

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](http://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 began 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.