

REAL REFORM ACT



Real Estate Assets and Leasing (REAL) Reform
Act of 2018



THE HOUSE TRANSPORTATION & INFRASTRUCTURE COMMITTEE

REAL ESTATE ASSETS AND LEASING (REAL) REFORM ACT OF 2018



The REAL Reform Act of 2018 is important legislation that provides reforms and improvements to both the agency that operates as the landlord for the civilian federal government, the General Services Administration (GSA), and the federal agency charged with providing security at thousands of public buildings and facilities, the Federal Protective Service.

The REAL Reform Act reforms the GSA's management of federal real estate assets and provides the agency with the necessary tools to negotiate the most cost effective lease deals possible on behalf of the taxpayers. Enabling the agency to better facilitate consolidations, reduce space, and take advantage of the current buyer's market has the potential to save billions of dollars. The bill also strengthens oversight of federal construction projects, and ensures that such projects remain on or under budget.

The REAL Reform Act also improves public building security by establishing more accountability and oversight of the Federal Protective Service and its legal authorities.

GSA REFORM SAVING TAXPAYERS MONEY

The General Services Administration (GSA) acquires space on behalf of the federal government through construction, purchase, leases, and other methods, and is responsible for managing, repairing, and maintaining federal properties across the country.

GSA currently owns or leases over 9,600 real estate assets and maintains an inventory of more than 370 million square feet of workspace for 1.1 million federal employees.

Currently, more than half of GSA's space inventory – 193 million square feet – is in commercially leased space. The annual cost to taxpayers in leased space payments is more than \$5.5 billion.

In the next few years, many of GSA's commercially leased spaces will expire. While the real estate market has improved, there is still significant opportunity for GSA to make good deals if given the tools.

The potential for substantial savings is real. For example, recent efforts to consolidate and shrink the federal government's footprint by the Committee on Transportation and Infrastructure, which authorizes GSA proposed leases, have saved taxpayers \$3.7 billion in avoided lease costs and the elimination of unnecessary building projects. GSA's recent estimates for its annual lease costs show the cost curve is trending down.

Action is now required in order to achieve billions more in savings. Current administrative red tape slows GSA's potential ability to act in a timely way and get ahead of the wave of lease expirations. Streamlining the leasing process and providing GSA with additional tools to take advantage of this window of opportunity is critical to maximizing long-term savings.

These savings can be achieved by positioning GSA to:

- Negotiate good, long-term lease deals
- Avoid more costly short-term extensions or holdovers
- Lock in current low market rates over the long-term
- Allow GSA to negotiate even lower rates
- Provide flexibility to negotiate purchase options.

New lease proposals will require significant time to develop and execute. The REAL Reform Act arms GSA in a timely manner with the necessary tools to negotiate good long-term deals. By ensuring that we do not allow a tremendous opportunity to pass, the legislation could result in a 20% reduction in lease costs and save taxpayers more than \$500 million annually – before accounting for savings through reductions in space.

At the same time, while equipping GSA to take advantage of market conditions and dramatically improving the processes for leases it enters on behalf of the taxpayers, the REAL Reform Act also strengthens accountability over the agency's construction program and helps ensure GSA federal building projects stay within budget.



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FEDERAL PROTECTIVE SERVICE REFORM

The Federal Protective Service (FPS), which includes 1,300 law enforcement officers and nearly 14,000 contract guards, is charged with protecting over 9,000 federal buildings and facilities owned or leased by the General Services Administration (GSA) across the United States. The FPS plays a central role in protecting federal workers and visitors to federal buildings nationwide.

Since the Oklahoma City bombing in 1995 and the terrorist attacks of September 11, 2001, our country has taken steps to prevent and be better prepared for acts of terrorism and other threats. However, federal buildings remain targets for a number of reasons, including their symbolism and the number of federal employees and visitors that use these facilities, and the protection of these facilities can be enhanced.

The oversight of FPS contract guards and their training needs to be improved and, while armed, guards lack consistent training and clear direction in active shooter situations. At the same time, given the large number of facilities FPS is responsible for securing nationwide, mission creep can have a serious impact on the security of federal facilities. Over the years, to address security concerns, other agencies have been delegated FPS authorities to secure facilities; however, consistent oversight and accountability of those authorities has been lacking.

The FPS has been working to address these issues, and the REAL Reform Act builds upon these efforts to strengthen the agency by clarifying protection authorities related to federal buildings and ensuring that security personnel are appropriately trained, managed, and accountable.

The FPS plays a critical role in securing our Nation against threats, and it is important to help ensure effectiveness, professionalism, and confidence in the agency.

REAL Reform Act: Summary

This important legislation will yield billions of dollars in long-term lease savings by providing the General Services Administration (GSA) with the tools to get the best deals possible for the taxpayers. The legislation also improves building security through increased accountability and oversight of the Federal Protective Service.

Streamlined Leasing Program

With a significant amount of GSA's leased inventory expiring in the next few years, providing GSA with authorities to act expeditiously and take advantage of the current opportunity, while rental rates remain below their peaks in key markets, will result in significant savings to taxpayers.

Specifically, the legislation:

- Establishes a Streamlined Leasing Pilot Program that would reduce the administrative red tape on most GSA leases and allow for and encourage space consolidations.

Strengthening Accountability and Oversight of Public Buildings

Ensuring the acquisition and construction of new federal space is effectively overseen and managed is critical to ensuring taxpayer dollars are spent appropriately.

Specifically, the legislation:

- Clarifies congressional oversight of property exchanges, ensures federal construction projects remain on or under budget, and sets clear time frames on authorized projects.

Improving Building Security

Public Buildings, unfortunately, have been proven targets of those wishing to do the Nation harm. Ensuring personnel responsible for protecting public buildings are appropriately trained, managed, and accountable is critical.

Specifically, the legislation:

- Clarifies protection authorities related to federal buildings and improves accountability and oversight of the use of such authorities.

REAL Reform Act: Section by Section

Section 1: Short Title

This section designates the short title as the “Real Estate Assets and Leasing (REAL) Reform Act”

Section 2: Streamlined Leasing Pilot Program

This section establishes a pilot program through 2023 that simplifies the leasing process for smaller leases which account for 87% of all GSA leases, authorizes GSA to submit consolidated prospectuses for larger leases and other projects to the Committee for approval, and authorizes GSA to amortize certain upfront costs, including moving costs, to agencies over the term of the leases.

Section 3: Exchange Authority

This section clarifies approval and oversight of GSA’s use of its authority to acquire property through exchange.

Section 4: Zero-Based Space Justification

This section requires GSA to justify any need for new or replacement space, including an explanation as to why such space could not be consolidated or co-located with other space and requires GSA to compare the costs of leasing versus constructing in evaluating the most cost-effective method of acquiring space.

Section 5: Eliminating Project Escalations

This section requires GSA to notify the Committee if project costs and scope change by more than five percent.

Section 6: Limitation on Authorizations

This section sets a five-year expiration on Committee resolutions approving GSA prospectus-level (large) projects to ensure projects proceed in a timely manner and to minimize the use of outdated information in GSA projects.

Section 7: Limitation on Discounted Purchase Options

This section allows for GSA to enter into Discounted Purchase Options when leasing facilities.

Section 8: Simplified Reforms

This section clarifies requirements related to commercial leasing services.

Section 9: Department of Energy Headquarters Replacement

This section directs GSA to sell portions of the under-utilized federal properties in Federal Triangle South in Washington, D.C. to replace the current headquarters components of the Department of Energy with more efficient and more cost-effective space.

Section 10: Lactation Room in Public Buildings

This section clarifies that spaces in public buildings are made available to the public for lactation, so long as the building is open to the public, and includes such facilities for federal employees.

Section 11: Reduction of Administrative Requirements on Certain Programs

This section de-federalizes and reduces paperwork related to certain Economic Development Revolving Loan Funds.

Section 12: Federal Protection Service

This section improves building security and oversight of relevant authorities by tightening and clarifying FPS authorities, clarifying training and oversight requirements, and ensuring accountability on the use of FPS authorities.

Section 13: Evaluation of Federal Protective Service Personnel Needs

This section provides for an evaluation of the personnel requirements for the effective protection of federal facilities.