

STATEMENT OF
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U.S. GENERAL SERVICES ADMINISTRATION
BEFORE THE
COMMITTEE ON HOMELAND SECURITY
AND GOVERNMENTAL AFFAIRS
SUBCOMMITTEE ON FEDERAL FINANCIAL
MANAGEMENT, GOVERNMENT INFORMATION, AND
INTERNATIONAL SECURITY
UNITED STATES SENATE
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Good morning Mr. Chairman and Members of the Subcommittee. My name is William Matthews, Assistant Commissioner, Office of Real Property Asset Management, and Public Buildings Service (PBS) of the General Services Administration (GSA). I am pleased to appear before you to discuss how GSA leases space and answer any of your questions.

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 provide a superior workplace for the Federal worker and a superior value for the taxpayer.

Our Agency Customers are required to use existing, vacant, Federally-controlled space when that space is available and suitable to meet their mission requirements. When suitable Federal space is not available, we can lease space from the private sector...

Approximately half of our customers' workforce is housed in about 1600 buildings owned by the Federal Government through GSA. The other half are located in over 7,300 buildings that we lease from the private sector in over 2,000 American communities across the United States and its territories. These leased buildings

together comprise over 167 million square feet of our total portfolio of approximately 340 million square feet. Our annual rent bill for leases with private landlords is about \$3.8 billion.

We lease space in both large cities and small towns when leasing is the only practical answer to meeting Federal space needs. More than 50 percent of our leases (by number) are for 10,000 square feet or less. The size of a lease can range from a single room to an entire building.

We lease all types of space for most Federal agencies, including offices, laboratories, warehouses, clinics, and border stations. 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. We execute many single tenant leases, but also many multi-tenant leases with agencies consolidated for economy of scale. Other GSA leases meet tenant's needs for store-front locations and high public access. These are in contrast with other leases for customers who require limited access to and control of their buildings for security purposes. As I said, GSA leases all types of space for Federal agencies.

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.

Our principal authority to lease real property for use by Federal agencies is derived from the former Federal Property and Administrative Services Act of 1949 and Reorganization Plan No. 18 of 1950. That authority is now codified in Title 40 of the United States Code, Section 585, which authorizes GSA to enter into space leases on behalf of Federal agencies for terms up to 20 years.

In terms of cost to our tenants, we strive to keep leasing costs at or below market levels and have developed comprehensive strategies to do so. We use standard industry benchmarks and market surveys to assure that we get the best value for our customers. We use published market sources to gain a better understanding of area markets. Our standard lease forms balance the interests of the Government against the interests of private landlords to achieve cost-effective contract terms. Because GSA often acquires large blocks of space to meet the needs of multiple Federal agencies, we are often able to leverage our market position to get more favorable rent rates and lease terms for the Federal taxpayer. Also, the credit worthiness of the Federal Government can serve as an important consideration in obtaining competitive or below-market rent rates.

Additionally, this year we awarded a National Broker Contract. 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 and will enable us to leverage the expertise of private sector brokers

and increase our capacity to achieve the best value in the market place. It will also assist us in our efforts to standardize leasing practices nationwide and provide more support to our customers.

Another important consideration in measuring value in the real estate arena is the cost of having vacant space. The vacant space within our leased inventory is only 1.3 percent - a figure well below the national industry average of 14.5 percent according to Torto Wheaton Research.

Security

Not surprising the ever increasing need for security does have an effect on GSA's leasing process and on GSA's leases. The need for greater building setbacks, blast resistance, building access requirements and who can be co-located within our space all affect our lease procurement and the cost of the space we lease.

Laws and Regulations

Our leasing process is conducted within a framework of procedures that comply with a comprehensive list of laws and Executive orders that apply to Government contracts. These include the Competition in Contracting Act; the Small Business Act; and energy, environmental, and historic preservation laws and orders.

Leases with an annual cost that exceeds a specific dollar threshold amount (\$2,410,000 in fiscal year 2006) require explicit congressional authorization. For this purpose GSA submits prospectuses to the Senate Committee on Environment and Public Works and the House Committee on Transportation and Infrastructure for their approval.

Leasing Process

For all of our leasing activities we follow a fairly standard process. This process starts with our customer agencies approaching us with their workplace 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.

In determining the actual requirements of our customers, we conduct a series of meetings with the customer to review and confirm their general requirements. Once our customer's space requirements are better established, we memorialize the amount and types of space they need, and the expected duration of the lease, in an interagency agreement called an Occupancy Agreement. At this stage, we review the availability of Federally-controlled space that may meet the agency's requirements. If none is available, we then study the market against the customer's requirements and develop

and present various leased housing options. When we agree with our customers on the best approach, we then formalize the requirements for our Solicitation for Offers. At this stage, we also document our proposed arrangement with the agency customer.

We advertise requirements for space in local newspapers and/or the Federal business opportunities webpage at www.fedbizopps.gov to ensure that we get the maximum amount of competition from the private sector.

Once initial bids are received, we generally conduct negotiations with all Offerors to assure that they understand the requirements and can better prepare their final proposals. When final proposals are received, we evaluate them and make an award to the responsible Offeror whose proposal represents the best value to the Government considering price and other factors. 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 "source selection" 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.

We give the successful Offeror an adequate time to build out the space according to the lease requirements; we inspect and accept the space; we assist our tenants in occupying the space; and then start the rent paying process.

GSA's lease responsibilities do not stop when the customer occupies the space.

Typically, unless GSA has delegated operational responsibility to our customer agency, GSA is responsible for the administration of the lease throughout the term. Also, under a program called "Can't Beat GSA Leasing", GSA delegated its leasing authority to other Federal agencies. It was our intention to make GSA a provider of choice for our Federal agency customers; and I am pleased to say that almost all of our customers chose to stay with GSA because of the service and value we provide.

Mr. Chairman, this is the approach we use to identify and meet our customer agency's mission requests for work space. Meeting our customer's requirements in an efficient and cost effective manner is our Agency's highest priority. Customer service and customer satisfaction together with achieving superior value for the American taxpayer are at the core of the GSA mission.

Mr. Chairman, thank you for the opportunity to testify before your Subcommittee. I will be happy to answer any questions you or Members of the Subcommittee may have.