



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

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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 "The Serious Commercial Real Estate Credit Crunch and GSA: Leasing and Building During an Economic Crisis"

PURPOSE OF THE HEARING

On Friday, March 20, 2009, at 10 a.m., in room 2167 Rayburn House Office Building, the Subcommittee on Economic Development, Public Buildings, and Emergency Management will examine the commercial real estate credit crunch and the General Services Administration's (GSA) leasing and building program during the current economic crisis.

BACKGROUND

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. Access to capital for real estate has become burdensome and restrictive in reaction to a decade of the banking industry's lax lending practices and poor due diligence, which led to unprecedented residential foreclosures. According to the International Monetary Fund (IMF), "falling house prices and slowing economic growth are hitting credit". Banks are under continuing stress and will more than likely need to continue to restrict lending. Thus, even healthy companies are or will be deprived of money for expansion. 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 relies on the private sector to supply by lease over 50 percent 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

On July 30, 2008, the Subcommittee held a hearing on "Credit Crunch: Effects on Federal Leasing and Construction". Prior to that hearing, the Subcommittee had not held any 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

Samuel Morris

Assistant Commissioner
Office of Real Estate Acquisition
Public Building Service
General Services Administration

Richard D. Purtell

Chair and Chief Elected Officer
Building Owners and Managers Association (BOMA)

Mitchell Schear

Board Member
DC Business Improvement District

Dean Schwanke

Senior Vice President
The Urban Land Institute