than 1.1 million Federal workers. We are a real estate services delivery organization – supporting our customer agencies in their mission of service to the American people. As such, it is our mission to deliver superior workplaces for the Federal worker and a superior value for the taxpayer.

In delivering workplaces, we look first to existing, vacant, federally-controlled space when that space is available and suitable to meet our customer's mission requirements. When suitable federal space is not available, we then consider the options of leasing space from the private sector or constructing a new building. When the existing inventory of buildings in the local market cannot meet our customer's requirements, and where Federal construction is not an option, we solicit the construction of a new building, which is built to meet our customer's specifications and leased by us on the customer's behalf. For example, new SSA space requirements in smaller cities and suburban and rural markets are often met through lease construction solutions to allow SSA to follow its shifting customer base.

GSA leasing and construction are governed by many statutory and regulatory requirements that do not apply to equivalent private sector transactions. GSA leasing and construction must comply with a comprehensive list of laws and Executive Orders that apply to Government contracts, including the Davis Bacon Wage Act; National Environmental Policy Act; Competition in Contracting Act; the Small Business Act; and other energy, environmental, and historic preservation laws, orders and regulations. Leases, new construction projects and major renovations with an annual cost that exceeds a specific dollar threshold amount (\$2,590,000 in fiscal year 2008) require congressional authorization. As you know, for this purpose GSA submits prospectuses to the Senate Committee on Environment and Public Works and to this Committee for approval. The list of important laws, regulations, Executive Orders, OMB Circulars, and other mandates that apply to the leasing process is lengthy and has a significant impact on the leasing and construction programs, in particular the time it takes to secure a lease or construct a building and the time it takes for customers to budget for space.

Both the construction and leasing processes begin when we work with our customer agencies to develop their workplace requirements. In developing these requirements, we conduct a series of meetings with the customer to review and confirm their general requirements. Some customers come to us with a complete requirements package developed in accordance with professional space planning models. For other customers, we need to work closely with them to document their specific requirements.

Once our customer's space requirements are better established, we memorialize the amount and types of space they need, the projected cost, and the expected length of the occupancy in an interagency agreement called an Occupancy Agreement.

To improve transparency and to better address the critical issue of improved relationships with our customers, PBS has implemented a Transaction Management Playbook (TMP). The TMP improves the requirements development process and addresses inconsistent transactional business processes between regions. Inspired by private sector practices, the TMP provides an enterprise-wide process, adaptable to all types of customer interactions, for 1) conducting a needs interview; 2) confirming requirements; 3) presenting options; 4) documenting the agreement; and 5) delivering as promised.

I will begin by describing GSA's standard construction process (design-bid-build), and then I will discuss our leasing process and lease construction.

Construction

Overview of the Process

As illustrated in Exhibit 1.1: Capital Program Delivery Process, we begin by working with our customer agency to identify their workplace requirements. These workplace requirements are the driver throughout the process until our customers finally occupy the space.

Project initiation

Once we have identified our customer's workplace requirements, we begin evaluating options for housing.

Feasibility Study (FS) Phase – Site and Design Funding

We begin by conducting a feasibility study. In this phase, the project team works with all stakeholders to identify, evaluate, and recommend alternatives to meet customer and facility needs. The FS process is a rigorous and open assessment of all appropriate options. When completed, the feasibility study and other documentation support a Site and/or Design Prospectus funding request to Congress.

The timing for Site and Design funding is dependent on federal funding cycles. This phase takes approximately eighteen months from the start of a Feasibility Study to through submission to the Office of Management and Budget (OMB) and, ultimately, inclusion in the President's budget.

Site Acquisition

The next stage in the process is site acquisition. It may take 12 to 18 months from inception to final site selection and occurs after GSA has received Site and Design funding through the appropriations process. The site acquisition phase incorporates National Environmental Policy Act (NEPA) considerations and also evaluates project impacts on our historic, cultural, and natural environments. During this time period, we

work extensively with local government to understand local project planning and development objectives.

A/E Selection

Once Site and Design funding has been identified in the President's budget, GSA may also announce a solicitation for design services. Contracts may not be awarded until the money has been appropriated, but architects and engineers may be selected and contracts may be negotiated so that the team is ready to award when the money is available.

Under the standard process, A/E selection takes approximately four months. This is exclusive of negotiation and contract award, which can take anywhere from two to six months. An abbreviated process, using a pre-qualified Indefinite Delivery Indefinite Quantity (IDIQ) firm, can take two to three months. The IDIQ approach is ideal for smaller and medium sized projects and can reduce contracting time and money when we have a repetitious project type, for example, at our smaller land ports of entry. In addition, as part of our land ports of entry strategy, the IDIQ A/E will assist us in developing standardized or modular components that can then be adapted for particular projects and sites.

Design Phase

The design phase begins when the A/E contract is awarded and is completed when the construction documents are approved by GSA. At each stage GSA, our customers and our major stakeholders review the submissions before the A/E is approved. At each step, the identified requirements and cost estimate are reviewed.

The time frame for design is dependent on the project size and complexity. Many new construction projects can be designed in as little as nine to twelve months. Others, particularly large, complicated, phased modernization projects can take considerably longer since the tenant concerns and existing building systems create complicated challenges. GSA is utilizing methods to expedite design by using a Design/Build team, which compresses design and construction, and by using standard components that have already been designed and approved.

GSA typically uses the traditional design/bid/build approach to provide a detailed set of construction documents for our most complicated/sophisticated project needs. We are using Design/build where appropriate to shorten the time from project initiation to construction completion, particularly on smaller LPOE's and other projects where a program of requirements is sufficient to give direction, provide for our customers and accomplish our project goals. Design/build can shorten the overall time for design and construction by contracting for the designer and the builder at the same time. Thus the designer and the builder can work together simultaneously, hand in hand, rather than sequentially. We estimate that we can save between 6 to 9 months by procuring the services at the same time, rather than separately. The design phase can also be shortened with the builder as part of the team providing comments on design detailing, and means and methods for constructing the building. In addition, Design/Build can forestall the potentially lengthy process of questions and answer during the traditional construction procurement phase, or the more expensive scenario of the construction

contractor asking questions after contract award with GSA absorbing the price of change orders during the construction process.

Prospectus Development Study (PDS) Phase – Construction Funding

The next step is the Prospectus Development Study (PDS) phase, which can occur prior to or concurrently with design. In this stage the Project team performs an in-depth study of the project requirements and develops a comprehensive design program, implementation strategy, and project budget. The PDS and other factors, such as decisions made during the Prospectus development, form the basis upon which GSA decides whether and when to request authorization and funding for a proposed major project. The PDS, along with other documentation, is the key element used to support a Construction Prospectus funding request to Congress. A PDS may be combined with a Feasibility Study in a Budgetary "Planning Call" submission requesting total project funding in a single cycle.

Procurement

After submitting the prospectus for construction funds to Congress as part of the President's budget, GSA begins the procurement process phase. During this time, contractors review the drawings, develop costs, and provide bids for performing the construction services. Depending on the procurement method, this can happen at different stages of design – though in traditional design/bid/build, it occurs at the end of the preparation of construction documents. This phase takes approximately two months for advertising and bidding. The award time is usually between 60 and 120 days after receiving the contractors pricing.

Construction phase

GSA does not initiate construction projects until full funding for a discrete phase has been secured. The construction phase begins with the award of a construction contract. The construction phase is considered complete when GSA grants "substantial contract completion" to the General Contractor. However, many construction phase activities continue after the substantial completion date, such as finish work and cleanup; correction of deficiencies and omissions; equipment turnover and operations; installation of telecommunications, furniture and other equipment; and occupancy.

Again, the time frame for construction is dependent on the project size and complexity. Some simple projects can be constructed in as little as one year; complex projects, and projects that have multiple phases, can take several years to complete.

Tenant Occupancy, turnover and close out

Tenant occupancy is the next phase and begins when the Customer moves into the newly constructed or renovated space and starts using the space for its intended purpose. During this phase, the Project Team must carefully coordinate ongoing construction with the needs of early occupants of the space. For example, various customer special equipment or build-out requirements are installed, tested, and made

ready for use at this phase. Rent payments from tenant agencies to GSA begin with this phase.

During the tenant move in period, the Project Team begins easing out of capital project management and turns operational management over to the Facilities Management staff. At this time, final commissioning is also performed. The Facilities Management staff begins operation of the facility and the Project Team begins contract close-out and archiving of their files.

Challenges and initiatives to make the process more efficient

There are a number of challenges faced by the construction industry in general, as well as challenges within the federal context that impact our construction process. This includes the current volatility in the market of material and labor costs. I've addressed the issue before this Committee previously, so I won't go into much depth at this time. Other challenges include an increasing number of high cost projects as well as federal mandates and security requirements:

High cost of customer requirements

Our customers continue to have requirements for new projects – Customs and Border Protection alone has identified over four billion dollars worth of need. Our inventory of older buildings continues to need repair and modernization – space improvements, systems improvements, and energy improvements – and that need continues to grow.

Security costs

Security requirements impact construction in two ways – 1) personnel security of the contractor workforce, and 2) physical security of the buildings.

- HSPD12 security requirements are administratively complex and delay access of workers to the site. The effects of the program are most evident in repair and alteration projects in occupied buildings. Getting crews from multiple crafts cleared through the program is challenging and time consuming, especially on a phased construction project where crew size and composition varies over the construction time period.
- The physical security of the buildings includes such items as perimeter security systems, blast resistant glazing, and structural design for progressive collapse. Installations of these systems add additional cost to the project.

Energy efficiency requirements

The requirements for more energy efficient designs mandated by the new Energy Independence and Security Act are expected to add additional cost to projects. Specifically, the requirements to reduce fossil fuel use will result in specialized building envelopes, advanced lighting systems, complex day lighting systems, and more complicated building control systems. Renewable energy systems such as photovoltaic

panels, solar water systems, and ground source heat pumps will need to be added to new projects. The number and complexity of these systems will take longer to install and commission.

Other initiatives underway include: 1) collaborating with industry, 2) using new approaches to cost management, 3) using new technologies and finding new approaches to project delivery.

1) Industry Collaboration

We continue to find ways to better collaborate with our industry partners to build a common understanding. For example, last fall we convened a "Building Opportunities Together" GSA/Industry forum. We continue to have representatives actively involved in industry organizations such as the American Institute of Architects, Building Owners and Managers Association, the Association of General Contractors and many others.

Design and Construction Peer Review Program –

GSA has also developed a robust Design and Construction Peer review program to assist us over the life of our projects. We engage well respected industry peers from the A/E/C community to help us review our projects for design quality, construction details, cost realism and appropriate levels of detail based on both project needs and market sophistication. Reviews also critique the ability of the teams to work together to deliver successful projects while forecasting potential issues and providing recommendations for improvement.

2) Using new approaches to cost management

GSA builds in a variety of local markets. In markets where there is a lot of construction activity or in markets not used to federal construction, our complex projects and extensive security requirements make it difficult to predict costs and even more difficult to find bidders in the face of a volatile labor market and rising costs of steel, other metals and construction commodities. The cost and availability of petroleum products and fuel, both based on the oil economy, are extremely unpredictable, as is the cost of transportation. In some areas, the construction market is cooling and we anticipate we will be better able to anticipate project costs in these markets in the future.

New approaches

In the meantime, we are working closely with the design and contractor community to help us address some of these issues. We are re-examining our cost estimating and benchmarking. For example, to minimize the impact of market conditions on construction cycle time GSA performs market surveys in locations of new projects. These surveys determine the availability of major project materials, the capability of fabricators, the availability of skilled craft labor, and the availability of special equipment. They also examine location factors related to site access, batch plant options for concrete and asphalt, and costs of remoteness affecting on site housing, material delivery, and lower labor efficiency. Factors that influence bidding are also analyzed to include: local taxes, capacity of local contractors and subcontractors, and the influence of other construction work on the project.

3) New Technology and Approaches

Building Information Modeling (BIM) – Automating Validation of Original Requirements

New technologies are also being utilized to improve the design process. Using Building Information Modeling (BIM), GSA has begun to automate the spatial validation process to ensure that all designs in the Final Concept phase adhere to the requirements set forth in the original plan.

For example, with the use of BIM, GSA seeks to strengthen the reliability and consistency of predicted energy use and energy cost results. Benefits include: more complete and accurate energy estimates earlier in the design process, improved life-cycle costing analysis, increased opportunities for measurement and verification during building occupation, and improved processes for gathering lessons learned in high performance buildings.

GSA is also using BIM in the design and fabrication of buildings, for example, to test for clash detection of building elements. Also, GSA is exploring the possibility of using BIM to fabricate the structural steel and ductwork, and for the production of 3D shop drawings.

Consistency in Design and Delivery

To make our design and delivery practices more consistent nationwide, GSA is looking at many internal processes and procedures for areas of improvement and standardization nationally. I would like to summarize just some of those activities for you today.

GSA has developed a web-based project management desk guide that summarizes the policies and procedures these professionals need to have at their fingertips and links them to both internal and external references and resources for successful project delivery.

GSA has created a PM training and certification system. This program will ensure that we match project size and complexity with the right experience and skill set. The training will also assist in evaluating and improving competency in general design and construction matters; in federal contracting; and in the nuances of GSA business and our particular project types.

Another important initiative is that we are working on a rewrite of the GSA standard clauses. This also includes creating a library of Scope of Work Templates for various project types and contracting options. These tools will be available to project managers and contracting officers as a strategy for making solicitations more consistent and easier for our designers and construction contractors to respond to. Importantly, we will be engaging industry partners in the review and comment on these templates to make them as effective as possible in promoting teamwork and collaboration. The contracting community will benefit by understanding better GSA practices, and they will be better positioned to respond to our solicitations with competitive prices.

Transparent and user friendly approaches

During my tenure as Commissioner, I have made it a priority to increase our communication and transparency with our customers. By better managing expectations and better defining roles, we hope to make the process more transparent and user-friendly.

In the last few years, we have strengthened our partnership with Customs and Border Protection. Together, we have worked on setting long term priorities and on ways to identify resources for critical projects. We have also worked successfully to reduce the cost and time required to deliver and operate Land Ports of Entry.

GSA has also been working closely with the AOUSC in the development and implementation of the courts Asset Management Planning (AMP) process. This new process addresses the planning and scheduling of the future construction program with an eye towards maximizing the use of existing buildings and minimizing the need for new buildings.

Leasing Process

In many cases, new construction is not warranted to meet customer needs. In those circumstances – for example, when an agency's needs are shorter-term and the space that it is seeking is available in the market -- GSA fulfills space requirements by leasing. We lease all types of space for most Federal agencies, including offices, laboratories, warehouses, and clinics. We locate them according to the customer's mission requirements in urban, suburban, and rural areas and in accordance with established location and security policies. As I noted earlier, we move forward with a lease only after determining that no existing Federally-controlled space that meets the agency's requirements.

Advertisement. If the space requirement is for 10,000 square feet or larger, GSA is required to advertise the requirement. We advertise requirements for space in local newspapers and/or the Federal business opportunities webpage at www.fedbizopps.gov in order to get the maximum amount of competition from the private sector. Although GSA is not currently required to advertise for requirements of 10,000 square feet or less, GSA is proposing in its rewrite of the General Services Administration Acquisition Manual (GSAM) to change its policy to require that all requirements, regardless of square footage, be advertised.

Market Survey. Based on agency requirements, GSA conducts a market survey, visiting buildings and sites with agency representatives invited to participate and evaluating property to gauge whether they could potentially satisfy the agency's requirements. If the existing inventory of leased buildings in the local market cannot meet our customer's requirements, and where Federal construction is not an option, we solicit the construction of a new building which is built to meet our customer's needs and leased by us on the customer's behalf.

The Solicitation for Offers (SFO). GSA develops an SFO package, which is a standard document tailored to the requirements of each particular solicitation, and after obtaining agency concurrence, sends it to all prospective offerors identified on the Market Survey.

Negotiations and Evaluation. Once offers are received and evaluated in accordance with the criteria established in the SFO, GSA begins negotiations to make sure that all

offerors understand the requirements and can prepare their final proposals. At this stage, only those sites identified on the market survey that absolutely cannot meet the minimum requirements, or "go /no-go factors" of the SFO (i.e., sites clearly outside of the delineated area, sites within the delineated area but having no amenities in the vicinity at all as called for in the SFO, etc.), or those that do not otherwise stand any reasonable chance of being selected for award, are excluded from consideration. For the remaining offerors, GSA establishes negotiation objectives (acceptable ranges for rental rates, costs for tenant improvements, and cost ranges for additional requirements) and conducts discussions with them.

Final Proposal Revisions. Once negotiations are completed, GSA requests Final Proposal Revisions wherein offerors are requested to present their "best and final offer" to the Government.

Final Evaluation and Award. After submission of final proposal revisions, GSA reviews and evaluates offers in accordance with the criteria established in the SFO, and makes an award determination. Award is made based on either price or other factors explained in the SFO. Most leases are awarded to the offeror who meets the Government's minimum requirements at the lowest price. For more complex requirements, however, we sometimes conduct "best value" procurements where a higher-rated qualitative proposal may prevail over a lower-rated and lower-priced proposal. These cases require a determination that the technical superiority offered by the higher priced proposal is worth the cost differential.

Contract Execution. GSA compiles and sends an executable lease document with all negotiated terms and conditions to the successful offeror for signature. Upon receipt of the signed lease, the GSA contracting officer also signs the lease.

Build-out and Acceptance. The lessor completes the build-out of the space in accordance with the requirements of the lease and GSA inspects and accepts the space as when completed. Larger, more complex lease projects require additional time for space buildout, as set out in the lease. Following GSA's acceptance of space as substantially complete, the Government starts payment of rent to the lessor.

Move-in. Concurrent with GSA's acceptance of space from the lessor, we assist our tenants in occupying the space, at which time their payment of Rent to GSA begins. This step completes the leasing process.

Challenges and Initiatives to Make Leasing Process More Efficient

Many of the challenges to making the leasing process more efficient and user-friendly arise from the sheer increase in GSA's leasing activity in recent years. Since 1965 the PBS leased square footage has increased more than 400%, growing from 43 million square feet in 1965 to 175.4 million square feet in 2007, which is more or less equal to owned space. As shown in the FY 2009 Congressional Budget Justification, agencies' lease space needs are projected to increase by 7 percent, from 175.4 to 187.6 million square feet from FY 2007 to FY 2009.

In order to meet the increased needs for leased space, to increase our work capacities, and leverage the expertise of private sector brokers, we awarded four National Broker

Contracts in 2005. This effort consolidated our private sector leasing support services among four commercial real estate service firms. This award is the largest single contract of its type in the history of GSA's Public Buildings Service. It has assisted us in our efforts to standardize leasing practices nationwide and provide more support to our customers. The implementation of the National Broker Contract program requires a significant level of effort for contract oversight to monitor contractor performance. However, we are beginning to see some of the benefits of the contract.

As we enter the fourth contract year, we have tasked our contractors with 1,482 lease acquisitions totaling 29.2 million square feet. Through April 2008, 600 leases totaling 9.7 million square feet have been awarded. These leases represent a contract value of about \$2.5 billion. Usage of the contract has increased since its start. During the last contract year, brokers were tasked with approximately 70% of our expiring commissionable lease workload.

It is significant to note that our brokers are not paid from Federal funds. Instead, they receive market-based commissions from the successful lessors, with GSA receiving commission credits from the brokers which to date have generated \$33 million in direct savings to our customers in the form of rent credits. In addition, we have 882 additional lease acquisitions in the pipeline with an estimated \$76.7 million in rent credits. Additional credits can be expected from future lease acquisitions/task orders issued under the contract. Not counting rent credits, we achieve rents below market rates, currently an average of 9.6 percent below market, which successfully exceeds the FY 2008 performance target of 9.0 percent below market.

In its January 2007 report concerning GSA's initial implementation of the National Broker Contract, GAO identified a number of findings and 11 recommendations directed towards GSA's implementation of the National Broker Contract (NBC). These recommendations included GSA performing a risk assessment of the NBC program; modifying the contracts to include additional controls related to Conflicts of Interest; testing, as needed, the adequacy of the brokers' controls related to securing Government records; clearly defining performance evaluation criteria and how and when evaluations are to be completed; developing procedures for quantifying savings to GSA through implementation of the NBC; and defining the factors needed to establish a record of the brokers' performance. GSA has completed its implementation of all of these recommendations, which have resulted in improvements to the National Broker Services contract and program.

In order to succeed with the leasing program, we must maintain an in house corps of leasing specialists to handle procurements and manage our brokers. We need leasing specialists that are not only well-trained in government leasing, but also ones that possess business skills to negotiate lease terms favorable to the Government. To achieve this and plan for the succession of our retiring workforce, we are recruiting, training and retaining quality personnel. Our new leasing specialists are trained in the regions through on-the-job assistance from experienced leasing specialists and supervisors as well as through classes offered through contractors. In addition, our National Office of Real Estate Acquisition provides training nationwide based on regional requests and the results of peer review audits. We have also begun a more comprehensive training and core curriculum program for new hires. We believe that establishing this comprehensive training program will allow us to provide a more consistent experience to our customers nationwide.

GSA recognizes that we have increased leasing activity and are taking steps to strengthen our lease acquisition and management processes. For example, GSA developed a web-based application to promote nationwide consistency and serve as our central electronic repository for documents generated during lease procurement and administration. This new tool, called eLease, supports the leasing process across GSA's 11 regions by aiding leasing specialists in managing the leasing transaction from identification of customer space requirements through lease closeout. This tool also helps GSA to achieve consistency in the way we develop and procure leases. It contains standardized processes and electronic templates that have resulted in procedural efficiencies, data exchange, and increased customer satisfaction. Perhaps most importantly, we have found that the ability to capture all of our leasing documents electronically in eLease can facilitate GSA's ability to respond faster and easier in catastrophic events involving leased buildings.

Although PBS is focused on improving our leasing processes, we also remain focused on improving basic customer service and improving relationships with major customers. We have developed standard business processes that our employees are required to use with every single interaction with a customer. Through the TMP, GSA addresses inconsistent transactional business processes; this tool promotes consistency among our eleven regions and can be used in any type of realty transaction we do.

Solicitation for Offers

In an effort to improve our leasing process and make it more transparent to the private sector, over the last 18 months, we have conducted a comprehensive review and revision of the Solicitation for Offers or SFO. This will be released in the near future and is the first revision since 2000. The new SFO is better organized so that offerors can review the first section to determine whether they want to pursue an offer. We have also reorganized it to recognize the normal chronology of events in a lease procurement (offer, award, design, construction, administration). We believe the new SFO will be more user-friendly not only during the bid process for offerors, but during the life of the lease for the lessor.

Security Requirements

It is not surprising that the ever increasing need for security has an effect on GSA's leasing process, requirements, and lease cost. The need for greater building setbacks, blast resistance, building access requirements and who can be co-located within our space all affect our lease procurements and the cost of the space we lease.

There are several ways to pay for security costs. Some countermeasures are so intrinsically a part of the building that the costs of these security items are part of the building shell portion of annual rent and borne by the lessor. Other building-specific countermeasures are required by the Interagency Security Committee (ISC) Security Standards for Leased Space, and for below prospectus leases, as long as we do not exceed market rental rates, those costs may be amortized in the rent separate from an agency's tenant improvement allowance. Sometimes an agency wants countermeasures that exceed ISC standards, and those costs are funded through the agency's tenant improvement allowance which is amortized in the rent or may be paid as

a lump sum. In prospectus level leases, costs that exceed the approved prospectus rental cap must be paid by the customer agency through a lump sum payment.

So that we can better capture security costs in our leases, we have developed a Security Unit Price list that allows an offeror to review the security requirements in the lease and properly categorize the costs. We will now begin to track the building specific-security costs and better understand the cost impacts of the ISC standards on our leasing program and budget. This will better position us to negotiate and evaluate these costs prior to lease award.

Identifying "Choke Points" in the National Capital Region

We face unique challenges with our leasing program in the Washington metropolitan area due to the especially large size and volume of leases in this area. The sheer size of leases in our National Capital Region requires higher levels of review and approval for a larger percentage of actions. Our new Office of Real Estate Acquisition, headed by Assistant Commissioner Chip Morris, is working with senior management in PBS's National Capital Region to address lease acquisition and administration problems. In that effort, they are stripping back the acquisition and administration processes to identify problems and choke points in the system. This analysis will help us do better in terms of timeliness and efficiency.

In the Washington area, for smaller projects—ranging from 2,000 square feet up to about 60,000 square feet—we rely on our Automated Advanced Acquisition Program. Under this program, we issue monthly requests for space in each of our three major geographical jurisdictions: DC, Northern Virginia and suburban Maryland. Offerors may update existing proposals and make new ones every month of the year. Once listed, our automated platform re-ranks the offers from lowest to highest cost space.

Market Rent Fluctuations

One of the factors affecting the efficiency of the leasing process is market fluctuations in rent. In order to harness these fluctuations to our advantage, PBS has developed an analytical "lease tiering" tool that aids in developing strategies for GSA's leased portfolio. This tool covers 57 major metropolitan markets and 772 submarkets within the major markets and is provided by Torto Wheaton Research. It provides comprehensive analyses of current market data and forecasts trends in rental rates in major metropolitan areas. If the data suggest significant price increases when existing leases are set to expire, PBS can react appropriately by concentrating first on excessive projected growth areas. Alternatively, as leases expire in soft market areas, we look for opportunities where PBS can negotiate more favorable deals where rents have fallen below our contract rate, or maintain favorable positions so we can pass savings on to our customers.

In addition, we will use market data to help customer agencies develop strategic plans based on both market conditions and current and future agency space needs at the national and regional levels in order to create savings for our customers.

Standardizing the Lease Construction Process

Lease construction procurements incorporate site selection and design excellence into the leasing process. Sites may be provided by the same offeror constructing the facility or through an assignable site option GSA obtains and the successful offeror purchases. Design excellence is achieved through the use of Best Value procurement methods. In a traditional one phase source selection process, evaluation factors typically include designer qualifications, past performance, and design submittals. In a two phase process, experience, past performance, and other technical factors, such as design approach and site plan are evaluated in Phase 1. Based on these factors, a short list of 3 to 5 offerors are selected to participate in Phase 2. In Phase 2, detailed technical and price proposals are considered. Technical factors typically include facility design, site layout and design and building systems. Award is made to the proposal offering the best overall value to the Government.

GSA is developing a standardized lease construction process to promote nationwide consistency and improve communications with our brokers and customers. On June 11, GSA's Public Buildings Service will host a Lease Construct Industry Roundtable forum to obtain feedback on our lease construction process and to provide the development community with the opportunity to learn about new policies we have implemented in lease construction projects since 2000.

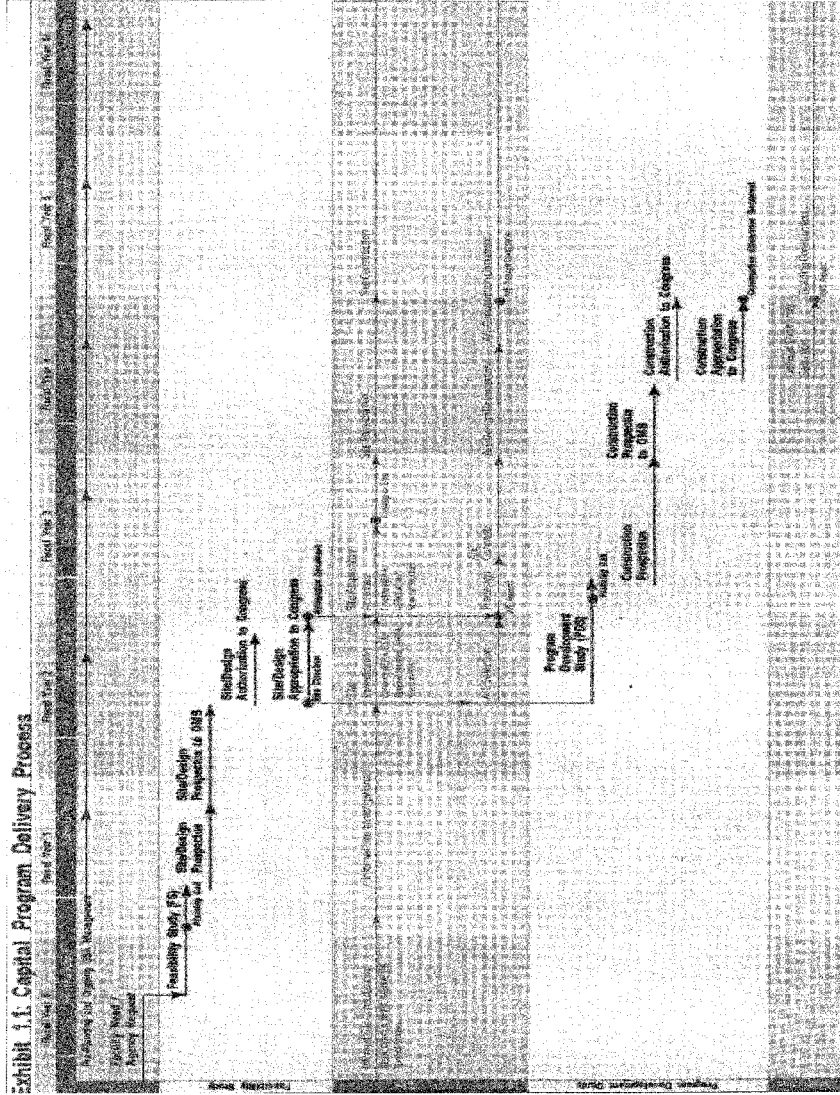
Opportunities to further streamline the process

As you have heard me describe, GSA is currently streamlining our design/build processes in order to complete the construction process more quickly. As we move in that direction, GSA would like to explore securing authorization and funding in one budget year to facilitate design/build projects, and to explore securing total project authorization at the beginning of other project types. I ask for this Committee's consideration as we continue to explore this option and look forward to working with you on this initiative.

Conclusion

Chairman Norton, Ranking Member Graves, and members of the Subcommittee, we are dedicated to meeting our customer's requirements in an efficient, transparent and user-friendly manner. We have well-established programs in construction, leasing and build-to suit leases. We are committed to streamlining the processes and delivery of our projects by constant evaluation of our performance and by incorporating new technologies and approaches as appropriate.

Thank you for the opportunity to testify before you today. I will be happy to answer any questions you or members of the Subcommittee may have.



**Subcommittee on Economic Development,
Public Buildings and Emergency Management
House Committee on Transportation and Infrastructure**

Questions for the Record

What is GSA's 5-year framework for responding to feedback from the private sector on FBI build-to-suits?

1. FBI-PBS Industry Days. GSA's Public Buildings Service (PBS) hosted an FBI Industry Day in Washington, DC, on June 19, 2007, and in San Francisco on February 6, 2008, to educate developers, architects and general contractors on the requirements for lease construction. Since September 2001, the FBI has increased facility security requirements in support of their specialized task forces and anti-terrorism initiatives. The Industry Days were designed to specifically educate GSA's industry partners on the FBI's latest construction requirements and GSA's two-phase source selection and lease construction bid process. In addition, FBI officials provided an overview of how facility design and layout plays a pivotal role in the FBI's new mission.
2. Lease Construction procurement best practices workgroup. This group is responsible for identifying best practices in managing lease construction procurement projects. In an effort to identify security costs, GSA changed the solicitation requirements with the issuance of the Security Unit Price list on August 22, 2008. Offerors must now quote unit prices on all security countermeasures identified in the Solicitation for Offers (SFO) as "Building Specific Security" or "Tenant Improvement" security requirements. For FBI lease construction, GSA is establishing a process to capture these security unit prices in order to develop benchmark cost estimates and a unit cost database for security countermeasures identified in the SFO. With access to this information, GSA realty associates will be able to educate customer agencies concerning the cost of security countermeasures early in the lease project to avoid budget issues and "bid busts" later in the project. Also, GSA will have reliable cost data to use as a basis for recommending changes to OMB on how lease security standards are addressed in lease prospectuses and to help agencies understand their financial contribution (i.e., payment obligations funded through GSA Reimbursable Work Authorizations).

In addition, the lease construction group will examine successful prospectus level lease projects for the FBI and similar agencies to identify and recommend successful procurement strategies for GSA regions to follow. This group will also look at ways to increase competition for lease procurements with limited interest. Once these best practices have been identified, we will ask industry for feedback.

3. GSA is working with the FBI to procure a contractor to evaluate value-engineering opportunities in FBI field offices. The contractor will also evaluate each of the FBI projects with current approved prospectuses or submitted prospectuses to determine whether construction and other project cost estimates are still reliable in light of the change in financing and the general increase in construction costs.

GSA's 5-Year Framework For Responding To Feedback From The Private Sector On FBI Build-To-Suits
Tasks
FY 2009
1. Continue with project delivery for projects awarded under construction.
2. Continue work with FBI to review projects approved but where award has not been made to confirm viability of approved prospectus for purposes of construction costs and prospectus rent caps.
3. Task contractor to validate assumptions on approved prospectus projects as well as pending projects and to value engineer SFO for possible savings.
4. Consider alternatives to turnkey approach on a pilot project basis.
5. Educate/outreach for financing sources.
6. Review contractor findings on projects reviewed and adjust accordingly.
FY 2010
1. Continue to monitor projects and implement changes based on findings.
2. Continue with alternative delivery tool project.
3. Monitor progress.
4. Keep stakeholders informed.
5. Pursue prospectuses for next round of projects.
FY 2011 and Beyond
1. Continue with program.

What is GSA's 5-year framework for responding to private-sector feedback generally?

1. Lease Construction Industry Roundtable. GSA hosted a Lease Construction Industry Roundtable on June 11, 2008 in Washington, DC to obtain industry feedback on current and proposed lease construction procurement, construction, and financing practices. Approximately 90 private sector developers, architects and construction managers attended and actively participated by giving their feedback on questions asked by the presenters. Topics of discussion included the site selection process; procurement methods, the credit tenant lease, and

improving design and construction management quality in lease construction projects. Feedback from attendees indicates that the Roundtable was a success.

GSA is considering the industry comments received from this roundtable and is incorporating many of the proposals into its lease construction program.

2. Guidelines and Process for Consistent Implementation of Lease Construction Design Excellence Program. GSA organized a work group comprised of regional and central office subject matter experts to develop lease construction processes and tools, including lease construction SFO language to support those processes. GSA will obtain feedback from the private sector on the generic lease construction SFO language. The group began work in April 2008 and plans to issue standardized lease construction processes and tools by the end of the 1st quarter of Fiscal Year 2009. The work group is divided into the following subgroups:
 - Site selection subgroup. This subgroup is developing a sample site option agreement and a land market survey for use either with developer provided or assignable option sites.
 - Procurement subgroup. This subgroup is developing a source selection factor matrix as a discussion tool to use with customer agencies when planning lease construction procurements.
 - Finance subgroup. This subgroup is developing a scope of work to acquire financial advisor services to assist lease contracting officers in evaluating financing arrangements and capitalization rates and in developing negotiation strategies. This subgroup is also focusing on finalizing policy regarding the use of the credit tenant lease and evaluating other financing models.
 - Construction subgroup. This subgroup is improving the construction excellence process and developing tools to aid in bidding and construction analysis.
 - Business process subgroup. This subgroup is mapping the overall lease construction process, mapping the supporting processes and meshing them together into an overall standardized lease construction process. In addition, the business process subgroup will support the National Program Management Team to develop plans to monitor the success of the standardized processes and resolve problems that arise in the processes following implementation.
3. Market Education. GSA intends to pursue meetings with lenders to educate them on federal lease transactions.

4. GSA is considering alternative means of project delivery and is continuing to engage private industry in these discussions.

GSA's 5-Year Framework For Responding To Private-Sector Feedback Generally	
Tasks	
FY 2009	
1.	Complete work on lease construction working group regarding standardized lease construction SFO with appropriate measures.
2.	Brief PBS Regional Realty Services Officers (RSOs) and Assistant Regional Administrators (ARAs).
3.	Issue applicable Realty Services Letter (which transmits changes in realty policy and procedures to GSA realty practitioners) and training.
FY 2010 and Beyond	
1.	Consider alternative delivery/acquisition approaches.
2.	Outreach to financiers and lenders to educate them on GSA offerings.
3.	Complete work on ePM (electronic project management tool).
4.	Address training needs for realty specialists.
5.	Assign GSA property development specialists to project teams as necessary.