STATEMENT OF

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BEFORE THE SUBCOMMITTEE ON ECONOMIC DEVELOPMENT,
PUBLIC BUILDINGS, AND EMERGENCY MANAGEMENT

COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE

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Good morning, Madam Chair, Ranking Member Diaz-Balart, and Members of the Subcommittee. Thank you for inviting me here today to discuss the General Services Administration (GSA) National Broker Contract and the use of commercial real estate brokers to assist GSA in acquiring leased space to satisfy diverse customer agency real estate requirements.

Studley Inc., founded in 1954 by Julien J. Studley, is a leading commercial real estate services firm specializing in tenant representation. After 55 years in the business, Studley remains a privately held, employee-owned company. The firm has more than 350 brokers and 200 staff, strategically positioned throughout the United States in 20 offices, who are committed to providing their clients with entrepreneurial, innovative real estate advisory services. We solely represent the tenant and users of real estate, whether it is leasing a building, managing space, selling or acquiring a portfolio or financing a property. Studley's primary focus is to act in the best long-term interest of its clients.

The National Broker Contract, which is in its fifth and final year, was awarded in October 2004, with a notice to proceed April 1, 2005. GSA spent over two years procuring the services of these firms, during which the program was reviewed by GSA's Inspector General, the Government Accountability Office, and this Congressional Committee.

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The National Broker Contract's purpose is to provide consistent, national real estate transaction services to GSA's Public Buildings Service, in accordance with the 48 laws, regulations, executive orders and procedures that apply to the procurement of leased space for the Federal government. Broker teams bring market knowledge, energy and private sector ingenuity to GSA's process and provide immediate market surveys and reports on availability of space and creative approaches to enhance the overall effort to acquire space for the government. Studley adheres to these government requirements and strives to provide know how, efficiency and negotiation techniques to achieve favorable results on behalf of the Federal government. We do not decide business terms, nor do we sign leases. That is the responsibility of the government. We do provide options for consideration and help negotiate the terms in accordance with government requirements.

Currently, three Broker teams support the National Broker Contract: Jones Lang LeSalle, CB Richard Ellis and Studley. Since April 2005 there have been over 2,600 lease requirements advertised for over 68 million square feet of space nationwide. The Brokers have provided lease acquisition services for 1,600 of these lease requirements totaling 38 million square feet of space – over half of which are still in negotiations. Each team has received an approximately equal amount of assignments by task order and square footage. Fifty-one percent of all Broker advertised task orders are for space requirements below 10,000 square feet; ninety-one percent are below 50,000 square feet.

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Specifically, Studley has been assigned 691 task orders totaling 13.2 million square feet of space. Of those assigned, Studley has advertised 497 task orders for 10.9 million square feet of space. There is always a lag between assigned task orders and advertised task orders. Much work goes into providing market research, acquisition planning, developing Solicitation for Offer (SFO) language, obtaining sign offs, reviewing documents, and other vital work never seen by the general public. These task orders occur in all parts of the country and for all sizes and terms. For example, Studley has advertised a requirement for 181 square feet of space in Dallas, TX, compared to 521,000 square feet of space in Washington, DC. Every task order deserves and gets the same treatment and consideration and is subject to the same laws, rules, regulations, and procedures as the largest task orders issued by GSA. Every Broker team is evaluated on six discrete actions for each task order: 1) Project Orientation and Schedule; 2) Market Survey and Documentation; 3) SFO Issuance; 4) Evaluation of Offers; 5) Lease Award and Documentation; and 6) Post Award Services. All transactions are evaluated with the same level of importance without regard to size. These evaluations are quantified on a rating of 1 to 5, by task order, and rolled up by region each quarter. All Broker teams are evaluated by each of the 11 GSA regions, as well as by the Central Office for a national performance evaluation quarterly and annually. Of the past two years, Studley's performance has been highly rated, an accomplishment for which we are most proud. We have successfully procured space for simple transactions and the most

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complicated transactions that GSA client require. It is safe to say that GSA closely monitors every action taken by the Broker teams and evaluates the performance against a rating scale.

In addition to the Studley offices which have dedicated teams for the GSA National Broker Contract across the nation, we have contracts with a number of small, disadvantaged commercial real estate firms to provide services. For example, in Region 4 (Atlanta) Studley has agreements with two women-owned small businesses, which provide excellent service in connection with the 87 task orders advertised to date in that Region. This supplements Studley's Atlanta office for coverage in the Region. In Region 9 (California, Arizona, Nevada and Hawaii), we have an agreement with a Vietnam era service-disabled owned firm for coverage of the 68 task orders advertised to date. In Region 10 we have an agreement with a woman-owned small business providing coverage in Oregon, Washington, Idaho, and Alaska. When a task order is issued in Fairbanks, Alaska, that means substantial travel and expense, none of which is reimbursed by the government. In fact, no expense incurred in support of a task order for space is covered by any government funds. All overhead, compensation and travel is paid for by the Broker teams.

The National Broker Contract is defined as a "no-cost" contract in which Brokers are compensated through market-based commissions from successful bidders. The Government Accountability Office Advisory Ruling allowed GSA to

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enter into contracts with real estate brokers without augmenting its appropriations since the proposed contracts do not contemplate the government receiving funds from the Brokers. There are no Federal government funds expended for National Broker Contract services. Successful offerors pay market commissions to National Broker Contract teams only upon lease award and when GSA has fully approved every aspect of the transaction. Consequently, National Broker Contract Teams work entirely at their own risk and receive no compensation if a lease falls through and is not fully executed.

National Broker Contract teams do not obligate the Federal government; only a GSA contracting officer can sign a lease binding the Federal government to the leasing of space. Nor do National Broker Contract team Brokers supervise Federal employees. There is a bright line between the GSA organization and the National Broker Contract Brokers.

A substantial benefit of the National Broker Contract is that it provides a mechanism for the Federal government to secure the value of leasing commissions that are already embedded in market rental rates and which would otherwise accrue solely to the benefit of the Lessor and the Lessor's broker. The National Broker Contract Broker teams credit a portion of the commissions back to the Federal government in the form of free rent, which is reflected in the lease in the form of commission credits. As part of any GSA lease, the terms contained in the SF-2 spell out the amount of free rent that accrues to the client agency, so

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once occupancy occurs, that federal agency occupies the space rent free up to the amount of the credit. Studley agreed to credit 51.5 percent of its commissions to the Federal government as free rent for agencies occupying procured space. To date, Studley has earned $31 million in commissions nationwide (including money paid to our subcontractors), and has credited the government $33 million. This is over a period of four years. Of the previously referenced 691 task orders, 60% are for space assignments under 10,000 square feet. Commissions on completed leases of this size average $20,000 per lease. The cost in terms of time and expense far exceed this amount.

The National Broker Contract provides a number of additional benefits to the Federal government. GSA has determined that fully-executed leases negotiated by Studley have rental rates 13 percent below market (as of the winter 2009), which is well below the GSA goal of 9 percent. Of space successfully leased under the National Broker Contract, the new rental rates have the potential savings of hundreds of millions of dollars over market rents through the terms of new leases.

Every Broker team provides post award services to assist GSA in the build-out of agency space to meet their specific requirements. We provide a team of construction experts to perform this service, all funded by the commissions earned through the lease award. This provision of post award services adds years to the commitment of Broker personnel for each major task

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order. Studley has an agreement with a minority, woman-owned firm to provide post award services in Regions 1, 2, and 3 and on some of the recent lease awards in Northern Virginia (NCR).

I would like to highlight one significant GSA lease award for the Department of Justice, at 145 N Street NE, Washington, DC which will consolidate elements of the DoJ at this NoMa location. This lease was a source selection, best value lease, consolidating 6 locations of DoJ into one, and was awarded $40 million net present value below the prospectus level rent, for a 15-year term. This lease was a catalyst for development in an emerging area of Washington, DC, where prior lease actions met with resistance by client agencies.

In summary, the partnership between GSA and the Broker teams has resulted in the successful melding of Federal government procedures and private sector oriented results. The National Broker Contract provides GSA with access to valuable brokerage services and substantial rent abatement - all at no additional cost to the Federal government. The National Broker Contract also allows GSA to leverage its national market position, take advantage of the best financial terms offered, and provide consistent service nationwide to client agencies. While Broker teams focus on the transaction and using their expertise to procure the space required at the most reasonable rental rates, GSA personnel focus on overall customer service, which includes partnering with

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Federal agencies to improve the determination of space requirements, manage GSA's portfolio and provide policy and guidance on project management.

Madam Chair, Ranking Member Diaz-Balart, this concludes my prepared statement. I am pleased to answer any questions that you or any other Members of The Subcommittee may have about my company Studley and its role in supporting GSA's National Broker Contract.

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