



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

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Washington, DC 20515

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November 15, 2013

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SUMMARY OF SUBJECT MATTER

TO: Members, Subcommittee on Economic Development, Public Buildings and
Emergency Management
FROM: Staff, Subcommittee on Economic Development, Public Buildings and
Emergency Management
RE: Subcommittee Hearing on “Federal Triangle South: Redeveloping Underutilized
Federal Property Through Public Private Partnerships”

PURPOSE

The Subcommittee on Economic Development, Public Buildings and Emergency Management will meet on Tuesday, November 19, 2013, at 10:00 a.m. in 2253 Rayburn House Office Building to receive testimony related to Federal Triangle South (FTS) in Washington, D.C. as a case study for redeveloping underutilized Federal properties through public-private partnerships. At this hearing, the Subcommittee will hear from the General Services Administration (GSA), the National Capital Planning Commission (NCPC), and the Urban Land Institute.

BACKGROUND

The Cost and Problem of Underutilized Federal Real Property

The vast real estate holdings of the Federal Government, problematic management of assets and missed market opportunities cost taxpayers significant sums of money. For this reason, in 2003, the Government Accountability Office (GAO) placed real property management on its list of “high risk” government activities where it remains today. The key reasons the GAO identified Federal real property as “high risk” included managing excess and underutilized real property, deteriorating and aging facilities, and the over reliance on costly leasing.¹ These same issues persisted over the following decade and were reiterated in GAO’s most recent High Risk series issued in February of 2013.²

¹ See High Risk Series: Federal Real Property, U.S. General Accountability Office, GAO-03-122, January 2003.

² High Risk Series, U.S. General Accountability Office, GAO-13-283, February 2013.

Considerable amounts of vacant or underperforming assets can translate into significant costs associated with their operation, maintenance, and security. For example, in fiscal year 2010, there was more than 490 million square feet of space that was either underutilized or vacant, costing the Federal Government \$1.6 billion in annual operating costs for under-utilized buildings and \$112 million, annually, for unused buildings.³

Committee Actions to Reduce Costs for Federal Space

The Committee has taken a number of steps to reduce the costs of Federal real property for the taxpayer and address the waste identified by the GAO. More specifically, the Committee has reduced authorizations for new or replacement leased space for Federal agencies. For example, since 2011 the Committee has cut existing GSA lease authorizations by \$923 million over the terms of the leases. While reducing the Federal real property footprint and getting rid of vacant assets is critical to reducing waste and costs to the taxpayer, many Federal buildings remain underutilized, sit on underdeveloped land, and are costly to maintain. To address this problem, the Committee has examined how GSA could utilize public-private partnerships and leverage private funds to meet current Federal space needs, address ongoing maintenance issues, and provide less costly and more efficient space.

In the 112th Congress, the Subcommittee held hearings on vacant and underutilized properties, including a hearing specifically focused on the Cotton Annex located in Federal Triangle South.⁴ In addition, included as part of the Civilian Property Realignment Act as reported by the Committee in the 112th Congress, there was direction for GSA to redevelop both the Cotton Annex site as well as the Department of Energy complex. The Committee recognized the benefits to the taxpayer in the better utilizing vacant and underdeveloped properties and the potential for using public-private partnerships to provide more efficient space to house federal agencies.

This year, the Subcommittee has explored how GSA could effectively use public-private partnerships to better utilize space, meet ongoing agency space needs, and save taxpayer dollars. On March 6, 2013, the Subcommittee held a hearing to review the need for a new FBI headquarters, consider the best solution to meet the needs of the FBI and protect the taxpayer, options for financing, and how and whether the existing FBI headquarters building can and should be leveraged. And on July 23, the Subcommittee held a roundtable on the benefits and challenges of public-private partnerships in Federal real estate.

Federal Triangle South

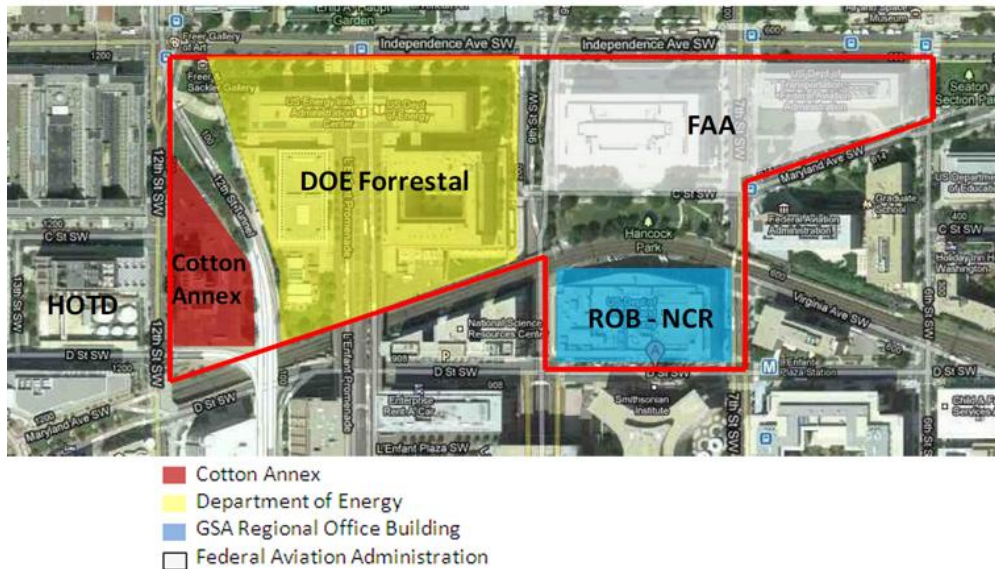
Federal Triangle South (FTS) is located in the southwest portion of the District of Columbia, adjacent to the National Mall and just minutes from the U.S. Capitol and White House. It is generally bounded by Independence Ave to the North, 6th Street to the East, Maryland Avenue and portions of D Street to the South and 12th Street to the West (see map below). Located in the area are the following federal buildings: the Cotton Annex, the

³ FY2010 Federal Real Property Report, Federal Real Property Council. Page 6.

⁴ Subcommittee on Economic Development, Public Buildings, and Emergency Management Hearing on “Sitting on Our Assets: The Cotton Annex,” March 22, 2012.

Department of Energy Forrestal Complex, Federal Aviation Administration’s Orville and Wilbur Wright Buildings, and GSA’s Regional Office Building. The facilities accommodate over 12,000 federal employees. Several of these buildings are inefficient, costly to maintain, and have a backlog of maintenance requirements.

GSA Subject Parcels – Federal Triangle South, SW DC



In addition to the inefficiency, the buildings themselves sit on valuable underdeveloped property and not all the buildings are occupied. For example, one of the buildings in Federal Triangle South -- the Cotton Annex is approximately 89,000 square feet of space and sits vacant. The Congressional Budget Office has estimated that the sale value of the Cotton Annex alone with its surrounding vacant land is \$150 million. The most recent Federal tenant of the building was the Agriculture Department; however, the building has sat vacant for the last 6 years without a tenant.

While the legislative language directing the redevelopment of the site was not passed into law, on December 3, 2012, GSA issued a Request for Information (RFI)⁵ for the redevelopment of Federal Triangle South. The RFI requested input from the private sector to: meet the long-term space needs of the federal agencies currently in FTS; identify innovative and financially viable transaction structures; achieve best value to the government and taxpayers through the most beneficial technical and financial solution; develop a vision that will stimulate a vibrant mix of uses, such as residential, commercial, civic, institutional and public realm, and contributes to the vitality of the Greater L’Enfant Plaza area, SW Waterfront and Independence Avenue Corridor; and explore opportunities to advance the planning recommendations of both the National Capital Planning Commission’s SW Ecodistrict Plan, and the District of Columbia Office of Planning’s Maryland Avenue Small Area Plan.⁶

⁵ The RFI is a type of pre-solicitation document for the purposes of gathering feedback from the private sector on the attractiveness and feasibility of redeveloping Federal property to meet facility needs of Federal agencies.

⁶ GSA Federal Triangle South Request for Information Fact Sheet, January 16, 2013.

While GSA's timeline anticipated that a Request for Proposals (RFP) to conduct the actual competition for the redevelopment would be issued in August or September of 2013, to date no such RFP has been issued.

In addition, in January 2013, the National Capital Planning Commission (NCPC) issued the Southwest Ecodistrict Plan on the potential redevelopment of FTS and specifically highlighted the potential benefits to the taxpayer as well as the local community. Specifically, the NCPC concluded that redevelopment of the FTS would result in a number of benefits, including the reduction of Federal operating and maintenance costs, the reduction of Federal lease costs, revenue generation for the local community, and more private sector development.

Legal Authorities

GSA has broad authorities to enter into certain transactions that could be employed to redevelop FTS. These authorities, largely contained in title 40 of the United States Code, allow GSA to construct, acquire, lease, and exchange properties, subject to authorization through committee resolution by the Senate Environment and Public Works Committee and the House Committee on Transportation and Infrastructure. In addition, Congress provided GSA with additional authority, specifically intended to encourage public-private partnerships. Section 412 of the fiscal year 2005 Consolidated Appropriations Act (commonly referred to as "412 authority"), allows GSA to retain net proceeds from dispositions of its real property through sale, lease, exchange, or otherwise, including leaseback arrangements. GSA also has authority under section 585 of title 40 of the United States Code to enter into 30-year ground leases with a private entity. The authorities contained in sections 412 and 585 provide GSA with significant latitude to sell or redevelop underutilized properties and enter into public-private partnerships to offset costs associated with renovating or creating Federal space.

Conclusion

At the hearing, the Subcommittee will examine the status of the FTS redevelopment plans, the potential benefits to the taxpayer and how public-private partnerships can be effectively used to reduce costs, leverage private dollars, and effectively utilize under-used Federal property for the benefit the Federal taxpayer and the communities in which Federal properties sit. The Subcommittee will hear from GSA and the NCPC on their plans for the redevelopment of FTS. The Subcommittee will also receive testimony from the Urban Land Institute (ULI), a nonprofit research and education organization representing land use and real estate development disciplines working in the private and public sectors. In addition, the Subcommittee will also receive testimony from Representative Jeff Denham, Chairman of the Subcommittee on Railroads, Pipelines, and Hazardous Materials and sponsor of the Civilian Property Realignment Act.

WITNESS LIST

The Honorable Jeff Denham (R-CA)
Member of Congress

The Honorable Daniel Tangherlini
Administrator
U.S. General Services Administration

Mr. L. Preston Bryant, Jr.
Chairman
National Capital Planning Commission

Mr. David Winstead
Chair, Public Development and Infrastructure Council
Urban Land Institute