



U.S. House of Representatives
Committee on Transportation and Infrastructure

Washington, DC 20515

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July 29, 2008

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 "Credit Crunch: Effects on Federal Leasing and Construction"

PURPOSE OF THE HEARING

On Wednesday, July 30, 2008, at 10:00 a.m., in room 2167 Rayburn House Office Building, the Subcommittee on Economic Development, Public Buildings, and Emergency Management will examine the effects the current credit crunch has on the commercial office space market and its effect on the General Services Administration's capital program, specifically leasing.

BACKGROUND

The Subcommittee hearing will examine the nexus between the current credit crunch and the federal leasing program. There are several definitions of "credit crunch". In general, it involves a condition in which there is a short supply of cash to lend to businesses and consumers and usually occurs during a recession or poor economic times. In reaction to a decade of banking industry's lax lending practices and poor due diligence which lead to unprecedented residential foreclosures, access to capital for real estate has become burdensome and restricted. There are scant signs that the market has reached its lowest point. According to the International Monetary Fund ("IMF") in its latest global financial stability report, "falling house prices and slowing economic growth are hitting credit". Banks are under renewed stress and any further reductions in leading will only deepen the slowdown. Since bank reserves only covered about two thirds of the residential losses, banks will more than likely need to restrict lending even further. Thus even healthy companies are or will be deprived of money for expand. Access to capital is essential to growth and when access is denied a healthy economy is weakened. Another notion to consider when examining a credit crunch is the notion of how tightening lending criteria have contributed to the crunch.

The General Services Administration (“GSA”) relies on the private sector to supply by lease over 50% of the government’s need for general purpose office space. The inability of the private sector to supply space will negatively affect not only GSA’s space distribution within its portfolio but also the budgets of federal agencies that rely on GSA to supply office space.

PRIOR LEGISLATIVE AND OVERSIGHT ACTIVITY

The Subcommittee has not held any prior hearings specifically on the credit crunch and its effect on the GSA inventory. However, on May 8, 2008, and June 10, 2008, the Committee on Transportation and Infrastructure held joint hearings with the Budget Committee on financing infrastructure investments. During those hearings attention was given to the costs and benefits to the government of long term leasing.

WITNESSES

David Winstead
Commissioner
Public Buildings Service
U.S. General Service Administration

Raymond DiPrinzio
Managing Director, Head of Project Finance
CIFG Assurance North America, Inc.

James Chessen
Chief Economist
American Bankers Association

Richard D. Purtell
Chair and Chief Elected Officer
Building Owners and Managers Association (BOMA) International

Kenneth Rudy,
International Director
Corporate Capital Markets
Jones Lang LaSalle

Steven A Grigg
President and Chief Executive Officer
Republic Properties Corporation
Representative DCBIA