

**FIELD HEARING ON GOVERNMENT OPERATIONS
OVERSIGHT: ADDRESSING UNUSED AND VA-
CANT FEDERAL PROPERTY**

HEARING

BEFORE THE
**SUBCOMMITTEE ON GOVERNMENT OPERATIONS
OF THE**
**COMMITTEE ON OVERSIGHT
AND GOVERNMENT REFORM**
HOUSE OF REPRESENTATIVES

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FIELD HEARING ON GOVERNMENT OPERATIONS OVERSIGHT: ADDRESSING UNUSED AND VACANT FEDERAL PROPERTY

Thursday, April 25, 2013

U.S. HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON GOVERNMENT OPERATIONS,
COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM
Washington, D.C.

The Subcommittee met, pursuant to notice, at 9:37 a.m. at 49 L Street, S.E., Washington, D.C., Hon. John Mica [Chairman of the Subcommittee] presiding.

Present: Representatives Mica, Meadows, Amash, and Connolly.
Also Present: Representative Norton.

Staff Present: Alexia Ardolina, Assistant Clerk; Ashley H. Callen, Senior Counsel; Caitlin Carroll, Deputy Press Secretary; Gwen D'Luzansky, Professional Staff Member; Justin LoFranco, Digital Director; Laura L. Rush, Deputy Chief Clerk; and Peter Warren, Legislative Policy Director.

Mr. MICA. Good morning. I would like to call this hearing of the U.S. House Oversight and Government Reform Committee's Subcommittee on Government Operations to order.

I would like to welcome everyone this morning, my colleagues. The topic of today's field hearing is entitled Government Operations: Addressing Unused and Vacant Federal Property.

We are convened at this property to conduct and emphasize the issue of vacant Federal properties and better utilization of taxpayers' assets.

With that, we are joined by Mr. Meadows. Mr. Connolly, Democrat Ranking Member, told me he would be here shortly. We will start the hearing.

The order of business will be first opening statements by members. We are also pleased to be joined—although she is a member of the Committee, not a member of the Subcommittee—by the Delegate from the District of Columbia, Ms. Norton. Welcome.

I would like to ask unanimous consent that she be allowed to participate as part of these proceedings, and without objection, so ordered.

Welcome, Ms. Norton.

Ms. NORTON. Thank you, Mr. Chairman.

Mr. MICA. She will be recognized after we recognize the members of the Subcommittee.

With that, we will begin the proceedings. Again, welcome, everyone. I will start with my opening comments.

It is absolutely astounding to come to another vacant property in the District of Columbia that sat idle, this one for nearly five years. I saw the price tag just a few minutes ago, \$19 million, that this property is worth.

This is a very vibrant area of the District of Columbia, with huge economic potential. It is property that has sat idle as the Federal Government is closing down some vital services and operations.

While its value is \$19 million, estimated in that neighborhood, actually it is equal to the property we held a hearing at in Georgetown behind the Ritz-Carlton, which is on I believe about two acres. That recently sold for \$19.5 million in an on-line auction after sitting vacant for ten years.

Not this particular Subcommittee, but in my previous work, we held a hearing in that vacant building. Down the street we have the old Post Office, where the Annex sat vacant for 15 years. That has turned around through the efforts of this continuing congressional investigation and initiative.

Instead of costing 8 to \$10 million a year, that will now employ 1,000 people, have around a 400 unit hotel commercial center, and an estimated 1,000 people are going to work at that site.

This is at least the fifth in the District that we have focused on, and we have also looked at the Capital Region. We found 7,000 acres that houses the Agricultural Research Service, some 500 buildings, of which 200 were vacant or dilapidated or unusable.

Whether it is right here in the heart of the District or in the periphery, the amount of space that is vacant, under utilized buildings, public assets sitting idle, it is just outrageous. That does need to come to a halt.

This hearing is meant to focus on that problem. You can see right here again a very viable property that has great potential.

Today we will hear some different ideas on the possible utilization. I know there is interest from the local community in better utilizing this asset. I think all the viable alternatives should be considered, but something should be done to make this again a valuable property.

We have the National Stadium, home of the Washington Nationals baseball team, located just around the corner.

Again, the private sector has come forward, in fact, launched many remarkable initiatives in an area that has had some economic problems in the past, and yet the Federal Government lags behind.

This building was built in 1924, has 33,000 square feet of space. It has been used for storage, and others have looked at the property, but nothing has been done. That is the final word.

The purpose of this hearing is to get us to stop sitting on Federal assets and better utilize valuable properties that the Federal Government houses.

It is estimated that it costs about \$1.6 billion annually to operate and maintain vacant or under utilized buildings like this, about a quarter of a million just maintaining a vacant property.

Again, in a time in which the Government is struggling to make ends meet and our deficits are climbing, I think it is appropriate that we look at the multi-billion dollar waste and practices that do

not adequately address the problem of vacant properties or under utilized assets.

With that, again, I welcome everyone. Thank you for coming out. Mr. Connolly is not here.

If you all do not mind, I am going to yield to Ms. Norton, and then we will come back to our panel members. A little bit out of order, but we will do it as a courtesy since we do not have Mr. Connolly here.

Would you like to provide us with an opening statement, Ms. Norton?

Ms. NORTON. Thank you, Mr. Chairman. I appreciate the opportunity to say a few words of opening here in my District, in an area where we have a very special interest.

I very much appreciate that you are focusing on this property. This property is just off from M Street, which essentially has been remade into an entirely new community for the District of Columbia, including beginning in the 1990s, working with President Clinton, when we got the Naval Sea Systems Command transferred here when it was about to go to California.

Of course, perhaps most importantly, the Southeast Federal Center, which has been converted into revenue producing property as retail, office space and parks being built.

It is most distressing and unusual to see a property as spacious as this that has been outstanding for all of this time, when almost all of it has been disposed of, at least the property on M Street, through the Southeast Federal Center bill.

I am perplexed as to how something as large and beneficial as this property is to somebody could still be outstanding.

Every time there is a piece of property that is not being used, of course, it has a direct effect on all the property around it.

I appreciate this hearing and the opportunity to hear what GSA is going to do about this property. I recognize we do not give away Federal property, but we at least sell it. We do not sit on it.

If the Federal Government is not using it and if this is GSA and not another agency that does not have the authority to sell or make use of the property—if it is GSA, then I think GSA has a lot of explaining to do. I appreciate that you are holding this hearing to bring forth that explanation.

Mr. MICA. I thank the gentlelady. Let me yield to Mr. Amash.

Mr. AMASH. Mr. Chairman, I yield back to you.

Mr. MICA. We also have Mr. Meadows.

Mr. MEADOWS. Thank you, Mr. Chairman. Thank you for holding this hearing on this critical issue. Obviously, I look forward to hearing from Mr. Gelber in terms of just the action plan.

As a member who in the private sector for the last 25 years has been in real estate in terms of development, in terms of land leases and commercial development, I am acutely aware of when you have assets sitting by idly, not only the costs but the opportunity costs that so many times we miss out on.

I am looking forward to really an aggressive plan on how we can put Federal properties back to use or liquidate them or allow the private sector to come in and develop them.

Truly what it does is it increases the value of all surrounding property, so whether it be the private sector or the Federal Govern-

ment, put this property to use in a real way, surrounding properties that we would own or others would own would actually increase in value.

There is no place like Washington, D.C. in terms of the value of property. I can tell you having paid rent for the first time in my adult life, it is eye opening.

For this to be a cost factor and not a revenue producer is something that we have to address.

I look forward to hearing your testimony today. Thank you, Mr. Chairman. I yield back.

Mr. MICA. Thank you. I was thinking how many Members of Congress we could house in this and how much money we could make.

Let me yield now to the Ranking Member of the Committee, the gentleman from Virginia, Mr. Connolly. You are recognized.

Mr. CONNOLLY. Thank you, Mr. Chairman. Because I am a local Congressman, I usually have events on the way in. Of course, I faced the second worse congestion in America, so forgive me for being a little bit late. Thank you to our panel for being here.

According to the U.S. Government Accountability Office's 2013 high risk update, the Federal Government owns nearly 100,000 buildings it no longer needs.

In 2010 alone, maintenance of the buildings cost the Government \$1.7 billion, that is with a "b," dollars. These are rough estimates. That is a fundamental weakness in the Federal Government's efforts to effectively manage real property, its failure to maintain an accurate inventory of accessible real property data.

The GAO audit found that in certain real estate markets, the total square footage of excess Federal real property would be large enough to house every Federal agency in the region, yet in these very same real estate markets, the vast majority of agencies are wasting precious resources on leases with private landlords.

This type of—one could only say "mismanagement"—is unacceptable. Every dollar spent on unnecessary lease is a dollar diverted from mission critical functions.

In this current era of austerity, operational inefficiencies such as these have real world consequences.

This GSA warehouse is an example of what we are talking about. The building has been vacant since 2009. It cost GSA approximately \$70,000 a year to operate and maintain the building, which nobody uses, save for today.

Thank you. This is a \$70,000 a year hearing.

I am certain that individuals of this community would prefer to see their tax dollars go toward a building that is actually being used in an efficient way and is supportive of an important mission.

GSA must take the needed steps to utilize buildings like this in a much more expeditious manner.

My understanding is there are options GSA can exercise such as advance to non-Federal entities which would develop this under utilized site to benefit the broader community.

For example, this space might be ideal for a future grocery store that could address a critical need of residents in this area and Washington, D.C. while simultaneously ensuring that their tax dollars are not wasted and paying for empty space.

Consultation with the D.C. City Government, I think, is a very important part of this, too, for a building such as this, to make sure that whatever we do with disposition of the property is consistent with their goals and what they want to achieve.

I strongly urge GSA to consider this type of transfer since my own experience as Chairman of Fairfax County demonstrated the potential for Federal real property transfers to benefit both the Federal Government and a local community.

A great example is the Lorton Prison site. It had been a prison for almost 100 years. It had outlived its functionality. It was about 2,500 acres. We purchased it for \$8 or \$9 million, I think. We pledged to not develop it but to preserve it in terms of open space and to try to retrofit some historic buildings. There were over 300 buildings on the site.

It has been a huge boom for our community and it allowed the Federal Government to divest itself of property it no longer needed and did not wish to maintain.

There are lots of opportunities for win-win, so long as we work with local governments to make sure that we are not doing harm and we are working with their priorities and their plans and their vision for the community.

I think that disposition of such excess properties can really be a win-win for local taxpayers and for the Federal Government.

Thank you, Mr. Chairman, so much for highlighting this issue. Thank you to my colleague, Eleanor Holmes Norton, with whom I have worked over many years, and I hope this hearing can lead to some fruitful discussions. Thank you.

Mr. MICA. Thank you. I see we have Ms. Norton, Mr. Connolly, Mr. Amash and Mr. Meadows. It looks like we have a number of local citizens.

We see the suspects that come before us as far as audience in the Capitol, but I see we have a lot of local folks. Let me just explain to you the process here.

This is an official hearing of Congress. In a few minutes, I will recognize these four witnesses. They will have an opportunity to testify and we will question them, members will.

Many of you may want to comment. This is not that kind of a hearing. Let me tell you how you can participate. You have your Representative here, Ms. Norton, and you can submit your comments to her, and if she chooses, she can submit them. In a minute, I will offer that motion.

Again, if you have ideas, et cetera, we welcome them but it is done through a process. If you happen to have swam across the Potomac and you are from Virginia, if you like, contact Mr. Connolly, and he would have that prerogative, or through any of the members, you can contribute to the record. It would be through a Representative. That is the way this will be handled.

Without objection, members may have seven days to submit opening statements for the record. You will have that time in which to participate and members will submit. So ordered.

Now let me turn to our witnesses. Today we have Mr. Michael Gelber, Deputy Commissioner, Public Buildings Service at GSA.

Mr. David Wise. He is the Director of Physical Infrastructure Team at the U.S. Government Accountability Office.

Mr. Tommy Wells, who is the D.C. Councilmember representing Ward 6.

We have Mr. Ed Kaminski, who is Commissioner of the Washington D.C. Advisory Neighborhood Commission.

This is an investigative committee of Congress. We do swear our witnesses. I would ask our witnesses to stand, raise your right hand.

[Witnesses sworn.]

Mr. MICA. The record can reflect the witnesses answered in the affirmative.

We will proceed. We will start with Mr. Gelber. We will give you five minutes. You can submit additional testimony or information for the record upon request through the Chair.

Mr. Gelber is the Deputy Commissioner of Public Buildings Service at GSA. We will withhold questions from the panel until we have heard from all four of the witnesses today.

Welcome, sir. You are recognized.

WITNESS STATEMENTS

STATEMENT OF MICHAEL GELBER

Mr. GELBER. Thank you very much, Mr. Chairman. Good morning, Chairman Mica, Ranking Member Connolly, Representative Amash, Representative Meadows, and Representative Norton.

I am Michael Gelber, the Acting Deputy Commissioner at GSA's Public Building Service. Thank you for the opportunity to join you today at the warehouse at 49 L Street, S.E.

Under new leadership, GSA has refocused on its mission of delivering the best value in real estate, acquisition and technology services to the Government and the American people.

We are meeting these goals in part by working with our partner Federal agencies to reduce their space requirements and disclose unneeded properties.

There are more than two dozen major Federal land holding agencies, and GSA manages just 9,600 of the more than 834,000 buildings and structures reported by agencies in the most recent Federal real property profile.

We have a robust asset management program to track the utilization of our inventory, strategically invest in our assets where needed, and aggressively dispose of unneeded assets. As a result of our efforts, our vacancy and utilization rates lead the market.

Since 2008, GSA has disposed of 93 of our own assets generating more than \$134 million in proceeds. In the same time period, we have disposed of 750 Federal assets Government-wide using such approaches as public sales on our website, www.realestatesales.gov.

At the same time, we are leveraging private capital to deliver better and more efficient space to our partner Federal agencies.

GSA's exchange authority is one potential tool for GSA to dispose of unneeded or under utilized properties, allowing us to leverage the equity of some of our older and inefficient buildings to get new and highly efficient ones.

Already we have put in motion a number of potential real property exchanges that can provide considerable savings to the taxpayer. For example, we are considering an exchange of the Justice

Department's Federal Bureau of Investigations' aging J. Edgar Hoover Building for a new consolidated headquarters within GSA's National Capital Region.

We have also solicited ideas from the real estate community to exchange five existing buildings in the District's Federal Triangle South area for new Federal work space in an innovated mixed use eco district.

These initiatives are part of a broader effort to both fully utilize all of GSA's existing authorities and realize the benefits of the Government communities and the American people.

Today the Committee is discussing the warehouse at 49 L Street, S.E. The warehouse consists of more than 32,000 rentable square feet and sits on a property that is nearly seven-tenths of an acre in the fast growing Capitol Riverfront neighborhood of Washington, D.C.

The site is close to many retail amenities, less than 250 feet from a Metro stop, and just two blocks from the National Parks Baseball Stadium.

This building has housed Federal tenants since its construction in 1924. The U.S. Joint Chiefs of Staff utilized the warehouse until 2009. Anticipating their departure, GSA began exploring potential ways to reposition this property in 2008, due to the deteriorating condition of the warehouse itself.

After the Joint Chiefs vacated the property in 2009, GSA continued assessing the property for other potential uses. The U.S. Court of Appeals for Veterans' Claims expressed interest in using the site for the construction of a new courthouse, and GSA helped develop requirements for the potential project.

Veterans' Claims received \$7 million in appropriations for advanced design planning in fiscal year 2009. After working with them to develop a detailed program of requirements, the resulting planning studies revealed that using the 49 L Street site for their new courthouse would prove too costly.

Given the cost estimates and a lack of funding for the project, GSA and Veterans' Claims abandoned the plans for a proposed courthouse project in late 2011.

GSA once again began preparing for the property's disposal process. In 2012, GSA received some interest on the property from another potential Federal tenant. However, GSA has recently eliminated that possibility, and we are now planning to exchange this property for sale.

As we go through this process, we will ensure to keep the community involved as well as all other interested parties.

Given the high real estate value and rate of growth in the surrounding Capitol Riverfront neighborhood, the 49 L Street property presents GSA with many potential opportunities to find a better use for or dispose of this vacant property and provide considerable savings to the taxpayer.

On behalf of GSA and the Public Building Service, I welcome the opportunity to be here today, and I am pleased to take your questions when appropriate.

Thank you.

[Prepared statement of Mr. Gelber follows:]



U.S. General Services Administration

Michael Gelber
Acting Deputy Commissioner
Public Buildings Service

Committee on Oversight and Government Reform

Subcommittee on Government Operations

"49 L Street SE, Washington, D.C."

April 25, 2013

Introduction

Good morning Chairman Mica and members of the Subcommittee. My name is Michael Gelber, and I am the Acting Deputy Commissioner of GSA's Public Buildings Service. Thank you for the opportunity to join you today at the warehouse at 49 L Street Southeast in Washington, D.C., to discuss GSA's ongoing efforts to improve utilization and reduce space requirements throughout the federal real estate inventory.

Under new leadership, GSA has refocused on its mission of delivering the best value in real estate, acquisition, and technology services to government and the American people.

In the real estate area, GSA faces major challenges. Our inventory's average age is 47 years—close to the 50-year life expectancy of most commercial office buildings. We maintain and renovate these buildings through the Federal Buildings Fund, which is supported by rent collected from the agencies we house. However, in recent years, we have not had access to all of the annual revenues collected by the Fund, limiting resources available to maintain and restore these assets and meet the needs of our partner Federal agencies. As a result, we have increasingly relied on leased space to house our federal colleagues, even though leasing is often more expensive than ownership.

GSA is taking a threefold approach to these challenges. First, we are working with agencies to reduce their space requirements and dispose of unneeded property. Second, we are reducing our buildings' operating costs. Third, GSA is leveraging private capital to deliver better and more efficient space to our partner federal agencies, including through the use of our exchange authority. One example is our proposal to consider an exchange of the FBI's aging J. Edgar Hoover Building for a new, consolidated headquarters within the National Capital Region. Additionally, we are reviewing private sector proposals for redevelopment of the Federal Triangle South area of Washington, D.C.

I will focus today on our efforts to improve utilization and dispose of excess property.

Better Utilizing Federal Real Estate

The Administration has moved aggressively to ensure that Federal agencies better utilize their real estate. In June 2010, President Obama issued a Memorandum entitled "Disposing of Unneeded Federal Real Estate," which charged civilian agencies to utilize space, reduce operating costs, and dispose of unneeded real property more effectively to save \$3 billion by the end of 2012.

To further expedite the disposal of unneeded Federal property and realize savings, the President proposed the Civilian Property Realignment Act to take a new approach to federal real estate. Building on the successful model established by the Defense Base Realignment and Closure Commission, the President's proposal would create an independent board of experts charged with identifying opportunities to consolidate, reduce, and realign the federal civilian real estate footprint and expedite the disposal of unneeded property.

This approach would rely on bundled recommendations, a fast-track Congressional procedure, streamlined disposal and consolidation authorities, and a revolving fund replenished by sales proceeds to provide logistical and financial support to agencies disposing of high-value properties. It is a comprehensive solution to such obstacles as red tape and competing stakeholder interests that hinder the Federal Government's progress on improving real estate management decisions.

In May 2012, Acting OMB Director Jeffrey Zients issued a memorandum entitled "Promoting Efficient Spending to Support Agency Operations," which stated, in part, that agencies may not increase the size of their civilian real estate inventory. Any increase in an agency's total square footage of civilian inventory must be offset through consolidation, co-location, or disposal of space. This memorandum was followed by implementation guidance from OMB Comptroller Danny Werfel in March 2013 that directed agencies to develop and submit a Revised Real Property Cost Savings and Innovation Plan by mid-May 2013. This plan will provide a 3-year window into real estate decisions of each agency and their plan to maintain or reduce their overall footprint.

Each of these initiatives improves the Federal Government's management of real estate, ensures that agencies make cost-effective decisions, and saves taxpayers' money.

GSA's Asset Management

GSA is one of more than two dozen major Federal landholding agencies. In FY 2011, more than 834,000 buildings and structures were reported by agencies to the Federal Real Property Profile government-wide inventory, GSA manages 9,600 of those assets. GSA's inventory accounts for roughly 375 million of the nearly 3.3 billion square feet of space under the government's control.

In GSA's capacity, we supply office space to other Federal agencies in support of their missions. We have a robust asset management program to track the utilization of our inventory,

strategically invest in our assets as needed, and aggressively dispose of unneeded assets. When we identify vacant space in areas where a continuing Federal need exists, GSA works aggressively to reuse the asset, renovating as necessary, to achieve greater utilization. As a result of our efforts, our vacancy and utilization rates lead the market average.

GSA also works diligently to identify unneeded assets for disposal. Since 2008, GSA has disposed of 93 of our federally owned assets, generating proceeds of more than \$134 million.

GSA as Disposal Agent for the Government

In addition to managing our own inventory, GSA has authority under Title 40 to dispose of most federal real property governmentwide. GSA provides strategic direction to agencies and oversees the development of programs related to the utilization and disposal of federal excess and surplus real property governmentwide.

GSA has the specialized skills to assist agencies by developing tailored disposal strategies specific to an asset's characteristics, environmental issues, community interests, market conditions, and other factors that influence the repositioning of the unneeded asset. Similarly, when preparing a property for public sale, GSA develops marketing plans that optimize the public offering. We use tools and techniques designed to reach very broad audiences and when applicable, we target specific niche interests.

While GSA has the expertise to navigate properties through this disposal process successfully, each individual landholding agency is responsible for making its own asset management decisions as to whether an asset is excess to its needs.

In the last 5 years, GSA has disposed of 750 Federal assets. The majority of these disposal actions were managed and conducted on behalf of other Federal agencies and were not assets under GSA's jurisdiction, custody, or control. GSA conducted most of these disposals through public sales on www.realestatesales.gov (previously known as www.auctionrp.com), which provides a cost-effective way to reach the widest possible developmental interests and maximize the return for taxpayers.

49 L Street SE

Today, the Committee has chosen to discuss the warehouse at 49 L Street Southeast, Washington, D.C. While the warehouse is currently vacant, its history provides an example of GSA's efforts to aggressively redevelop and reposition our assets in support of partner agencies.

This warehouse consists of 32,013 rentable square feet and sits on a property that is nearly seven-tenths of an acre in the fast-growing Capitol Riverfront neighborhood of Washington, D.C. The site is surrounded by retail amenities, less than 250 feet from a metro stop, and just two blocks from Nationals Park.

The warehouse has housed federal tenants since its construction in 1924. Until 2009, the U.S. Joint Chiefs of Staff utilized the warehouse. Anticipating their departure, GSA began exploring potential ways to reposition the property in 2008 due to the deteriorating condition of the warehouse itself.

After the Joint Chiefs vacated the property in 2009, GSA continued assessing the property for other potential uses. The U.S. Court of Appeals for Veterans Claims expressed interest in using the site for the construction of a new courthouse, and GSA helped develop requirements for the potential project. Veterans Claims received \$7 million in appropriations for advanced design planning in FY 2009. After working with them to develop a detailed program of requirements, the resulting planning studies revealed that using 49 L Street for their new courthouse would prove too costly. Given the cost estimates and a lack of funding for the project, GSA and Veterans Claims abandoned plans for the proposed courthouse project in late 2011, and GSA began preparing the property for the disposal process.

In 2012, the Architect of the Capitol (AOC) expressed interest in using 49 L Street, but recently withdrew that interest. As a result, with a renewed emphasis on GSA's real property exchange authority, we soon will reposition this property. GSA's sale and exchange authorities are tools to dispose of our unneeded and underperforming properties by leveraging the equity of older, inefficient buildings in the inventory to get new and highly efficient ones.

Given the high real estate value and rate of growth in the surrounding Capitol Riverfront neighborhood, the 49 L Street property presents us with many potential opportunities to find a better use for or to dispose of a vacant property from the federal real estate inventory and provide considerable savings to taxpayers.

Conclusion

GSA is committed to carrying out its mission of delivering the best value in real estate, acquisition, and technology services to government and the American people. We will continue to aggressively manage our own assets, while also pursuing innovative new strategies to better

utilize our inventory. On behalf of GSA and the Public Buildings Service, I welcome the opportunity to be here, and I am pleased to take your questions.

Mr. MICA. Again, we will withhold questions. Now we will hear from Mr. David Wise. He is the Director of Physical Infrastructure Team at U.S. Government Accountability Office.

Welcome, and you are recognized, sir.

STATEMENT OF DAVID WISE

Mr. WISE. Chairman Mica, Ranking Member Connolly, members of the Subcommittee, I am pleased to be here today to discuss Federal real property management with a focus on challenges associated with managing excess and under utilized real property.

The Federal Government's Real Property Portfolio includes about 400,000 owned and leased buildings located throughout the country. In 2004, the President issued an Executive Order establishing the Federal Real Property Council.

The Executive Order required the FRPC to work with General Services Administration to establish and maintain a single comprehensive database describing the nature and use and extent of all Federal real property.

The FRPC created the Federal Real Property Profile to meet this requirement and began data collection in 2005. Despite the implementation of the Executive Order, nationwide data collection efforts, various reform efforts and proposals, data problems have continued.

The agencies also face other long-standing problems in managing real property, including over reliance on leasing and excess and under utilized property.

As a result, GAO continues to evaluate the management of Federal real property as high risk.

The previous and current Administrations have given high level attention to the issue of Federal real property management. For example, in May 2011, the Administration proposed legislation referred to as the "Civilian Property Realignment Act." CPRA, among other things, would have established a legislative framework for consolidating and disposing of civilian real property.

Although this and other real property reform legislation introduced in the previous Congress have not been enacted, similar legislation has been reintroduced in the current Congress.

According to the President's budget request for fiscal year 2014, the Administration will continue to pursue enactment of CPRA.

Regarding excess and under utilized Federal property, our June 2012 report focused on reviewing agency reported FRPP data elements, including utilization, condition index, annual operating costs, and value.

We found that data problems continued to hamper the Federal Government's efforts in this area. For example, FRPP data did not accurately describe the properties at 23 of the 26 sites we visited, overstating the condition and annual operating costs. In many cases, agencies reported replacement costs significantly higher than the property's actual worth, not taking into account market value or asset conditions.

According to agency officials, many excess properties do not have the potential for generating revenue. Indeed, we saw more than 80 buildings on our site visits that agencies claim are demolished when they have sufficient resources.

In addition, FRPC had also not followed sound data collection practices by not ensuring the data elements are consistently defined and reported. Thus, limiting the usefulness of FRPP data as a decision making tool.

The Federal Government's continued reliance on costly leasing has been an ongoing problem. The Government often leases space from private landlords in the same real estate market where it owns under utilized real property. This practice is inefficient resulting in millions of dollars of additional costs to Federal agencies.

Federal agencies reviewed have taken some actions to better manage the real property, including using excess and under utilized property, consolidating offices, and reducing employee work space.

However, the agencies still face long-standing challenges. For example, costs could outweigh the financial benefits of property disposal, legal requirements, such as those related to preserving historical properties, and conducting environmental remediation can lengthen the process.

Finally, stakeholder interests can conflict with the property disposal or reuse plans. For example, GSA officials reported that local stakeholder interest had delayed conveyance of a Federal building in Portland, Oregon.

Finally, the location of some Federal properties can present challenges.

While multiple Administrations have committed to a more strategic approach toward managing real property, their efforts have not yet fully addressed the underlying challenges that we have identified.

In the June report, we recommended that OMB in consultation with FRPC develop a national strategy for managing Federal excess and under utilized real property. OMB did not directly state whether it agreed or disagreed with our recommendation.

In the same report, we recommended that GSA and FRPC take action to improve the FRPP, to increase Federal capacity to implement and monitor effective measures.

GSA has taken action to begin implementing our recommendation related to FRPP, including enhancements to clearly define data collection requirements, data quality tests and assessments to ensure data reliability, development of new performance measures to support Government-wide goals, and efforts to improve collaboration with agencies.

We will continue to monitor efforts to implement our recommendations which we believe are critical to addressing the challenges that have led us to keep Federal real property management on the high risk list.

Chairman Mica, Ranking Member Connolly, and members of the Subcommittee, this concludes my prepared statement. I will be happy to answer any questions you may have at this time.

[Prepared statement of Mr. Wise follows:]

United States Government Accountability Office

GAO

Testimony

Before the Subcommittee on
Government Operations, Committee on
Oversight and Government Reform,
House of Representatives

For Release on Delivery
Expected at 9:30 a.m., EDT
Thursday, April 25, 2013

**FEDERAL REAL
PROPERTY**

**Excess and Underutilized
Property Is an Ongoing
Challenge**

Statement of David Wise, Director Physical
Infrastructure



GAO-13-573T

G A O
Accountability • Integrity • Reliability

Highlights

Highlights of GAO-13-573T, a testimony before the Subcommittee on Government Operations, Committee on Oversight and Government Reform, U.S. House of Representatives.

Why GAO Did This Study

The federal government has given high-level attention to the issue of real property management and has made some progress. This includes establishing FRPC—chaired by the Office of Management and Budget (OMB)—which created the FRPP database managed by GSA. However, federal real property management remains a high-risk area, in part, because of long-standing problems including excess and underutilized property, over-reliance on leasing, and challenges with security.

This statement summarizes GAO's *2013 High Risk Update* as it pertains to excess and underutilized property, drawing on a June 2012 GAO report on this subject (GAO-12-645). In that report, GAO recommended that GSA, in consultation with FRPC, develop a plan to improve the FRPP and that OMB develop a national strategy for managing federal excess and underutilized real property. GSA agreed with the recommendation and described actions its officials are taking to implement it. OMB did not directly state whether it agreed or disagreed with the recommendation. A full discussion of GAO's findings and recommendations can be found in the June 2012 report.

This statement draws from the June 2012 report that analyzed agency data and real property management activities and involved visits to 26 sites containing excess and underutilized buildings from five civilian federal real-property-holding agencies selected for their significant real property portfolios.

View GAO-13-573T. For more information, contact David Wise at (202) 512-2834 or wise.d@gao.gov.

April 25, 2013

FEDERAL REAL PROPERTY

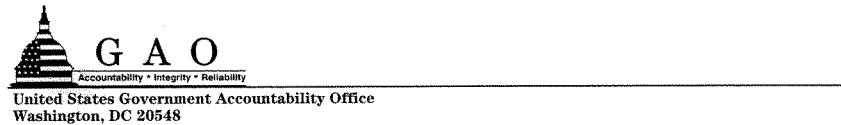
Excess and Underutilized Property Is an Ongoing Challenge

What GAO Found

The federal government faces long-standing problems in managing excess and underutilized property. In focusing on this issue, GAO found that data problems continue to hamper federal efforts. GAO examined Federal Real Property Profile (FRPP) data, which is managed by the General Services Administration (GSA) and is to describe the real property under the custody and control of executive branch agencies. GAO identified inconsistencies and inaccuracies at 23 of 26 locations visited in key data elements related to the management of excess and underutilized property, including utilization, condition, annual operating costs, and value of the buildings. For example, several buildings that received high scores for condition were in poor condition, with problems including, asbestos, mold, health concerns, radioactivity, and flooding. These findings raised concern that the FRPP is not a useful tool for describing the nature, use, and extent of excess and underutilized federal real property.

The previous and current administrations have sought to generate cost savings associated with improving management of excess and underutilized property. However, some of these efforts have been discontinued and potential savings for others are unclear. It is important to note that the five federal agencies that GAO reviewed have taken some actions to dispose of and better manage these properties, including using excess and underutilized property to meet space needs, and consolidating offices and reducing employee workspace to use space more efficiently. However, the agencies still face challenges managing these properties. For example, property disposal costs can outweigh the financial benefits of property disposal. Additionally, legal requirements—such as those related to preserving historical properties and the environment—can make the property disposal process lengthy, according to agency officials. Finally, the interests of multiple—and often competing—stakeholders may not align with the most efficient use of government resources and can complicate real property decisions. For example, GSA officials reported that local stakeholder interests had delayed conveyance of a federal building in Portland, Oregon. A comprehensive, long-term national strategy would support better management of excess and underutilized property by, among other things, defining the scope of the problem; identifying achievement goals; addressing costs, resources, and investments needed; and clearly outlining roles and coordination mechanisms across agencies. Furthermore, legislation has been reintroduced in the 113th Congress related to civilian real property disposal and the President's budget request for fiscal year 2014 states the administration will continue to pursue legislative reform.

United States Government Accountability Office



Chairman Mica, Ranking Member Connolly, and Members of the Subcommittee:

I am pleased to be here today to discuss federal real property management, with a focus on challenges associated with managing excess and underutilized real property. The federal government's real property portfolio includes about 400,000 buildings located throughout the country that are owned and leased by federal agencies. In 2004, the President issued an executive order establishing the Federal Real Property Council (FRPC).¹ The executive order required the FRPC to work with the General Services Administration (GSA) to establish and maintain a single, comprehensive database describing the nature, use, and extent of all real property under the custody and control of executive branch agencies.² The FRPC created the Federal Real Property Profile (FRPP) to meet this requirement and began data collection in 2005. As we have reported, despite the implementation of the executive order, nationwide data collection efforts, and various reform efforts and proposals, data problems have continued and agencies continue to face persistent challenges with managing real property.

In 1990, we began reporting on government operations that we identified as "High Risk." Since then, generally coinciding with the start of each new Congress, we have reported on these high-risk areas and updated the High Risk List, most recently in February 2013.³ My statement summarizes GAO's analysis of the challenges associated with excess and underutilized property discussed in the high-risk update. The material in this statement was largely drawn from our June 2012 report on this subject.⁴ For our June 2012 report on federal excess and underutilized property, we analyzed Office of Management and Budget (OMB) and GSA documents, and interviewed OMB, GSA, and other agency officials. We focused our review on five federal real-property-holding agencies:

¹ Federal Real Property Asset Management, Exec. Order No. 13327, 69 Fed. Reg. 5897 (Feb. 6, 2004).

² Except when otherwise required for reasons of national security.

³ GAO, *High-Risk Series: An Update*, GAO-13-283 (Washington, D.C.: February 2013).

⁴ GAO, *Federal Real Property: National Strategy and Better Data Needed to Improve Management of Excess and Underutilized Property*, GAO-12-645 (Washington, D.C.: June 20, 2012).

GSA and, the departments of Energy (Energy), the Interior (Interior), Veterans Affairs (VA), and Agriculture (USDA). We selected these agencies based on their reported building square footage and, in one case, the reported number of excess properties. Collectively, these five agencies accounted for approximately two-thirds of the building square footage reported by civilian agencies. We obtained and analyzed the fiscal years 2008, 2009, and 2010 FRPP submissions from these agencies and visited a nonprobability sample⁵ of approximately 180 buildings at 26 sites where excess or underutilized owned buildings had been reported by the five civilian agencies.⁶ Our representations of the condition and circumstances of individual properties in this statement are based on information in our June 2012 report; it is possible that conditions or circumstances may have changed since then. We conducted this work in accordance with generally accepted government auditing standards. More detailed information about the scope and methodology used for our June 2012 work can be found in that report.

Federal Real Property Management Continues to be High Risk

As discussed in the *2013 High Risk Update*, the federal government continues to face long-standing problems in managing its real property.⁷ The previous and current administrations have given high level attention to the issue of federal real property management. For example, in May 2011, the administration proposed legislation, referred to as the Civilian Property Realignment Act (CPRA). CPRA, among other things, would have established a legislative framework for consolidating and disposing

⁵ Because this is a nonprobability sample, observations made at these site visits do not support generalizations about other properties described in the FRPP database or about the characteristics or limitations of other agencies' real property data. Rather, the observations made during the site visits provided specific, detailed examples of issues that were described in general terms by agency officials regarding the way FRPP data are collected and reported and served to complement our analysis of data collection practices across these agencies.

⁶ In the case of VA, which did not categorize any of its building as "excess," we visited sites where buildings had been reported as "not utilized" or "underutilized."

⁷ In addition to discussing excess and underutilized real property, the *High Risk Update* also discussed costly leasing and security challenges. The federal government's continued reliance on costly leasing has been an ongoing problem. The government often leases space from private landlords in the same real-estate market where it owns underutilized real property. This practice is inefficient, resulting in millions of dollars of additional costs to federal agencies. In addition, agencies face challenges in securing real property. For example, management and funding challenges have hampered the Federal Protective Service's ability to protect about 9,000 federal facilities managed by GSA.

	<p>of civilian real property. Although this and other real property reform legislation introduced in the previous session of Congress have not been enacted, according to the President's budget request for fiscal year 2014, the administration will continue to pursue enactment of CPRA.⁸</p>
Excess and Underutilized Property	<p>Federal excess and underutilized property is an ongoing challenge facing the government. In focusing on this issue, we found that data problems continue to hamper federal efforts in this area. In our June 2012 review, we found that FRPP data did not accurately describe the properties at 23 of 26 sites that we visited, often overstating the condition and annual operating costs. Our work focused on reviewing agency-reported FRPP data elements including utilization, condition index, annual operating costs, and value.</p> <p>Utilization: We found that agencies did not report building utilization consistently.⁹ For example, FRPC guidance states that for offices, hospitals, and warehouses, utilization is the ratio of occupancy to current design capacity.¹⁰ USDA stated that FRPC has not established government-wide definitions for occupancy or current design capacity. As a result, each agency within USDA has its own internal procedures for determining a building's utilization level. Among the 26 federal sites we visited, we found utilization data inconsistencies or inaccuracies for properties at 19 of these sites. For example, at one USDA site we visited we found two houses that have been empty since 2009; however, they were both reported to the FRPP as utilized for 2009 and 2010. See figure 1 to view images of these two USDA buildings.</p>

⁸ CPRA legislation that passed the House in the 112th Congress was reintroduced in the 113th Congress in February. H.R. 695, 113th Cong. (2013). Differences exist between the House bill and the administration's proposal.

⁹ The FRPC defines utilization as "the state of having been made use of, i.e., the rate of utilization."

¹⁰ For laboratories, utilization is the ratio of active units to current design capacity. For housing, utilization is the percentage of individual units that are occupied.

Figure 1: Example of Inaccurate Reporting of Utilization Data at a USDA Site

		Vacant house since 2009	Vacant house since 2009
Exterior and interior images			
Reported utilization (2009-2010)*	Utilized		
Actual occupancy according to local officials (2009-2010)	Vacant		

Source: GAO analysis of USDA information.

*According to FRPC guidance, housing units must be 85 percent to 100 percent occupied to warrant a utilization score of "utilized."

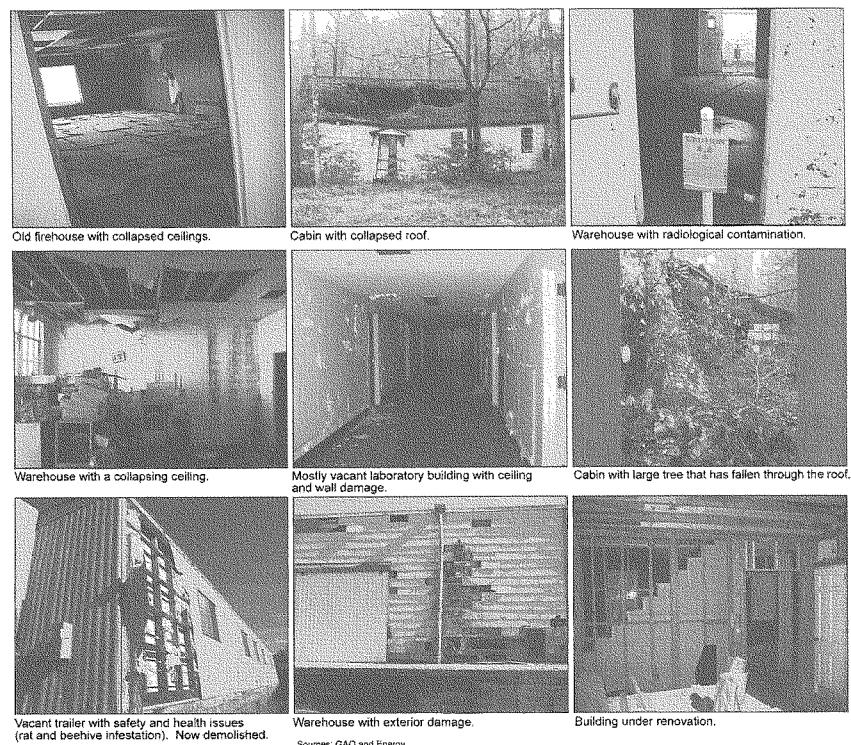
Condition Index: According to FRPC guidance, the condition index¹¹ should consider a building's repair needs.¹² However, we found that agencies do not always follow this guidance. For example, when agencies have determined that a property is not needed and will ultimately be disposed of, they may not repair that property, even though it may be in a state of significant disrepair. This allows agencies to use their limited funds to maintain properties that they regularly use. In some cases, however, agencies gave such properties high condition index scores despite their relatively poor conditions, resulting in condition index data that did not accurately reflect each property's condition as set forth in FRPC guidance. We found condition-index-reporting inconsistencies and

¹¹ The FRPC defines the condition index as "the general measure of the constructed asset's condition at a specific point in time," and the index is calculated as 1 minus the ratio of repair needs to plant replacement value (PRV) multiplied by 100.

¹² Needed repairs are determined by the amount of repairs necessary to ensure that a constructed asset is restored to a condition substantially equivalent to the originally intended and designed capacity, efficiency, or capability. GSA, *Federal Real Property Council: 2010 Guidance for Real Property Inventory Reporting* (Washington, D.C.: Oct. 25, 2010).

inaccuracies at 21 of 26 sites visited. Figure 2 illustrates several separate buildings that received high condition index scores, even though they are in poor condition. We found problems with these buildings including: asbestos, mold, collapsed walls/roofs, health concerns, radioactivity, deterioration, and flooding.

Figure 2: Examples of Federal Property Reported as Being in Excellent Condition in the FRPP Database



Annual Operating Costs: We found that multiple agencies were unable to measure operating costs at the building level.¹³ Instead, officials apportioned costs to the individual buildings according to square footage. Furthermore, because of the difficulty in measuring operating costs, only one of USDA's component agencies even attempted to measure the actual operating costs of each individual building. We also identified instances of buildings with reported high annual operating costs even though all utilities were turned off and no maintenance was being conducted. We found data inconsistencies and inaccuracies for annual operating costs at 19 of 26 sites that we visited.

Value: FRPC guidance defines value as the cost of replacing an existing constructed asset at today's standards; this factor is known as the Plant Replacement Value (PRV). However, GSA officials cautioned us not to think of PRV as an asset's actual worth, because it is not an appraisal of the property or any kind of measure of the asset's market value. We found that the PRV is typically much higher than the actual worth of the building because the PRV does not take into account market conditions or the condition of the asset. Additionally, according to agency officials, many excess properties do not have the potential for generating revenue for the federal government. Indeed, we saw more than 80 buildings on our site visits that agencies plan to demolish when they have the resources to execute the demolitions. Figure 3 shows properties that have high reported values and high condition indexes even though they are in poor condition and have remained unused for many years.

¹³ The FRPC defines annual operating costs as "the expenses for recurring maintenance and repair costs, utilities, cleaning and/or janitorial costs, and roads/grounds expenses."

Figure 3: Empty Buildings in Poor Condition with High Plant Replacement Values (PRVs)

	Biology Building	Veterans' Center	Firehouse
Property images			
Agency	Energy	VA	GSA
2010 reported PRV	\$90,136,214	\$1,673,690	\$1,026,188
2010 reported condition	88%	100%	100%
Status	The building has been shutdown for many years and is awaiting demolition.	This building is inactive and has been empty for over 10 years.	This building is designated excess and has not been used for 10-12 years.

Sources: GAO analysis of agency data and Energy (Biology Building photographs).

These examples of inconsistencies and inaccuracies in the key areas described above suggest that the FRPP database is not a useful decision-making tool for managing excess and underutilized federal real property. In addition to our work at these sites, we found that FRPC had not followed sound data collection practices when collecting FRPP data. Specifically, we found, among other problems, issues with data consistency, collaboration, and reporting. For example, the FRPC has not ensured that data elements are consistently defined and reported, even though the 2004 Executive Order seeks reporting on a uniform basis. In addition, OMB, as the Chair of the FRPC, has not collaborated effectively with the agencies that submit FRPP data and may be requiring agencies to spend resources on data collection that is not useful. The agencies we reviewed expressed concerns about the data collection process, including

the amount of data collection required, the time they are given to implement new data requirements, and their ability to collect data as required accurately.

Underlying Management Challenges

In addition to the problems we found with real property data, we also found that the federal government continues to face other challenges managing excess and underutilized properties. The previous and current administrations have sought ways to generate cost savings associated with improving management of excess and underutilized properties. However, some of these efforts were discontinued, and others have not led to proven cost savings associated with the management of these properties. It is important to note that the five federal agencies we reviewed have taken some actions to dispose of and better manage these properties, including using excess and underutilized property, consolidating offices, and reducing employee work space to use space more efficiently. However, the agencies still face long-standing challenges to managing these properties. For example, agency disposal costs can outweigh the financial benefits of property disposal. Legal requirements—such as those related to preserving historical properties¹⁴ and conducting environmental remediation—can make the property disposal process lengthy according to agency officials.

Stakeholder interests can also conflict with property disposal or reuse plans, and the locations of some federal properties can make property disposal and reuse difficult. For example, GSA officials reported that local stakeholder interests had delayed conveyance of a federal building in Portland, Oregon. At the time of our review, the Department of Education planned to use the building for educational activities beneficial to the community. However, the officials received a request from the City of Portland that certain offices that were already located in the building remain in downtown Portland. GSA was attempting to find suitable space for these offices in downtown Portland so that it could convey the building to the Department of Education.

Given the complexities of issues related to excess and underutilized federal real property management, from unsuccessful implementation of

¹⁴ See, GAO, *Federal Real Property: Improved Data Needed to Strategically Manage Historic Buildings, Address Multiple Challenges*, GAO-13-35 (Washington, D.C.: Dec. 11, 2012).

cost savings efforts across administrations, to the issues that still remain with data reporting, we believe that a national strategy could provide a clear path forward to help federal agencies manage excess and underutilized property in the long term. A comprehensive, long term national strategy would support better management of excess and underutilized property by, among other things, defining the scope of the problem; indentifying achievement goals; addressing costs, resources, and investments needed; and clearly outlining roles and coordination mechanisms across agencies. Without a national strategy, the federal government may be ill-equipped to sustain efforts to better manage excess and underutilized property.

Corrective Actions

Sustained progress is needed to address the conditions and persistent challenges that make the area of federal real property management High Risk. Multiple administrations have committed to a more strategic approach toward managing real property. However, their efforts have not yet fully addressed the underlying challenges that we have identified.

In our June 2012 report, we recommended that OMB, in consultation with FRPC, develop a national strategy for managing federal excess and underutilized real property. OMB did not directly state whether it agreed or disagreed with our recommendation. Additionally, FRPP is not yet a useful tool for describing the nature, use, and extent of excess and underutilized federal real property. Accordingly, in the same report, we recommended that GSA and FRPC take action to improve the FRPP to increase federal capacity to implement and monitor corrective measures. GSA has taken action to begin implementing our recommendation related to FRPP. GSA's actions are intended to address each part of the recommendation, including:

- enhancements to clearly define data collection requirements,
- data quality tests and assessments to ensure data reliability,
- development of new performance measures to support government-wide goals, and
- efforts to improve collaboration with agencies.

We will continue to monitor these agencies' efforts to implement our recommendations, which we believe are critical to addressing the challenges that have led us to keep federal real property management on

our High Risk List. Furthermore, as mentioned earlier, legislation has been reintroduced in the 113th Congress related to civilian real property disposal and the President's budget request for fiscal year 2014 states the administration will continue to pursue legislative reform.

Chairman Mica, Ranking Member Connolly, and Members of the Subcommittee, this concludes my prepared statement. I would be happy to answer any questions that you may have at this time.

**GAO Contacts and
Staff
Acknowledgements**

For further information regarding this testimony, please contact David Wise at (202) 512-2834 or wised@gao.gov. In addition, contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this statement. Individuals who made key contributions to this testimony are David Sausville (Assistant Director), Nancy Lueke, and Jade Winfree.

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Mr. MICA. Thank you. We will withhold questions, as I said.

Now I am pleased to welcome and recognize the Council person from this District. Mr. Wells, welcome. You are recognized.

STATEMENT OF TOMMY WELLS

Mr. WELLS. Thank you very much. Good morning, Chairman Mica, Ranking Member Connolly, my Congresswoman, Eleanor Holmes Norton, and Representative Meadows, I am D.C. Councilmember Tommy Wells for Ward 6, the largest Ward in the City, and the only one that touches all four quadrants.

It stretches from the Shaw and Mt. Vernon Square neighborhoods in Northwest through the H Street corridor in Northeast, along down the Anacostia River and Southeast, and includes the Capitol Riverfront and Southwest Waterfront.

As you can see from your arrival at today's hearing, this warehouse at 49 L Street, S.E. is in the middle of a neighborhood undergoing immense change.

With the highly successful Capitol Riverfront Business Improvement District as well as creative partnerships with City planners, private developers, business owners, and citizen leadership, this is a neighborhood that has one of the District's fastest residential growth rates and is poised for even greater progress in the next few years.

However, this warehouse is vacant and not a contributing asset to the neighborhood.

I appreciate the work of our GSA partners and this Committee to explore ways to return this building to productive use.

The Federal and District Governments have a long and successful partnership of working together, and often, with the leadership from our own Congresswoman Norton, to turn unused Federal properties and parcels into economic catalysts and neighborhood amenities.

You can look at any number of success stories, from large scale site transfers, such as the Southeast Federal Center and pending Walter Reed Campus, to specific properties, such as the old Naval Hospital on Capitol Hill, the impressive Hotel Monaco downtown, and the current West Heating Facility.

All have or are in the process of creating economic opportunities out of under used Federal facilities and returning them to productive use for the City and for the surrounding community.

Much like this Committee's work last year spurring action on the West Heating Facility, I am hopeful that we will soon see an active plan emerge for this Federal warehouse.

Indicative of the new energy developing in the neighborhood, neighbors have worked together to outline a proposal for creative use of this particular building, known as the Half Street Market initiative.

The overarching goal is to create an asset that will serve both the Capitol Riverfront neighborhood and the entire District. I strongly support the community vision captured in the Half Street Market plan.

With the Capitol Riverfront neighborhood, we are building the equivalent of a small city with tens of thousands of residents, great

cities and great neighborhoods have distinctive places in community spaces.

You could ask for no better example of that than Yards Park on the riverfront just a few blocks away.

Among other great spaces are public markets that activate a streetscape and the blocks around it and serve a neighborhood with fresh food and places to gather as a community.

The Half Street Market proposal seeks to create a vibrant public market and restaurant. They would operate a workforce development and education program for D.C. residents, host community education programming and provide a commercial kitchen incubator with access to small business formation resources for culinary entrepreneurs.

This initiative warrants support, whether as proposed or adapted to market conditions that preserve the central elements of the community's vision and holds the possibility to transform the vacant building into an iconic project, an important community amenity in the Capitol Riverfront neighborhood.

Again, I appreciate the work of this Committee and the opportunity to testify at today's hearing, and I am happy to answer any questions you have.

[Prepared statement of Mr. Wells follows:]

**Field Hearing at 49 L Street SE GSA Warehouse Building
House Subcommittee on Government Operations**

**The Honorable Tommy Wells
Councilmember, Ward 6
Council of the District of Columbia**

April 25, 2013

Chairman Mica, Ranking Member Connolly, Congresswoman Norton and Members of the Subcommittee on Government Operations, I am DC Councilmember Tommy Wells. Ward 6 is the largest Ward in the city and the only one that touches all 4 quadrants. It stretches from the Shaw & Mt. Vernon Square neighborhoods in northwest, through the H Street corridor in northeast, along the Anacostia River in southeast, and includes the Capitol Riverfront and Southwest Waterfront.

As you can see from your arrival at today's hearing, the warehouse at 49 L Street, SE is in the middle of a neighborhood undergoing immense change and development. With the highly successful Capitol Riverfront Business Improvement District, as well as creative partnerships with city planners, private developers, business owners, and citizen leadership, this is a neighborhood that has one of the District's fastest residential growth rates and is poised for even greater progress in the next few years. However, this warehouse is vacant and not a contributing asset to the neighborhood. I appreciate the work of our GSA partners and this committee to explore ways to return this building to productive use.

The federal and District governments have a long and successful partnership of working together – often with the leadership from our own Congresswoman

Norton – to turn unused federal properties and parcels into economic catalysts and neighborhood amenities. You can look at any number of success stories – from large scale site transfers such as the Southeast Federal Center and pending Walter Reed campus, to specific properties such as the Old Naval Hospital on Capitol Hill, the impressive Hotel Monaco downtown, and the current West Heating Facility. All have, or are in the process of, creating economic opportunities out of underused federal facilities and returning them to productive use for the city and surrounding community.

Much like this committee's work last year in spurring action on the West Heating Facility, I am hopeful that we will soon see an active plan emerge for this federal warehouse. Indicative of the new energy developing in the neighborhood, neighbors have worked together to outline a proposal for a creative reuse of this particular building – known as the Half Street Market initiative. The overarching goal is to create an asset that will serve both the Capitol Riverfront neighborhood and the entire District. I strongly support the community vision captured in the Half Street Market plan.

Within the Capitol Riverfront neighborhood, we are building the equivalent of a small city – with tens of thousands of residents. Great cities and great neighborhoods have distinctive places and community spaces. You could ask for no better example of that than Yards Park on the riverfront just a few blocks away. Among other great spaces are public markets that activate a streetscape and the blocks around it, and serve a neighborhood with fresh food and places to gather as a community.

The Half Street Market proposal seeks to create a vibrant public market and

restaurant that would operate a workforce development and education program for D.C. residents, host community education programming, and provide a commercial kitchen incubator with access to small business formation resources for culinary entrepreneurs.

This initiative warrants support – whether as proposed or adapted to market conditions that preserve the central elements of the community’s vision – and holds the possibility to transform the vacant building into an iconic project and important community amenity in the Capitol Riverfront neighborhood.

Again, I appreciate the work of this committee and the opportunity to testify at today’s hearing. I am happy to answer any questions you may have.

Mr. MICA. Thank you. Let me recognize our final witness, Mr. Ed Kaminski. He is the Washington D.C. Advisory Neighborhood Commission representative.

You are recognized, sir, and welcome.

STATEMENT OF ED KAMINSKI

Mr. KAMINSKI. Chairman Mica, Ranking Member Connolly, members of the Subcommittee on Government Operations, my name is Ed Kaminski, and I serve as the Advisory Neighborhood Commissioner in the 6D02 neighborhood.

I represent residents living in Southwest and the near Southeast communities of Washington, D.C. on a variety of issues, including public safety, economic development, infrastructure improvement, and more.

I am also the President of Velocity Condominium Association, which is the building right behind us. I am the Board Member of the Capitol Riverfront Business Improvement District.

The Southwest and Capitol Riverfront communities in Washington, D.C. are strongly interested in redeveloping the 49 L Street warehouse into an innovative, educational commercial partnership, creating an institute for food business education.

The Federal Property and Administrative Services Act of 1949, as amended, provides the Secretary of Education with the authority through the GSA to sell surplus Federal real property to eligible applicants for educational purposes.

I urge the GSA to nominate 49 L Street, S.E. to the GSA Record of Excess, and make the property available to the City of Washington, D.C.

You will find that multiple community non-profit organizations will respond to this GSA action and make exciting proposals to the U.S. Department of Education.

In a recent Internet survey that I hosted, over 80 percent of 400 community participants recognized public culinary education as an economic opportunity for new business formation, a means to promote better food choices, a catalyst for neighborhood development, and an urban link to rural economies.

As an educational amenity, 49 L Street can serve as an urban work study campus dedicated to healthy food education and sustainable development.

Educational partners can offer employee training and professional degree programs. Established restaurants and food institutions in Washington will find their next generations of managers and workers in these programs.

This fusion of public educational services with private entrepreneurial business formation is a key to the larger public benefit of our community. The public benefit amenity could be implemented at the street level of this building as an educational site.

The building would offer adaptive spaces and resources, providing students with shared working areas, including kitchens, refrigeration and storage spaces, a large hall with flexible open space could be configured to hold community and/or educational food events.

Students would invite the community into 49 L Street kitchens and dining areas for cooking demonstrations, food concept feedback, community dinners and food purchases.

The prepared foods would provide residents and visitors with creative food options in the Half Street retail area.

Community gardeners, and we have quite a few in this area, could partner to provide and support locally grown sustainable organic foods.

This work study concept could offer ways for small business employees and entrepreneurs to test business concepts without the many fixed costs and risks in the commercial retail market.

Community groups have explored concepts with developers about this property, to improve the building and exploit the air rights in exchange for a non-profit managed street level space.

One compatible upper level use could be a boutique hotel as an anchor tenant serving the ballpark area and complimenting the educational programs with hospitality employment.

With a generous discounted transfer allowance from the GSA to the District, the property could be held in a District agency. That agency could put out a competitive RFP and manage the development. The arrangement could be at zero development costs to the District and would offer a residual tax base on the upper commercial space.

At the ground level, an educational anchor tenant could bring the science of food and an understanding of diet and nutrition to the art and business of cooking. Random demonstrations could be captured and digitally stored and available as food preparation and demonstration content. Available to students, area lease and stall rental agreements will resource experiments with small scale cooking operations and customer interface experience.

This will provide many concrete vocational skills, trade and operational experience, plus cooking food, preparing food, and selling food to market scale.

With the knowledge of how a food business must function, students will be armed with food market literacy, some student graduates will work in restaurants, delicatessens, hospitals and other institutions, and others will start new businesses and expand the ambitions and opportunities for others.

What are the steps to move forward? The first step would be to designate this building, 49 L Street, to the GSA Record of Excess.

The second step would be to invite proposals to the U.S. Department of Education for uses that would focus on education, transfer the property to the City with a generous public benefit discount allowance, including commercial air rights development, secure the contract with no bridge costs to the City.

The commercial value of the air rights above the building would flow to the GSA, so there would be money flowing into the GSA. The conveyance allowance would flow to the educational amenity that would use the first floor, and the residual commercial taxes would flow to the City, so everyone would benefit.

There is no existing Washington, D.C. public or private institution modeled on this concept of education and food business formation. Other cities have taken this path.

Projects of note in the region include the Baltimore Food Hub, sponsored by the American Communities Trust and Cross Street Market Partners, the Philadelphia Food Enterprise Center, and the New York City Food Incubator.

Mr. Chairman, Committee members and other panel members, thank you for your time and consideration regarding the future and potential of this important site.

Thank you.

[Prepared statement of Mr. Kaminski follows:]

**Testimony before the House Subcommittee on Government Operations
Hearing at 49 L Street SE GSA Warehouse Building
Washington, DC**

Ed Kaminski, ANC Commissioner 6D02

April 25, 2013

Chairman Mica, Ranking Member Connolly, and Members of the Subcommittee on Government Operations, my name is Ed Kaminski. I serve as an Advisory Neighborhood Commissioner in the 6D02 neighborhood. I represent residents living in the Southwest/Near Southeast communities of Washington, D.C. on issues including public safety, economic development, infrastructure improvements, and more. I also serve as President of the Velocity Condominium Association (across L street) and I am on the Board of the Capitol Riverfront Business Improvement District. Today, I would like to discuss this building, 49 L street SE, and a community-led initiative that has gained great support among the residents I represent.

The 49 L Street site is served by the expanded Navy Yard/Ballpark Metro station, several bus lines, bikeshare infrastructure, and in the future will be served by a planned streetcar line. Half Street borders 49 L Street to the West and leads to Nationals Ballpark; the Half Street area is planned as an emerging pedestrian-oriented retail and cultural corridor. 49 L Street is a highly accessible location to public transit and a growing community.

Move 49 L Street SE to Excess Federal Real Estate

The Southwest and Capitol Riverfront communities of Washington, DC are strongly interested in redeveloping the 49 L Street warehouse into an innovative educational-commercial partnership creating a new institute for food business education. The *Federal Property and Administrative Services Act* of 1949 as amended, provides the Secretary of Education with the authority through the GSA to sell surplus federal real property to eligible applicants for educational purposes. I urge the GSA to nominate 49 L Street SE to the GSA Record of Excess and make the property available to the city of Washington, D.C. Multiple community nonprofit organizations will respond to this GSA action and make exciting proposals to the US Department of Education.

In a recent Internet survey I hosted for feedback, over 80% of the 400 community participants recognized public culinary education as an economic opportunity for new business formation, a means to promote better food choices, a catalyst for neighborhood development and an urban link to local rural economies.

Campus Vision

As an educational amenity, 49 L Street can serve as an urban work-study campus dedicated to healthy food education and sustainable development. Educational partners can offer employee training and professional degree programs. Established restaurants and food institutions will find the next generation of managers and workers in these programs. This fusion of public educational services with private entrepreneurial business formation is a key to the larger public benefit to our community.

Educational and Building Development Concepts for 49 L Street SE

The public benefit to the community would be implemented at street level as an educational site. The building would offer adaptive spaces and resources providing students with shared cooking areas including kitchens, refrigeration and storage spaces. A large hall with flexible open space can be configured to hold community and/or educational food events.

Students would invite the community into 49 L Street kitchens and dining areas for cooking demonstrations, food concept feedback, community dinners and food purchases. The prepared foods would provide residents and visitors with creative food options in the Half Street retail area. Community gardens could partner to provide and support locally grown, sustainable, organic foods. This work-study concept could offer ways for small business employees and entrepreneurs to test business concepts without the many fixed costs and risks in the commercial retail market.

Community groups have explored concepts with developers to improve the building and exploit air rights in exchange for a non-profit managed street level space. One compatible upper level use could be a boutique hotel as an anchor tenant serving the ballpark area and complementing the educational programs with hospitality employment. With a generous discounted transfer from the GSA to the District, the property could be held in a district agency. That agency would put out a competitive RFP and manage development. The arrangement would be at zero development costs to the District and would offer a residual tax base on the upper commercial space.

Comprehensive Student Education Services

At the ground level, an educational anchor tenant would bring the science of food and an understanding of diet and nutrition to the art and business of cooking. Branded demonstrations could be captured, digitally stored and available as food preparation and demonstration content. Available to students, area lease and stall rental agreements will resource experiments with small-scale cooking, operations and customer interface experience. This will provide students

with concrete vocational skills, trade and operational experience plus cooking food, preparing food and selling food to market scale.

With the knowledge of how a food business must function, students will be armed with food market literacy. Some **student graduates** will work in restaurants, delicatessens, hospitals and other institutions. Others will start new businesses and expand the ambitions and opportunities for others.

The Time is now for Washington DC

Our many Washington, D.C. based embassy workers; international students and knowledge workers have generated very sophisticated food and related hospitality markets. Many famous top-name chefs and an impressive array of restaurants have established businesses in Washington, D.C. The 49 L street development could harness the aspirations of our community and serve as an engine for food business formation. Steps to move forward:

- Designate 49 L Street to the GSA Report of Excess.
- Invite public benefit proposals with a focus on education.
- Transfer to the city with a generous public benefit discount including commercial air rights development.
- Structure the contract with no bridge costs to the city
- Commercial value flows to GSA, conveyance allowance flows to an educational amenity and residual commercial taxes flow to the city

There is no existing Washington DC public or private institution modeled on this concept of education and food business formation. Other cities have taken this path. Projects of note in the regional area include the Baltimore Food Hub supported by the American Communities Trust and Cross Street Partners, Philadelphia Food Enterprise Center and the New York City Food Incubator.

Mr. Chairman, Committee members and other panel members thank you for your time and consideration regarding the future and potential of this important site in our community.

Mr. MICA. I thank you and all of our witnesses. Now we will start a round of questioning. A lot of us are double booked on hearings today. I am going to yield to Mr. Connolly first. Our Ranking Member is recognized.

Mr. CONNOLLY. I thank the Chair and I thank you for your graciousness. I belong to two committees whose passionate philosophy is there is no human problem that cannot be solved by another hearing.

[Laughter.]

Mr. CONNOLLY. I do have another hearing this morning. I thank the Chair for his graciousness, and I thank my colleagues.

Mr. Gelber, in listening to your testimony, what is the current status of this property? Has it been listed as excess property or we are still not there yet?

Mr. GELBER. It is not listed as vacant property, not listed as excess property.

Mr. CONNOLLY. It is not?

Mr. GELBER. That is correct.

Mr. CONNOLLY. We spent a fair amount of money trying to determine what the status ought to be?

Mr. GELBER. When we say we spent a fair amount of money on the status, there was a proposal from the Veterans' Claims Office to construct a courthouse here.

There were funds expended on that study, but when Veterans' Claims and GSA realized they could not construct a courthouse at the site that would meet their needs, that process was suspended.

Mr. CONNOLLY. At what point do we decide since we do not have a better idea, maybe the District of Columbia has a better idea and we ought to try to begin the process of transferring the property?

Mr. GELBER. That is the process that GSA has recently begun.

Mr. CONNOLLY. I cannot hear you, Mr. Gelber.

Mr. GELBER. I am sorry. That is the process GSA has recently begun.

Mr. CONNOLLY. Do you not have to list it as excess at some point?

Mr. GELBER. Our intent is we have the ability to put this property up for sale for what we refer to as an "exchange for construction services." That is our preferred option.

What a potential buyer would provide us with would be a sum of money that we could use for needed repair and alteration projects across GSA's real estate portfolio, with the money that would be derived from a sale of this property.

That is our preferred option. We would, of course, also work with the District on any ideas they may have on this property.

Mr. CONNOLLY. You said that is the preferred option, meaning, a way of translating what you said, to get fair market value so we are sort of getting return on our investment?

Mr. GELBER. That is correct.

Mr. CONNOLLY. When does, however, the concern or the vision of the local government come into play? They are not always in sync. The Federal desire to get fair market value, which is a fair concern, but a broader vision the local government may have, and we are in the midst of their community, do we not need to sort of try to make sure the two are compatible at some point?

Mr. GELBER. We try to work with local communities to ensure that whatever plans GSA has is, as you say, compatible with the local community's desires. Sometimes they are successful and sometimes there are differences of opinion on the matter.

We would work with the local community on this particular property before proceeding for final disposition, to a final disposition.

Mr. CONNOLLY. Is there a point at which we recognize that the desire of the local government or the plan of the local government trumps our desire to reap fair market value for properties?

Mr. GELBER. Yes. That varies from project to project. There are points in time where the desire of a local community and local representatives outweigh the overarching need of the Federal Government.

Mr. CONNOLLY. That is good to hear. As somebody who has spent 14 years in local government, it is very important to me that the Federal Government, while trying to maximize its interests on behalf of the U.S. taxpayers also recognizes that we are in the midst of a community. We do not stand alone. We have a responsibility to that community to try to make sure our goals are consistent with their goals.

The disposition of a property can be both a boom to a local community and can be extremely disruptive if it is in fact outright inconsistent with the needs, goals and visions of a local community.

It seems to me we have a heavy responsibility to take that very seriously, not incidentally a box to be checked off, but integral to the process.

Mr. GELBER. I agree.

Mr. CONNOLLY. Good. Mr. Wise, what have we learned in terms of benchmarking, about what works and does not work in terms of disposition of property?

As Lincoln once said about McClellan, "We've got the slows," when it comes to disposition of excess property, even deciding a property is excess.

What have we learned about what does and does not work? Are there financial incentives for agencies that make a difference from their point of view, given our experience?

Mr. WISE. It is kind of a mixed bag, Congressman. It is very much a mixed picture. As far as the proceeds or ability to retain proceeds, every agency is governed by different legislation.

Some agencies can keep proceeds. Some cannot. Some retain them and then reinvest them in future buildings. An example of that would be the State Department. Others cannot.

Mr. CONNOLLY. Can I just interrupt? The variation has to do with statute?

Mr. WISE. Yes. There are different statutory requirements. Each agency has separate appropriations legislation that governs the disposition and proceeds from the sale or disposition of Federal real property.

Mr. CONNOLLY. Again, if I can interrupt for one second, I commend that to the Chairman as we look at possible legislation. I think this really is a problem because we are all over the lot in terms of rules and regulations, what is permissible and what is not, and thus, we lack a consistency when we try to approach the subject.

Excuse me, Mr. Wise.

Mr. WISE. I was almost finished. I think one of the things we reported in the past that makes a lot of sense, if an agency is going to dispose of a property, I think it is logical that it would certainly retain the costs of that disposal.

For example, there would be environmental costs, marketing costs, those kinds of things. It obviously makes sense they should be reimbursed for absorbing those kinds of costs because it costs money to make money sometimes, and that is part of the process of trying to dispose of a property.

Mr. MEADOWS. Would the gentleman yield?

Mr. CONNOLLY. Of course.

Mr. MEADOWS. I think the gentleman from Virginia brings up a very valid point, and it is something I am willing with my real estate background to work with the gentleman in a bipartisan fashion to work on crafting some legislation that hopefully will address this issue.

What you are saying, Mr. Wise, is legislatively, you have barriers to disposal of Government properties in terms of the motivation of a particular agency on whether they get the money back or not. Is that correct?

Mr. WISE. There are challenges in that area; yes.

Mr. MEADOWS. Thank you. I appreciate the gentleman yielding.

Mr. CONNOLLY. My time is up. Mr. Chairman, I want to thank you so much for holding this hearing. This is one of those sort of unsung not often sexy kind of issues, but it makes such a profound difference, both positive and negative, in communities, and I think frankly in terms of maximizing benefit for U.S. taxpayers.

Thank you so much for highlighting the issue.

Mr. MICA. Thank you, Mr. Connolly. I will go to a couple of questions and then I will yield to Mr. Meadows and Ms. Norton in that order.

It was interesting to hear your testimony, Mr. Gelber, that money had been spent to consider utilization of this property for another purpose. Did you say \$7 million?

Mr. GELBER. \$7 million was appropriated.

Mr. MICA. How much was spent?

Mr. GELBER. My understanding is around \$400,000.

Mr. MICA. \$400,000. I guess that would be a reasonable amount to decide you could not use it. The \$7 million would have been over the top.

When that fails, the problem is these processes take so long. We are here now, we will be approaching five years that this property has been vacant.

You heard the proposal from Mr. Kaminski, I guess requesting this be designated on the Record of Excess Property. Is that correct?

Mr. GELBER. Yes.

Mr. MICA. Are you familiar with that process?

Mr. GELBER. I am familiar with the process.

Mr. MICA. Is that something that can be done at this point?

Mr. GELBER. That is something that can be done.

Mr. MICA. Again, I think you see the desire on the part of the local officials and the Representative to move the property forward,

and also consider the requests of the local citizens, and that could be accommodated.

The problem again is it takes so long. We sit on these properties. Nothing is done.

This is not as bad as some of the others we have highlighted.

What is the status of the Cotton Exchange, which is one of the prime pieces of real estate from 395 all the way to the Mall? We held a hearing in that empty building. I have not heard where we are moving forward.

Can you enlighten the Committee?

Mr. GELBER. The status of the Cotton Exchange facility is part of a larger project that GSA currently has that we refer to as "Federal Triangle South."

We have issued a Request for Information on how best to use both the Cotton Exchange Building as well as the other adjoining facilities around that.

Mr. MICA. Again, a Request for Information is not really a Request for Proposals. We are still in that stage. How long will that take? When are we going to do a Request for Proposals?

Mr. GELBER. We have received the responses to that Request for Information and we are currently evaluating them. There were approximately ten responses. It will take several months to evaluate those proposals, and then in turn, we would then issue a Request for Quote associated with the project.

Mr. MICA. You are telling the Committee, okay, a couple of months, that would go into July. By July you think we will be able to move forward on that?

Mr. GELBER. That would be my hope.

Mr. MICA. In fact, send him a letter and ask him what date. We will be going into 11/12 years on the Cotton Exchange Building. We are also talking about a vast area for improvement.

I had introduced legislation last week because nothing has been done with a Miami Courthouse. That is going on six/seven years. This is only \$70,000 a year to maintain. That is \$1.2 million, and we have probably spent \$6 or \$7 million in maintaining it.

Now I am told there may be as much as \$20 million worth of mold remediation required on a building for which the locals, the community college, which is located next door, it would be like across the street from the street in front of us, has been trying to get that property, the President of the College told me, for some five or six years.

What is the status there?

Mr. GELBER. On that particular property, I believe you are referring to the Dyer Courthouse.

Mr. MICA. The Dyer Courthouse, the vacant Federal courthouse in Miami.

Mr. GELBER. We issued a Request for Information associated with that property. Unfortunately, we did not receive any sufficient responses, and we are currently evaluating the status of that building.

The challenge we have there is that building is in effect tied to an adjoining Federal facility through its mechanical and heating plans, or air conditioning plans, in the case of Miami.

Mr. MICA. Even a small time developer like myself could figure out a solution to that. We are going on and on with that.

In the meantime, I have introduced legislation to transfer the property. You are aware of that?

Mr. GELBER. I am aware you have legislation; yes.

Mr. MICA. Again, it is so frustrating. Where is my little chart here? This is my little chart. This is the District of Columbia. We have made some progress with five of these hearings. We started out with 14,000, I think, we are working our way down. We will have a few more to add to the chart.

Is there any hope of speeding this up, Mr. Gelber?

Mr. GELBER. From GSA's perspective, we are actively engaged in this process. From the properties on that list, only around 100/150 of those are GSA controlled properties.

Mr. MICA. Right. I had that responsibility in my oversight limited and narrow jurisdiction from Transportation, but we have very broad authority on this Committee and the Subcommittee.

We are looking at the whole Government. I have not decided if we are going to go out to do a hearing at the 7,000 acres in Beltsville, but that is the size of the City of Key West with 500 buildings, of which 200 are vacant or under utilized.

You do not have any say in that, do you?

Mr. GELBER. That property is controlled by the Department of Agriculture and not under GSA's control.

Mr. MICA. We will have some additional action on that. Does anyone know, how did Monument Realty—did they acquire any property from the Federal Government that they now have as a parking lot or was that private?

Mr. GELBER. I believe you are referring to the parking lot south of this facility. That has always been in private hands, to my knowledge, and never been part of the GSA inventory.

Mr. MICA. You have not sold any property adjacent that you know of?

Mr. GELBER. We have properties within several blocks of here, the Navy Yards facility, but nothing adjacent to this property; no, sir.

Mr. MICA. I just wondered about that.

Mr. Wise, you indicated that on 23 of 26 properties you visited, the assessment of the conditions did not match what you found in the reports issued by the agency; is that correct?

Mr. WISE. Actually, 23 of 26 sites. There were a lot of buildings on each site. The visits we did brought to light the inconsistencies that we found in the Federal Real Property Profile. We found lots of discrepancies or inaccuracies, if something was utilized or not utilized or what condition it was on paper versus what it looked like.

Some of that is exemplified in the full statement I submitted to the Committee with some photographs of some of those we visited.

You have been to Beltsville. You know what that looks like. We saw some inconsistencies out there. We were out there quite a bit as well.

It is a real issue with the data collection procedures. As I mentioned in my statement, we are hoping the action GSA has begun

to take to implement that recommendation will lead to some improvements in the Federal Real Property Profile.

I think as you all know who are in real estate, if you do not have good data and good information about your properties, you really just cannot get out of the dug out and make good management decisions.

That has been our perspective and that is what led to that recommendation from the June report.

Mr. MICA. I have helped author some of the legislation to provide additional tools and also try to speed up the process, and we will continue in that effort. We do not want to be the blame.

By the same token, I have had witnesses from GSA tell me they had authority to move forward. The problem is they do not move forward and people do not make a decision, and we end up with extensive costs for maintenance and the properties sit idle.

We have two representatives from the local level. I appreciate your coming forward, Mr. Kaminski. You had some pretty detailed recommendations in your proposal for utilization.

The problem we have is I am involved with a group that is pretty close to bankruptcy, it is called the "Federal Government."

Actually, when I came to Congress, we instituted a Control Board. A lot of people did not like it. It took over the Federal Government, brought in a Chief Financial Operating Officer, Anthony Williams, I recall, and he did an excellent job.

We went from about \$700 million a year in deficit to now the District is running a surplus. I do not want to impose on the District even though they have a surplus, but we have two choices.

One, to convey the property as a public convenience to another public entity, but by the same token, we are also bankrupt and we are looking for hard cash and people with some in their pockets or Treasury.

The Advisory Commission cannot commit to spending District funds, but do you think the District would be interested, Mr. Wells, in some type of remuneration for the property?

Mr. WELLS. Absolutely. This is a derelict property that is a non-contributing asset to the community. As you can see, this is a very vibrant economic neighborhood, and I believe that the District could reap quite a bit from an investment of \$19 million.

Mr. MICA. I have seen your bottom line. You could help in that regard.

I think the local community should be given preference, just like in Miami, Dade College. Here is a college sitting next door.

The District and the neighborhood has hopefully a viable proposal. I am not going to evaluate that or make a judgment on it here.

I just wanted for the record for it to be known that we have a willing buyer and a public entity that is interested. Last time I checked their bottom line and paid my D.C. taxes, I saw they had good cash flow.

With that, I am going to yield first to Mr. Meadows and then I will go to Ms. Norton.

Mr. MEADOWS. Thank you, Mr. Chairman. Thank each of you for your testimony here this morning. Mr. Kaminski, if you are head of your property owners association, my condolences to you.

[Laughter.]

Mr. MEADOWS. Having served on a number of those boards, it is a thankless job.

I guess my concern is as I mentioned in my opening statement, the opportunity costs, but probably more problematic is the Federal Government creates a false market when they hold onto properties that quite frankly are in neighborhoods like this.

Whether it is Mr. Wells and the constituents he represents wanting to put this property to use or the private sector. If you made the decision today to liquidate this property, you would have multiple offers within 30 days.

To sit back and not do anything, not only is not being a good steward of the hard working American taxpayers but it also has an indirect effect on the neighborhood and those that live around it. Both of those things are not one that we can tolerate.

You mentioned, Mr. Gelber, in your opening testimony the liquidating of assets, and I think you said you had realized \$195 million in terms of liquidating those assets. Is that correct?

Mr. GELBER. I believe the number was \$134 million.

Mr. MEADOWS. \$134 million. If we put that in perspective, your years of work in terms of what you have liquidated, \$134 million, is less than 20 minutes on the national debt in terms of what you have liquidated, when we really look at the real dollars there.

Yet we have assets, over 13,000 here in the D.C. area. What we are doing is we are holding on to those. Why do we hold on to those? It cost \$70,000 to maintain this.

Why do we not lease it for \$1.00 a year and let them take care of the maintenance if nothing more than that? Why do we continue to just take taxpayer dollars and pay for all the maintenance and keep it in our portfolio?

Mr. GELBER. In many cases, with properties that appear vacant that are vacant, we are evaluating if there are other Federal agencies that are interested in occupying the space.

Entering into a lease may preclude us then from having the other Federal agencies—

Mr. MEADOWS. I have done leases. You can do leases that have a termination clause. Literally, if you want to lease this tomorrow and still keep it available. If you are in the private sector, you can figure out a way to do that, and what happens is there are two ways things get done here in Washington, D.C., slow and never.

What we have got to figure out is a way that we get this stuff done. If you were charged with managing the portfolio and managing those things and you got paid based on how many properties you got rid of, can you figure a way to do that?

Mr. GELBER. I think we currently do do that. If we were provided extra authorities and abilities to process these properties quicker, that would assist us.

Mr. MEADOWS. You are saying legislatively you need the authority to get rid of it quicker? This is not an agency decision, you need Congress to act?

Mr. GELBER. We can expedite these processes and we currently are expediting as many of these processes as we can. The agency has stated that if we were to receive what we refer to as a "civilian

BRAC authority," the ability to quickly process vacant and under utilized Federal properties, that would be a greater benefit to us.

Mr. MEADOWS. What do you need to do that? What is "quick" to you? This has been vacant since 2009. We are here in 2013. I guess this is quick?

Mr. GELBER. I think for our purposes, we were evaluating this property through 2011. We wanted to ensure there were no other Federal entities that were interested in this property.

We have come to the conclusion that there are no other Federal entities interested in this property, so we are now embarking on a course to dispose of this property from the Federal inventory.

Mr. MEADOWS. What do we do, we just do a wish list for other agencies? I noticed in part of the testimony what was looked at was possibly storage for Library of Congress. I love the Library of Congress and want to make sure we provide adequate storage.

Why would we take a prime property worth \$19 million, tear it down and make it for storage for something, if it is not going to have a venue that adds to the value of the community?

Mr. GELBER. One of the potential uses for this site was for a courthouse for the Veterans' Claims Office. It was not necessarily just for storage but to ensure that any other Federal entity in the District of Columbia that needed space could possibly use this space.

Mr. MEADOWS. We had monies allocated to build that facility?

Mr. GELBER. For the Veterans' Claims courthouse, there were monies allocated to study whether or not that facility could be located here.

Mr. MEADOWS. There were monies to study it but not monies to build it?

Mr. GELBER. Invariably, the money to study it comes first, and then if the decision is to go to Congress to request funds for the facility, that is the next step in the process.

Mr. MEADOWS. You also mentioned in your testimony that you prefer real estate exchanges, you want to exchange property.

Does that not complicate the process? With an exchange, what you have to do is look at the value of what you are disposing of and the value of what you are acquiring, which requires two different analyses and transactions.

Does that not slow down the process? Yet, you say that is your preferred way.

Mr. GELBER. It is a preferred alternative because it provides us greater flexibility to funds that we could use to repair and renovate existing Federal structures.

Mr. MEADOWS. Preferred in that you get to keep the money?

Mr. GELBER. That would be one way to look at it; yes, sir.

Mr. MEADOWS. If you had another vehicle where you could just sell it and keep the money, would that speed up the process?

Mr. GELBER. I think that would provide GSA greater flexibility; yes, sir.

Mr. MEADOWS. Why is it important for GSA to keep the money?

Mr. GELBER. Currently, we have a large number of facilities that are in need of repair or renovation, and using that money to do that would be a benefit to the agency.

Mr. MEADOWS. This costs \$70,000 a year. If you had disposed of this in 2009, would you not have had quarter of a million dollars to pay for maintaining other facilities?

Mr. GELBER. That is correct, but unfortunately, that amount of money does not cover the types of repairs that we are looking to accomplish.

Mr. MEADOWS. You just need big dollars? I am trying to figure out when we look at it from a Government perspective, Government is never efficient or accountable.

What happens is they can sit back and they can work on it and what happens, you have neighborhoods that are driving by a brick building that is not particularly attractive from the outside, and I must say not particularly attractive from the inside either.

As we look at this, how do we become good stewards of Federal property and make sure that we dispose of it in a manner that is one, responsible to the American taxpayer, and two, responsible to the community that Mr. Wells represents and Congresswoman Norton represents?

Mr. GELBER. I think GSA's new leadership is committed to disposing of as many of these properties as possible.

Mr. MEADOWS. What is your objective here? How many do you think you can dispose of in the next 24 months? Do you have a number?

Mr. GELBER. I do not have a number currently, but we are in the process of looking at several facilities.

Mr. MEADOWS. I am out of time. I yield back. Thank you for your patience, Mr. Chairman.

Mr. MICA. Thank you. Let me recognize now Ms. Norton.

Ms. NORTON. Thank you very much, Mr. Chairman. Before I begin my time, may I ask unanimous consent that the testimony of David Garber, the Advisory Neighborhood Commissioner, be entered into the record?

Mr. MICA. Without objection, so ordered.

Ms. NORTON. Thank you, Mr. Chairman. I thank all the witnesses. I think the testimony was very important to understanding the entire process, what happens from beginning to end, and why for that matter this hearing has been important.

Mr. Wise indicated the Administration's proposal, and I must say two bills, one from this Committee, and Mr. Mica and I serve on both Committees, where there have been bills that would facilitate quick or quicker disposal of properties.

I note that one of those bills, the bill from this Committee—I am not on the Subcommittee, I am on the full Committee—one of these bills was marked up within the past six months or so.

I would much prefer to see these matters dealt with through a real process rather than the piecemeal concerns that this Committee and the other Committee has had on properties in the District of Columbia and elsewhere.

In the absence of the passage of those bills, I hope the bill that came forward from this Committee will go to the Floor soon.

Here we have an enterprising community that seeing a large vacant property within its midst, surrounded by booming development on all corners, develops its own proposal for the property.

Mr. Gelber, under the rules, before you began to talk with the Architect of the Capitol, the Judiciary, should not this property have been declared excess?

Mr. GELBER. Under the rules you speak of, our primary goal is to first speak with other Federal agencies.

Ms. NORTON. Should it not be declared excess before you speak to other agencies, if in fact the point is we do not have any use for this property, why is it not immediately declared excess so the Federal agencies, once it is declared excess, can know it is time for them to step up, the community can know maybe they come first, or the homeless come first?

Why was not the procedure of declaring it excess followed some time ago, given how long—let me ask you, how long has this been vacant?

Mr. GELBER. This building was last used by the Federal Government in 2009.

Ms. NORTON. What did we use it for at that time?

Mr. GELBER. At that time it was used by the Defense Department's Joint Chiefs of Staff for storage related to events in the Washington, D.C. area.

Ms. NORTON. That certainly was an inappropriate use as the community has developed. I can understand they needed to move out.

Why was it not declared excess? I do not understand how the Federal Government or agencies are kind of given early word. First of all, some of them will not even know. If it is not declared excess, then the agencies who might want to make use of this property may not know to come to GSA and say I want to make use.

My first question goes to procedure, so we have a transparent procedure, everybody who might be interested in the property knows, the GSA says we have no use for this property.

Why is not that procedure followed to alert all concerned initially, and then let the chips fall where they may?

Mr. GELBER. The process currently is if the Federal Government declares it excess, it is no longer available to another Federal entity to use. That is why we have to do the Federal screening prior to declaring the property excess.

Ms. NORTON. I must say I do not understand that to be the law. If that is the case, I think the law needs to be changed.

Not every Federal agency, by the way, will be wondering about property in Southeast Washington. I cannot understand why there would not be notice. The moment GSA decides that as the manager of property GSA has no use for it, I just do not understand that the law gives you the opportunity to go pecking around to see if you can find a Federal agency who might be interested.

Mr. GELBER. I apologize. Just to clarify, once GSA has completed its process of evaluating if any other agency can use this facility, we then declare it excess and then a notice is in fact issued where other Federal agencies have the ability to say—

Ms. NORTON. Was a notice issued with respect to this property?

Mr. GELBER. No notice has been issued with respect to this property.

Ms. NORTON. Here we have an excess property, no notice had been issued. Thank goodness I have constituents who on their own

discovered this has been sitting in their midst unused, so they step up. God knows how many Federal agencies might have wanted to step up, but there was no notice.

The first thing I think we are going to have to require of the agency is immediate notice once a property is vacated and GSA decides that it has no use.

It seems to me once it is vacated, particularly if it is an area like this, GSA has an obligation to make that decision very early.

For the community now to hear, as a matter of fact, but you do not know it, we have been talking to a lot of Federal agencies because we are on the inside with them and we do have a use for it, that does not seem to me to be the way the law says GSA ought to operate, and it certainly does not give the transparency that this Committee insists happen.

I wish you would go back to Mr. Tangherlini and ask him if there are any other excess properties in the District of Columbia or anywhere else in the United States where the notice that it is excess has not yet been posted.

I would like the Chairman to get a list of all properties where the notice of excess has not yet been made, so the public can know and other Federal agencies can know.

Mr. MICA. Will the gentlelady yield? I will also submit that question formally to the agency in addition to your request.

I think we also need to look at some time limit in which to have consideration, and maybe it would be appropriate for the agencies that are interested in the property to put their plan together and pay for it so again, someone is providing a viable plan.

Look at the time they wasted and the money, \$400,000, and \$7 million was appropriated.

If that is not in place, we need to request it be in place, and if necessary, statutorily provide for that. I will be glad to work with the gentlelady. I yield back.

Ms. NORTON. Thank you, Mr. Chairman. Four years, no notice that this is excess property. A community found it out. Who knows how many other Federal agencies may have use for this property.

Although this is my District, I wear two hats. I understand my first obligation is not to see if I can snatch some property for the District of Columbia as much as that is where my heart is. My first obligation is to see that the property is best used in the interest of Federal taxpayers.

My question really goes to my great interest, frankly. In your testimony at page five, "GSA's sale and exchange authorities."

Let me compliment the GSA, and Mr. Tangherlini has been the Acting Administrator, and he has acted like someone who knows real estate in the private sector sense of that word, how to make use of all these tools which have been dormant, certainly as long as I have been on the Committee.

You say "To dispose of unneeded and under performing properties by leveraging the equity of older, inefficient buildings in the inventory to get new and highly efficient ones." That is a very important mission.

In fact, our two bills not only allow for the disposal of property, but for such transactions as exchange, consolidation, and the rest.

I need to hear more, I want the record to show, are you now in the process of negotiating an exchange so that the funds could be used, and they are desperately needed, I would be the first to concede, so the funds could be used in your inventory or for other construction that is ongoing here and throughout the country?

Is that transaction in the process or is that something you intend to do?

Mr. GELBER. The transaction related to this building is being initiated now. That process is occurring across the country at other properties.

Ms. NORTON. "Being initiated now." You have to be more specific than that. Are you saying to the community it is not likely—again, maybe I have a dime in that dollar but I cannot spend it—I want only to know the truth about this property.

Can you say that it is unlikely that this property will be available to the community because the law requires that you get the highest value, and I certainly understand that, the highest value, and you are in the process of negotiating?

Is it with a specific—we do not need the name—is it with a specific entity? Are you in search of a specific entity? Are you almost certain or near certain that this exchange can occur? How deeply into that strategy are you and how successful is it likely to be?

Mr. GELBER. We are beginning that strategy. We believe it will be successful. Our preferred alternative is to pursue that course of action.

Ms. NORTON. Mr. Chairman, of course, my time has run. I think we have an obligation to keep track of it. We have had this hearing, so they are beginning, now to track how long that will take.

If I can just ask, how long will that process take now that you have begun it?

Mr. GELBER. We have no fixed time line associated with that process, but we hope to complete—

Ms. NORTON. That is a problem, Mr. Chairman. That is the problem.

Mr. MICA. I agree. I will be glad to work with the gentlelady. We have been on this for some time with GSA on a limited fashion. We are looking at the whole Government problem right now.

What you see here in this vacant facility is just one example. There are multiple in the District of Columbia, thousands throughout the United States.

We have just GSA here. We also have other agencies that are also leaving valuable Federal assets in the lurch.

Just one question, Mr. Gelber. You had said that the GSA is considering an exchange of the FBI's aging J. Edgar Hoover Building in the District for a new consolidated headquarters within the National Capital Region, and I think you made reference to a swap construct arrangement.

Is there anything specific you can relay on how that would work and is that a serious consideration now for the new FBI facility?

Mr. GELBER. It is a serious consideration. We issued a Request for Information associated with that project. We received over 30 responses to that request. We are evaluating those responses, and then we will issue a Request for Quotes associated with that particular project.

Mr. MICA. Mr. Wise, did you have any comment on what they are doing here?

Mr. WISE. Yes, sir. The swap, as you know, is essentially a barter arrangement, and probably one of the better ones known is the FBI, as Mr. Gelber has alluded to, but there are a couple of other things they are working on at GSA.

One is the whole Southwest Federal Redevelopment Area, just down the street from here, as well as the L.A. Courthouse.

One thing we are interested in looking at, we think there could be some challenges in this area. For one thing, as far as we know, we have not really studied this yet, but as far as we can tell, the GSA does not have a lot of experience in doing swap constructs. There have been a couple small projects mainly focused, I believe, on parking facilities.

We are talking here about some really big, big projects. The idea that the capacity is perhaps a challenge deserves to be looked at.

The second thing is there may be some issues, and this is something I guess for General Counsels to think about, do they have the authorization or do they have the authority to do this without any additional congressional authorization.

That is something else that needs to be looked at.

The third thing is looking at the potential success of the swap. You have to have some very solid contractors that have both a great deal of capital as well as capacity to do this. That is obviously something that would need to be looked at very closely before going down the road of these very, very key large projects that are being talked about under the swap construct scenario's.

Mr. MICA. Ms. Norton, did you have any final questions?

Ms. NORTON. No final questions. I want to say, Mr. Wise, I do not think this is a question of legislative authority. I think this is a question of GSA having not used the considerable tools that the Federal Government has given it, including tools that this Committee has given it, and they simply have refused to use, until Mr. Tangherlini took over the Chair of the GSA just a few months ago.

Now we see the Echo District moving in that regard with talks of exchanges. That is what we wanted to see.

I do not think we are going to cast—I think to give the GSA anything like a legal excuse would be a real mistake. I say to the GSA if you can do it, act like a real estate agent, and do it. I believe you can do it.

If you cannot do it, declare it surplus and let the community take care of it.

Mr. MICA. Our other GSA witnesses have said they had authority, what they lack is sometimes just someone making that decision and moving forward.

Ms. NORTON. Exactly.

Mr. MICA. This hearing today has answered some questions and also raised some others. We will have additional questions to submit to our witnesses.

Again, you have an opportunity to submit if you have input you would like to provide to the Committee through a Member of Congress. We will be happy to do that. The record will remain open for seven days.

There being no further business, I want to thank the witnesses for being with us today and the public who has attended and others.

I declare this hearing of the Subcommittee on Government Operations adjourned.

[Whereupon, at 10:58 a.m., the subcommittee was adjourned.]

**Testimony of David Garber
Advisory Neighborhood Commissioner
Single Member District 6D07
Washington, DC**

**Before the Committee on Oversight and Government Reform
Subcommittee on Government Operations
United States House of Representatives**

April 25, 2013

Bio:

David Garber is the Advisory Neighborhood Commissioner for the majority of the riverfront Navy Yard / Ballpark neighborhood of Southeast, Washington, DC. He was first elected in November 2010, and his district included 49 L Street SE for two years before shifting east to account for the neighborhood's population growth at the start of 2013. Garber's current district includes the entire Washington Navy Yard, the Yards Park, Canal Park, the U.S. Department of Transportation, the Southeast Federal Center redevelopment area, the Capper Carrollsburg redevelopment area, and roughly 3,000 residents. He can be reached by email dggarber@gmail.com or phone (202) 374-5340.

Chairman Mica, Ranking Member Connolly, and Members of the Subcommittee on Government Operations,

I appreciate the opportunity to submit this testimony for the record. As an Advisory Neighborhood Commissioner in the riverfront Navy Yard / Ballpark neighborhood, I represent residents on issues including public safety, economic development, infrastructure improvements, and more. As an elected body, the ANC serves to provide a link between residents and the District government. In this testimony I will provide an overview of a community-led initiative that has gained great support among the residents I represent – the Half Street Market.

The Half Street Market initiative is a community-led effort to preserve and rehabilitate a vacant GSA warehouse located at 49 L Street, SE in Washington D.C. Half Street Market is envisioned as a vibrant public market and restaurant that will operate a workforce development and education program for D.C. residents, host community education programming, and provide a shared-use commercial kitchen incubator and access to small business formation resources for culinary entrepreneurs. Half Street Market presents a unique and exciting opportunity to create a public amenity that will promote economic development, support small businesses, and prepare D.C. residents for D.C. jobs.

Through its workforce development program and culinary incubator, Half Street Market will provide a full-immersion, experiential education setting that prepares residents to participate in and lead the District's hospitality and culinary economy. As a public space, Half Street Market serves to link D.C. residents to local food entrepreneurs and opportunities to expand their own culinary knowledge through education and activities that promote community health and connectivity.

Half Street Market presents a unique and exciting opportunity to create a public amenity that will promote economic development, support small businesses, and prepare D.C. residents for D.C. jobs. This concept has garnered tremendous support from D.C. residents and local stakeholders. A recent online petition was circulated on April 19, 2013, and in just five days, and more than 330 (and counting) residents of the Washington D.C. metro area signed on. Nearly 90% of respondents are District residents and more than 70% of respondents live in a Ward 6 zip code. The petition remains open, and the number of supporters continue to grow.

Residents have asked that Federal and local representatives work together to transfer ownership of the warehouse at 49 L Street SE from the GSA to the District government for redevelopment. The District could then issue a Request for Proposal (RFP), which would allow a private developer to rehabilitate the warehouse and develop the property's air rights. This would allow GSA to benefit from the sale of the property, and the District will benefit from the tax revenue generated by activating the building. Given the community's support for the Half Street Market initiative, including the concept as a part of the RFP will be supported by local residents. This solution is a win-win-win, as it has the potential to benefit public and private parties at the Federal, District, and local levels.

My testimony will elaborate on the following points:

- The current state of the 49 L Street, SE warehouse and its context within the broader community
- The merits of Half Street Market as an education facility and a public space
- Opportunities for disposal or transfer of the 49 L Street, SE warehouse for a community use
- Community support for Half Street Market and the rehabilitation of the property

The current state of the 49 L Street, SE warehouse and its context within the broader community

The existing structure is a 30,000 square foot, single-story brick warehouse located adjacent to the Nationals Ballpark in the Navy Yard / Ballpark neighborhood of Washington, D.C. This neighborhood has been rapidly transforming since 2007 due in part to the opening of the U.S. Department of Transportation headquarters and the Nationals Ballpark. Today, the Navy Yard / Ballpark neighborhood is home to a mixed-use community of 35,000 daytime employees and more than 3,800 residents. An estimated 2.6 million people visited the neighborhood during the 2012 calendar year to attend events at Nationals Ballpark, the Navy Museum, and Yards Park.¹ A project inventory provided by the Capitol Riverfront Business Improvement District (BID) lists nearly 60 additional private development projects - including hotels, residential units, and office space - that are in various stages of planning and construction.

The GSA warehouse on 49 L Street, SE is located at a prime intersection of Half Street and L Street in a rapidly developing neighborhood. The site is served by the Navy Yard/Ballpark Metro station, several bus lines, bicycle infrastructure, and in the future will be served by a planned streetcar line. The Half Street thoroughfare leading to the Nationals Ballpark is envisioned as a pedestrian-oriented retail and cultural corridor. In its current state, the vacant warehouse is fenced in and blocked up along L Street and Half Street. Its physical appearance and lack of development detracts from the economic growth of the neighborhood and does not promote the pedestrian-friendly atmosphere that is desired by the community. Half Street Market, as architecturally proposed, will provide an opportunity to physically open the warehouse to both L Street and Half Street, allowing it to contribute to and extend the vibrant Half Street corridor leading to the Nationals Ballpark.

¹ Capitol Riverfront Business Improvement District, *Development Overview*, April 2013: <http://www.capitolriverfront.org/development>

The merits of Half Street Market as it is currently proposed

The Half Street Market concept provides an opportunity to transform this vacant warehouse into a vibrant development that will benefit the Navy Yard / Ballpark community and the District as a whole. As a public space it will provide a venue for community education programming and events and will create a market and restaurant that will serve the residents, day-time employees, and visitors drawn to the neighborhood for events and baseball games. As an educational facility, Half Street Market will provide D.C. residents with an opportunity to participate in a workforce development program that provides job training and technical education, and will also offer budding entrepreneurs a commercial kitchen incubator and small business formation resources. Residents working on the Half Street Market initiative have received a Certificate of Incorporation from D.C. in order to establish a 501 (c)(3) nonprofit organization called Set the Table, for the purpose of operating the Half Street Market and coordinating programming and educational events.

Half Street Market as an education facility

Half Street Market is at its core an education facility, preparing D.C. residents for the culinary, retail, and hospitality industries. Its innovative model provides hands-on learning opportunities in an atmosphere that allows participants to network with vendors, gain job experience, and interact with the community. Half Street Market's nonprofit organization would partner with a local educational institution that will administer the work force development program and provide accreditation and certification. Half Street Market will serve as the venue in which the participants will do on-site job training, take technical skills courses, and intern alongside vendors and inside the restaurant. A number of organizations in the District provide programming to train residents for the hospitality and culinary industries, but there remains a demand for a dedicated space that will provide situational training, plus work experience and networking opportunities, and allow residents to develop the "soft skills" necessary to succeed in this industry.

Another important aspect of Half Street Market will be its shared-use commercial kitchen (i.e. culinary incubator) that will provide space for entrepreneurs to scale their culinary business and gain access to small business formation resources. Entrepreneurs who use this space will have access to small business development trainings, potentially hosted by a local Small Business Development Center, on topics such as building a business model, marketing, and obtaining low-cost capital. There will also be trainings on how to use the facility's equipment, scaling recipes, and procurement. Incubators provide an opportunity for entrepreneurs to mitigate the risks associated with start-up companies. Utilizing a shared facility means they will not need to make large capital expenditures, take on expensive debt, or obtain licensing in order to test their business models and gain hands-on experience as they launch their prospective businesses.

Both of the aforementioned educational offerings are in direct alignment with District priorities to: prepare D.C. residents for D.C. jobs; support small business creation and entrepreneurs; and repurpose vacant spaces to provide opportunities to create community assets and support the creative economy.

In November 2012, Mayor Vincent Gray released his *Five-Year Economic Development Strategy for the District of Columbia* (Strategy), which outlines action steps to create 100,000 new jobs and generate \$1 billion in new tax revenue over the next five years. A flourishing hospitality and retail industry, and a diverse economy are key to this strategy. Mayor Gray stated, "We want to give our small businesses every chance for success and prepare our workforce for the employment opportunities ahead."² Among the strategic initiatives outlined in the Strategy were: developing a hospitality program at the D.C. Community College; establishing a culinary incubator that provides business and jobs training opportunities for D.C. residents; repurposing vacant or underutilized properties for use by local artists and other members of the creative economy. Half Street Market presents a unique opportunity to accomplish these initiatives.

The Strategy states that both the hospitality and retail sectors serve an important role in the D.C. economy. The hospitality sector is a major engine for new jobs. The District leads the country in projected growth of the hospitality industry, and with more than 50,000 employees, the industry is the second largest employment sector in the District. The retail sector is a vital source of entry-level and lowered skilled positions, and the food and beverage sub sector creates one third of all retail jobs. The Strategy found that consumers in the District have a tendency to shop for fresh and organic food, and are showing a proclivity to purchase from local mom-and-pop shops - like those located in Half Street Market's retail vendor space, or the entrepreneurs benefiting from the culinary incubator.

The Strategy also states that worker preparation is a critical component in ensuring that employment needs are matched with qualified employees. Educating D.C. residents for the "economy of tomorrow" and aligning resident job skills as a means of lowering unemployment are key in strengthening D.C.'s workforce. A large number of new restaurants, hotels, and food retailers are planned for the surrounding neighborhood in the coming years due in large part to the development of The Wharf in Southwest DC and the Navy Yard / Ballpark riverfront redevelopment in Southeast DC, and Half Street Market can serve as a vehicle to prepare D.C. residents for successful employment in these new businesses.

There are examples throughout the nation of initiatives similar to Half Street Market's proposed programming have proven successful. Drexel's Hospitality Management, Culinary Arts, and Food Science program's Academic Bistro, and the City College of San Francisco's Educated Palate Restaurant offer opportunities for students to participate in a hospitality and culinary atmosphere in order to gain skills and knowledge to prepare them for their career. A culinary incubator in Philadelphia, Pennsylvania, the Dorrance H. Hamilton Center for Culinary Enterprise, provides shared-use kitchen facilities and technical assistance to established and start-up food businesses and processors, and the center has successfully partnered with local organizations to provide community programming for local residents. Half Street Market will bring both of these educational and training opportunities under one roof, coordinating services and resources for D.C.'s residents and entrepreneurs.

² Office of the Deputy Mayor for Planning and Economic Development, *Five-Year Economic Development Strategy for the District of Columbia*, November 2012

Half Street Market as a Public Space

Half Street Market is envisioned as a community amenity providing a vendor market, proposed farm-to-table restaurant, and community education programming.

There has been an overwhelming amount of community support to locate a market at 49 L Street, S.E. According to the Project for Public Spaces, markets provide a number of community and economic benefits by reconnecting local economies and communities and playing a pivotal role in supporting public health and local food systems. Public markets offer low-risk business opportunities for vendors, provide residents access to fresh, healthy food, and positively impact established businesses in the surrounding community. Public markets also create active public spaces, serving as public gathering places for people from different ethnic, cultural, and socioeconomic communities.³ As one of the few venues where people comfortably gather and meet, public markets are our neighborhoods' original civic centers, and it is for this reason why I believe Half Street Market has been largely adopted by residents in the Navy Yard / Ballpark neighborhood.

Half Street Market's design will allow for community flex space, which will serve as a venue for community education programming and events. The community education programming aspect of the Half Street Market initiative will be a true asset to local residents. For example, Half Street Market could host local nonprofit organizations providing innovative programming to educate low-income children and families on how to shop for, prepare, and enjoy healthy foods within the confines of a government supplemented budget. Vendors and entrepreneurs utilizing the culinary incubator could use this flex space to host tasting events to promote their products. The workforce development program could sponsor community dinners and events that allow participants to gain additional experience and display their talents. The space could be programmed to hold lectures and speaking engagements pertaining to the culinary arts and healthy living. There are endless ways in which this space could be programmed as a public and educational space, making Half Street Market an amenity to the community and the District.

In summation, the benefits that Half Street Market will generate for local residents and the District are significant. One might imagine a scenario where a local entrepreneur utilizes the culinary incubator, and then sells his product in the vendor market and the restaurant. Another scenario may be a workforce development program participant being offered a job based on the connections fostered through his/her experience working alongside vendors or in the restaurant. Residents have supported the idea of the market as a public space and community amenity. The Project for Public Spaces states that public markets achieve three goals; they are great community gathering spaces; they are economically sustainable; and they have a broad impact on their community's development.⁴ Half Street Market will achieve all three of these goals, and provide so much more to promote the betterment of District residents.

³ Project for Public Spaces, *The Benefits of Public Markets*, April 2013: <http://www.pps.org/reference/the-benefits-of-public-markets>

⁴ Project for Public Spaces, *PPS' Approach to Markets*, April 2013: <http://www.pps.org/reference/reference-categories/markets-articles>

Opportunities for Disposal or Transfer of the 49 L Street, SE Warehouse for Community Use

There are a number of options available to GSA in order to facilitate the quick disposal or transfer of the vacant 49 L Street, SE warehouse – transforming it from its current blight to a truly iconic project. GSA has a disposal process for vacant and under-utilized buildings that can be lengthy. Key to this disposal process is GSA’s evaluation of the site and ultimate determination to deem the site as surplus; the warehouse will remain vacant until GSA has made a decision.

I am aware of two options that GSA has to reactivate the warehouse. GSA may declare the property surplus and dispose of it through the structured disposal process, or the GSA can transfer the property. There is no opportunity to engage in a ground lease with GSA, as the warehouse does not align with the two scenarios in which this would be permitted. The building would not be considered under the Cooperative Use Act, where ancillary space, e.g. pedestrian walkways, courtyards, in a Federal building may be outleased to, for example, retail spaces within a Federal building. Since the warehouse has not been deemed to have any specific historic significance, it could not be outleased as a historic building under Section 111 of the National Historic Preservation Act.

If the GSA chooses to determine that the site is surplus and place it on the excess list, Federal and District agencies are entitled to the first right of refusal of the property. After that, organizations looking to create a public benefit through the acquisition of the building may have an opportunity to submit proposals to GSA through the Public Benefit Conveyance (PBC) Program, and the final parties allowed to bid on Federal surplus properties are private developers and organizations.

The U.S. Department of Education’s Federal Surplus Real Property Assistance Program outlines a number of eligible uses for conveyance of the property through a public benefit use categorized as having to do with education. Among the list of eligible activities are: continuing and adult education programs, and vocational, technical, or trade schools. Eligible organizations must be states and their political subdivisions and instrumentalities, tax supported institutions, or nonprofit institutions that have been held exempt from taxation under Section 501(c)(3) of the Internal Revenue Code that have also been recognized or accredited by state educational authorities.⁵ Due to the nature of its educational programming and activities, Half Street Market would qualify for a 100 percent conveyance under the PBC program.

Another option GSA may have is to declare the property as surplus and transfer ownership of the warehouse to the District of Columbia government. This could happen through a single property transfer, a multi-property swap. The most recent example of the latter was the 2006 *Federal and D.C. Government Real Property Act*, which called for the transfer of nearly 200 Federal-owned

⁵ U.S. Department of Education’s Federal Surplus Real Property Assistance Program, *Public Benefit Conveyances of Federal Surplus Real Property: Examples of Eligible Program Uses*, April 2013

acres in D.C. to the local government for redevelopment.⁶ This “land-swap act” was achieved through Federal legislation sponsored by Congresswoman Eleanor Holmes Norton (D-D.C.).

In the scenario of a transfer to the District, an agency such as the Office of the Deputy Mayor of Planning and Economic Development or District General Services could hold the building and issue a Request for Proposals (RFP) regarding the rehabilitation and development of the site. This process would allow the development of the air rights for the site, while also maintaining the current structure of the warehouse for a public use. In this scenario, I would strongly encourage officials to include in any RFP a mandate to incorporate the Half Street Market concept in whichever proposal is selected, and that the air rights be developed as a use that is compatible with the educational nature of the site.

A key part of this decision lies in making the GSA and federal taxpayers whole in the disposal or transfer of this property. GSA is held accountable to all Federal taxpayers; this accountability extends to the Federal taxpayers living in the Capitol Riverfront neighborhood and the District who support Half Street Market.

Community support for Half Street Market and the rehabilitation of the property

As a representative of the community, I have witnessed the substantial support for the Half Street Market concept among residents. In February 2013, the Half Street Market team (comprised of seven local residents working to further Half Street Market) held a public meeting to present the idea to the community and answer questions. More than 30 residents attended this meeting and provided overwhelming support of the Half Street Market concept. Nearly 200 members of the community have elected to receive updates on Half Street Market team’s efforts, and an online petition which was created less than a week ago has received more than 330 signatures (and counting) in support the Half Street Market concept.

Feedback from residents is illustrative of the support Half Street Market has received. When asked, “Why is this important to you?” residents unaffiliated with the Half Street Market team have stated the following:

“A Market is needed in this neighborhood to give an equal balance of office space, restaurant and residence. The market will provide a natural opportunity for local residents to take part in the community.”

“We should all stand behind efforts to bring life and community to this long-neglected part of our great city. The Half Street Market is just the kind of development this neighborhood needs. It's the kind of development any healthy neighborhood needs.”

⁶ Public Law 109 – 396, *Federal and District of Columbia Government Real Property Act of 2006*, December 15, 2006

"We need more projects like this in DC to encourage workforce development of DC residents, and to promote diversity of businesses and architecture in our neighborhoods."

"Brings jobs to the residents, tax revenue to the city, development to the community, and increased property values to those who are invested in the neighborhood which spawns more investment in housing, business, commerce and infrastructure exponentially."

"I live in this neighborhood and am eager to see this vacant building turned into a destination and community focal point."

"I believe this will add a sense of vibrancy in the community and serve as an incubator for new businesses which can expand into the neighborhood in the future."

"Grow local businesses and support good health through nutrition. Keep on improving the SE quadrant with publicly supported projects."

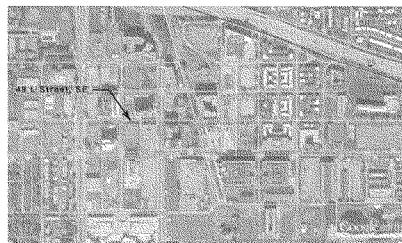
"It's next door, it's an ugly building that adds no value to the community, and the market concept sounds exciting."

"Diversified development tied to educational and vocational opportunities need community support."

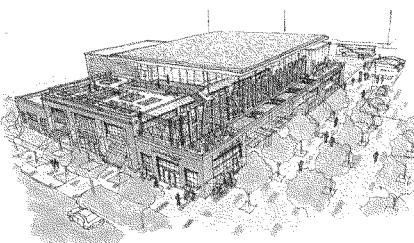
"Economic diversity is very important in all areas of DC. This part of SE has been transformed into highrise buildings, residential and commercial, owned by large corporations. But there is a need for small business incubators and entrepreneurial opportunities to raise the economic level of all our residents. Half Street Market will offer that potential. The concept is exciting and unique to the area and deserves support."

"This would be a fantastic addition to the neighborhood and an asset to the city and local communities."

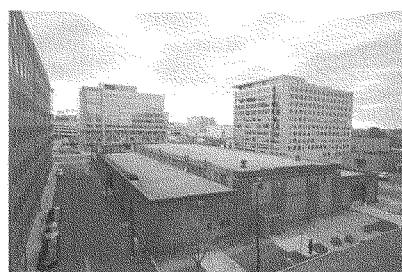
The community demand for the rehabilitation of this vacant warehouse is clear. As a community-led initiative, I support Half Street Market and the rehabilitation of this warehouse into a public venue and education facility that will serve both the Navy Yard / Ballpark neighborhood and the District as a whole. I encourage GSA to move quickly in their determination regarding the future of the 49 L Street SE property so that the building can begin to meaningfully contribute to the economic development and special sense of place of the community, as well as realize its highest-and best use.

Attachment to Testimony

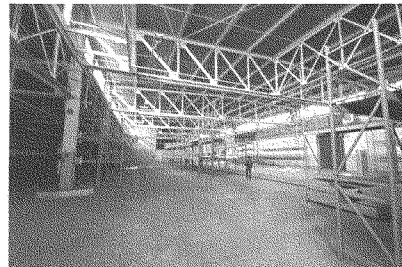
Location of 49 L Street, SE Washington, D.C. 20003



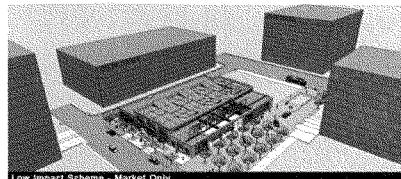
Aerial Sketch of the proposed Half Street Market with moderate intervention



Exterior View of 49 L Street SE Washington, D.C. 20003



Interior View of 49 L Street SE Washington, D.C. 20003



Low Impact Scheme - Market Only



Medium Impact Scheme - Market + Restaurant



High Impact Scheme - Market + Restaurant + Residential or Hospitality

Options for Warehouse Rehabilitation and Intervention

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Opening Statement

Rep. Gerald E. Connolly, Ranking Member of the Subcommittee on Government Operations

Hearing on "Government Operations Oversight: Addressing Unused and Vacant Federal Property."

April 25, 2013

I thank the Chairman for holding this field hearing that calls attention to yet another example of the Federal Government's mismanagement of real property. I would like to thank the witnesses for being here today as well as Congresswoman Norton for taking the time to speak on behalf of her constituents about this important issue.

According to the U.S. Government Accountability Office's (GAO) 2013 High-Risk Update, the Federal Government owns nearly 100,000 buildings it no longer needs. In 2010 alone, maintenance of these buildings cost the government nearly \$1.7 billion. Of course these are all rough estimates, since a fundamental weakness undermining the Federal Government's efforts to effectively manage real property is its failure to maintain an inventory with accurate and accessible real property data.

GAO audits have found that in certain real estate markets, the total square footage of excess Federal real property would be large enough to house every Federal agency in the region. Yet in these very same real estate markets, the vast majority of agencies are wasting precious resources on leases with private landlords. This type of mismanagement is unacceptable – every dollar spent on an unnecessary lease is a dollar diverted away from a mission-critical function. In this current era of austerity, inefficiencies such as these have real world consequences for the citizens they serve.

This GSA warehouse is a glaring example of such mismanagement. This building has been vacant since 2009. It costs GSA approximately \$70,000 per year to operate and maintain this building, which nobody uses – save for today. I think everyone in this room can agree that this is an egregious example of taxpayer waste that must be rectified. I am certain that individuals in this community would prefer to see their tax dollars go toward a building that is being used an efficient way and in support of an important mission. GSA must take the needed steps to utilize this building in an expedient manner.

My understanding is that there are options, including conveyance to non-Federal entities, which could develop this site to benefit the broader community. For example, this space might be ideal for a future grocery store that would address a critical need of residents in this area, while simultaneously ensuring their tax dollars are not wasted on this empty space. I would strongly urge GSA consider this type of transfer, since as Chairman of the Fairfax County Board of Supervisors, I worked on many real property projects that benefitted both the Federal Government and our local community.

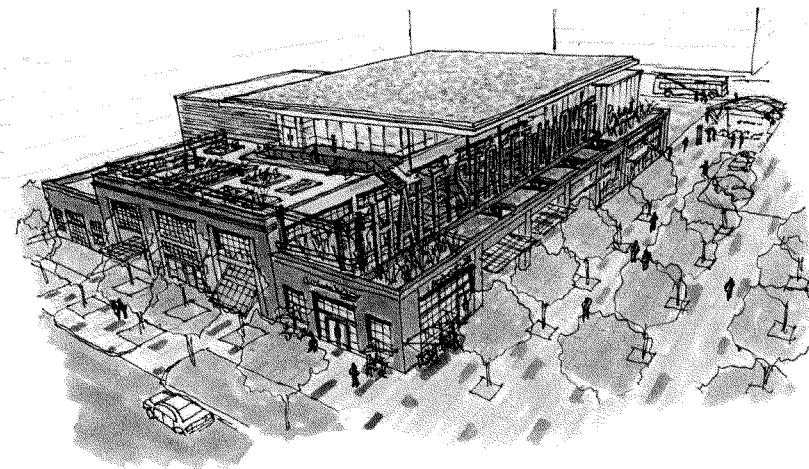
For instance, the abandoned Lorton Federal prison was an eyesore and blight on one of the most beautiful parcels of land in Fairfax County, simply wasting space and benefiting no one for nearly a century. Following extensive efforts by the Fairfax County Government and my predecessor, the Honorable Tom Davis, we were able to facilitate a complex land transfer, and today Lorton Prison has been transformed into Laurel Hill, a dynamic community featuring new housing, schools, public parks, and a thriving regional arts center, which was recently the venue of my congressional arts competition.

This year marks the ten year anniversary of “Federal Real Property Management” being featured on GAO’s biennial High-Risk list. My hope is that with a sustained, bipartisan effort by this Subcommittee, Mr. Wise will be able to come before us in February 2015 to report that “Federal Real Property Management” has been removed from the High-Risk List. That would be a great achievement for this Subcommittee, and I believe today’s hearing demonstrates a continuing partnership with the Chairman to conduct rigorous oversight aimed at finally establishing a National Strategy for Federal Real Property Management and overhauling the Federal Real Property Profile to ensure that we are able to credibly measure progress. I look forward to hearing from our witnesses.

Contact: Jennifer Hoffman, Press Secretary, (202) 226-5181.

Half Street Market

A Community-led Initiative for the District and Ward Six



April 2013

Delivered by the Half Street Market Team

half
street MARKET

Summary and Call to Action

The Half Street Market initiative is a community-led effort to preserve and rehabilitate a vacant warehouse located at 49 L Street, SE in Washington D.C. Half Street Market is envisioned as a vibrant public market and restaurant that will operate a workforce development and education program for D.C. residents, host community education programming, and provide a shared-use commercial kitchen incubator with access to small business formation resources for culinary entrepreneurs.

Through its workforce development program and culinary incubator, Half Street Market will provide a full-immersion, experiential education setting that prepares residents to participate in and lead the District's hospitality and culinary economy. As a public space, Half Street Market serves to link D.C. residents to local food entrepreneurs and opportunities to expand their own culinary knowledge through education and activities that promote community health and connectivity.

Half Street Market presents a unique and exciting opportunity to create a public amenity that will promote economic development, support small businesses, and prepare D.C. residents for D.C. jobs. This concept has garnered tremendous support from D.C. residents and local stakeholders. A recent online petition was circulated on April 19, 2013, and in just five days, more than 300 residents of the Washington D.C. metro area signed on. Nearly 90% of respondents are District residents and more than 70% of respondents live in a Ward 6 zip code. The petition remains open, and the number of supporters continue to grow.

The Half Street Market Team is comprised of seven local residents, volunteering their time to push this initiative forward. These residents ask that Federal and local representatives work together to transfer ownership of the warehouse at 49 L Street SE from the GSA to the District government for redevelopment, as the District will best be able to determine the highest-and-best use of this property. We recommend that the District issue a Request for Proposal (RFP) which would allow a private developer to rehabilitate the warehouse and develop the property's air rights. Given the community's support for the Half Street Market initiative, including the concept as a part of the RFP will be supported by local residents. This solution is a win-win-win, as it has the potential to benefit public and private parties at the Federal, District, and local levels.

This document elaborates on the following points:

- 1) The current state of the 49 L Street, SE warehouse and its context within the broader community
- 2) The merits of Half Street Market as an education facility and a public space
- 3) Opportunities for disposal or transfer of the 49 L Street, SE warehouse for a community use
- 4) Community support for Half Street Market and the rehabilitation of the property

The current state of the 49 L Street, SE warehouse and its context within the broader community

The existing structure is a 30,000 square foot, single-story brick warehouse located adjacent to the Nationals Ballpark in the Capitol Riverfront neighborhood of Washington, D.C. This neighborhood has been rapidly transforming since 2007 due in part to the opening of the U.S. Department of Transportation headquarters and the Nationals Ballpark. Today, the Capitol Riverfront neighborhood is home to a mixed-use community of 35,000 daytime employees and more than 3,800 residents. An estimated 2.6 million people visited the Capitol Riverfront during the 2012 calendar year to attend events at Nationals Ballpark, the Navy Museum, and Yards Park.¹ A project inventory provided by the Capitol Riverfront Business Improvement District (BID) lists nearly 60 additional private development projects - including hotels, residential units, and office space - that are in various stages of planning and construction.

The GSA warehouse on 49 L Street, SE is located at a prime intersection of Half Street and M Street in a rapidly developing neighborhood. The site is served by the Navy Yard/Ballpark Metro station, several bus lines, bicycle infrastructure, and in the future will be served by a planned streetcar line. The Half Street thoroughfare leading to the Nationals Ballpark is envisioned as a pedestrian-oriented retail and cultural corridor. In its current state, the vacant warehouse is fenced in and blocked up along M Street and Half Street. Its physical appearance and lack of development detracts from the economic growth of the neighborhood and does not promote the pedestrian-friendly atmosphere that is desired by the community. Half Street Market, as architecturally proposed, will provide an opportunity to physically open the warehouse to both L Street and Half Street, allowing it to contribute to and extend the vibrant Half Street corridor leading to the Nationals Ballpark.

The merits of Half Street Market as it is currently proposed

The Half Street Market concept provides an opportunity to transform this vacant warehouse into a vibrant development that will benefit the Capitol Riverfront community and the District as a whole. As a public space it will provide a venue for community education programming and events and will create a market and restaurant that will serve the residents, day-time employees, and visitors drawn to the neighborhood for events and baseball games. As an educational facility, Half Street Market will provide D.C. residents with an opportunity to participate in a workforce development program that provides job training and technical education, and will also offer budding entrepreneurs a commercial kitchen incubator and small business formation resources. Residents working on the Half Street Market initiative have received a Certificate of Incorporation from D.C. in order to establish a 501 (c)(3) nonprofit organization called Set the Table, for the purpose of operating the Half Street Market and coordinating programming and educational events.

Half Street Market as an education facility

Half Street Market is at its core an education facility, preparing D.C. residents for the culinary, retail, and hospitality industries. Its innovative model provides hands-on learning opportunities in an atmosphere that allows participants to network with vendors, gain job experience, and interact with the community. Half Street Market's nonprofit organization would partner with a local educational institution that will administer the work force development program and provide accreditation and certification. Half Street

¹ Capitol Riverfront Business Improvement District, *Development Overview*, April 2013: <http://www.capitolriverfront.org/development>

Market will serve as the venue in which the participants will do on-site job training, take technical skills courses, and intern alongside vendors and inside the restaurant. A number of organizations in the District provide programming to train residents for the hospitality and culinary industries, but there remains a demand for a dedicated space that will provide situational training, plus work experience and networking opportunities, and allow residents to develop the “soft skills” necessary to succeed in this industry.

Another important aspect of Half Street Market will be its shared-use commercial kitchen (i.e. culinary incubator) that will provide space for entrepreneurs to scale their culinary business and gain access to small business formation resources. Entrepreneurs who use this space will have access to small business development trainings, potentially hosted by a local Small Business Development Center, on topics such as building a business model, marketing, and obtaining low-cost capital. There will also be trainings on how to use the facility’s equipment, scaling recipes, and procurement. Incubators provide an opportunity for entrepreneurs to mitigate the risks associated with start-up companies. Utilizing a shared facility means they will not need to make large capital expenditures, take on expensive debt, or obtain licensing in order to test their business models and gain hands-on experience as they launch their prospective businesses.

Both of the aforementioned educational offerings are in direct alignment with District priorities to: prepare D.C. residents for D.C. jobs; support small business creation and entrepreneurs; and repurpose vacant spaces to provide opportunities to create community assets and support the creative economy.

In November 2012, Mayor Vincent Gray released his *Five-Year Economic Development Strategy for the District of Columbia* (Strategy), which outlines action steps to create 100,000 new jobs and generate \$1 billion in new tax revenue over the next five years. A flourishing hospitality and retail industry, and a diverse economy are key to this strategy. Mayor Gray stated, “We want to give our small businesses every chance for success and prepare our workforce for the employment opportunities ahead.”² Among the strategic initiatives outlined in the Strategy were: developing a hospitality program at the D.C. Community College; establishing a culinary incubator that provides business and jobs training opportunities for D.C. residents; repurposing vacant or underutilized properties for use by local artists and other members of the creative economy. Half Street Market presents a unique opportunity to accomplish these initiatives.

The Strategy states that both the hospitality and retail sectors serve an important role in the D.C. economy. The hospitality sector is a major engine for new jobs. The District leads the country in projected growth of the hospitality industry, and with more than 50,000 employees, the industry is the second largest employment sector in the District. The retail sector is a vital source of entry-level and lower skilled positions, and the food and beverage sub sector creates one third of all retail jobs. The Strategy found that consumers in the District have a tendency to shop for fresh and organic food, and are showing a proclivity to purchase from local mom-and-pop shops - like those located in Half Street Market's retail vendor space, or the entrepreneurs benefiting from the culinary incubator.

The Strategy also states that worker preparation is a critical component in ensuring that employment needs are matched with qualified employees. Educating D.C. residents for the “economy of tomorrow”

² Office of the Deputy Mayor for Planning and Economic Development, *Five-Year Economic Development Strategy for the District of Columbia*, November 2012

and aligning resident job skills as a means of lowering unemployment are key in strengthening D.C.'s workforce. A large number of new restaurants, hotels, and food retailers are planned for the 6D neighborhood in the coming years due in large part to the development of The Wharf and the Capitol Riverfront, and Half Street Market can serve as a vehicle to prepare D.C. residents for successful employment in these new businesses.

There are examples throughout the nation of initiatives similar to Half Street Market's proposed programming have proven successful. Drexel's Hospitality Management, Culinary Arts, and Food Science program's Academic Bistro, and the City College of San Francisco's Educated Palate Restaurant offer opportunities for students to participate in a hospitality and culinary atmosphere in order to gain skills and knowledge to prepare them for their career. A culinary incubator in Philadelphia, Pennsylvania, the Dorrance H. Hamilton Center for Culinary Enterprise, provides shared-use kitchen facilities and technical assistance to established and start-up food businesses and processors, and the center has successfully partnered with local organizations to provide community programming for local residents. Half Street Market will bring both of these educational and training opportunities under one roof, coordinating services and resources for D.C.'s residents and entrepreneurs.

Half Street Market as a public space

Half Street Market is envisioned as a community amenity providing a vendor market, proposed farm-to-table restaurant, and community education programming.

There has been an overwhelming amount of community support to locate a market at 49 L Street, S.E. According to the Project for Public Spaces, markets provide a number of community and economic benefits by reconnecting local economies and communities and playing a pivotal role in supporting public health and local food systems. Public markets offer low-risk business opportunities for vendors, provide residents access to fresh, healthy food, and positively impact established businesses in the surrounding community. Public markets also create active public spaces, serving as public gathering places for people from different ethnic, cultural, and socioeconomic communities.³ As one of the few venues where people comfortably gather and meet, public markets are our neighborhoods' original civic centers, and it is for this reason why Half Street Market has been largely adopted by residents in the Capitol Riverfront neighborhood.

Half Street Market's design will allow for community flex space, which will serve as a venue for community education programming and events. The community education programming aspect of the Half Street Market initiative will be a true asset to local residents. For example, Half Street Market could host local nonprofit organizations providing innovative programming to educate low-income children and families on how to shop for, prepare, and enjoy healthy foods within the confines of a government supplemented budget. Vendors and entrepreneurs utilizing the culinary incubator could use this flex space to host tasting events to promote their products. The workforce development program could sponsor community dinners and events that allow participants to gain additional experience and display their talents. The space could be programmed to hold lectures and speaking engagements pertaining to the culinary arts and healthy living. There are endless ways in which this space could be programmed as a public and educational space, making Half Street Market an amenity to the community and the District.

³ Project for Public Spaces, *The Benefits of Public Markets*, April 2013: <http://www.pps.org/reference/the-benefits-of-public-markets>

In summation, the benefits that Half Street Market will generate for local residents and the District are significant. One might imagine a scenario where a local entrepreneur utilizes the culinary incubator, and then sells his product in the vendor market and the restaurant. Another scenario may be a workforce development program participant being offered a job based on the connections fostered through his/her experience working alongside vendors or in the restaurant. Residents have supported the idea of the market as a public space and community amenity. The Project for Public Spaces states that public markets achieve three goals: they are great community gathering spaces; they are economically sustainable; and they have a broad impact on their community's development.⁴ Half Street Market will achieve all three of these goals, and provide so much more to promote the betterment of District residents.

Opportunities for disposal or transfer of the 49 L Street, SE warehouse for a community use

There are a number of options available to GSA in order to facilitate the quick disposal or transfer of the vacant 49 L Street, SE warehouse, transforming it from blight to an iconic project. GSA has a disposal process for vacant and under-utilized buildings that can be lengthy. Key to this disposal process is GSA's evaluation of the site and ultimate determination to deem the site as surplus; the warehouse will remain vacant until GSA has made a decision.

There are two general options available to GSA to reactivate the warehouse in the near-term. GSA may declare the property surplus and dispose of it through the structured disposal process, or the GSA can transfer the property. There is no opportunity to engage in a ground lease with GSA, as the warehouse does not align with the two scenarios in which this would be permitted. The building would not be considered under the Cooperative Use Act, where ancillary space, e.g. pedestrian walkways, courtyards, in a Federal building may be outleased to, for example, retail spaces within a Federal building. Since the warehouse has been deemed to have no historic significance, it could not be outleased as a historic building under Section 111 of the National Historic Preservation Act.

If the GSA chooses to determine that the site is surplus and place it on the excess list, Federal and District agencies are entitled to the first right of refusal of the property. After that, organizations looking to create a public benefit through the acquisition of the building may have an opportunity to submit proposals to GSA through the Public Benefit Conveyance (PBC) Program, and the final parties allowed to bid on Federal surplus properties are private developers and organizations.

The U.S. Department of Education's Federal Surplus Real Property Assistance Program outlines a number of eligible uses for conveyance of the property through a public benefit use categorized as having to do with education. Among the list of eligible activities are: continuing and adult education programs, and vocational, technical, or trade schools. Eligible organizations must be states and their political subdivisions and instrumentalities, tax supported institutions, or nonprofit institutions that have been held exempt from taxation under Section 501(c)(3) of the Internal Revenue Code that have also been recognized or accredited by state educational authorities.⁵ Due to the nature of its educational programming and activities, Half Street Market would qualify for a 100 percent conveyance under the PBC program.

⁴ Project for Public Spaces, *PPS' Approach to Markets*, April 2013: <http://www.pps.org/reference/reference-categories/markets-articles>

⁵ U.S. Department of Education's Federal Surplus Real Property Assistance Program, *Public Benefit Conveyances of Federal Surplus Real Property: Examples of Eligible Program Uses*, April 2013

Another option GSA may have is to declare the property as surplus and transfer ownership of the warehouse to the District of Columbia government. This could happen through a single property transfer, a multi-property swap. The most recent example of the latter was the 2006 *Federal and D.C. Government Real Property Act*, which called for the transfer of nearly 200 Federal-owned acres in D.C. to the local government for redevelopment.⁶ This “land-swap act” was achieved through Federal legislation sponsored by Congresswoman Eleanor Holmes Norton (D-D.C.).

In the scenario of a transfer to the District, an agency such as the Office of the Deputy Mayor of Planning and Economic Development or District General Services could hold the building and issue a Request for Proposals (RFP) regarding the rehabilitation and development of the site. This process would allow the development of the air rights for the site, while also maintaining the current structure of the warehouse for a public use. In this scenario, I would strongly encourage officials to include in any RFP a mandate to incorporate the Half Street Market concept in whichever proposal is selected, and that the air rights be developed as a use that is compatible with the educational nature of the site.

A key part of this decision lies in making the GSA and federal taxpayers whole in the disposal or transfer of this property. GSA is held accountable to all Federal taxpayers; this accountability extends to the Federal taxpayers living in the Capitol Riverfront neighborhood and the District who support Half Street Market.

Community support for Half Street Market and the rehabilitation of the property

There is substantial support for the Half Street Market concept among residents. In February 2013, the Half Street Market team (comprised of seven local residents working to further Half Street Market) held a public meeting to present the idea to the community and answer questions. More than 30 residents attended this meeting and provided overwhelming support of the Half Street Market concept. Nearly 200 members of the community have elected to receive updates on Half Street Market team’s efforts, and an online petition which was created less than a week ago has received more than 220 signatures in less than five days.

Feedback from residents is illustrative of the support Half Street Market has received. When asked, “Why is this important to you?” residents unaffiliated with the Half Street Market team have stated the following:

“A Market is needed in this neighborhood to give an equal balance of office space, restaurant and residence. The market will provide a natural opportunity for local residents to take part in the community.”

“We should all stand behind efforts to bring life and community to this long-neglected part of our great city. The Half Street Market is just the kind of development this neighborhood needs. It's the kind of development any healthy neighborhood needs.”

“We need more projects like this in DC to encourage workforce development of DC residents, and to promote diversity of businesses and architecture in our neighborhoods.”

⁶ Public Law 109 – 396, *Federal and District of Columbia Government Real Property Act of 2006*, December 15, 2006

"Brings jobs to the residents, tax revenue to the city, development to the community, and increased property values to those who are invested in the neighborhood which spawns more investment in housing, business, commerce and infrastructure exponentially."

"I live in this neighborhood and am eager to see this vacant building turned into a destination and community focal point."

"I believe this will add a sense of vibrancy in the community and serve as an incubator for new businesses which can expand into the neighborhood in the future."

"Grow local businesses and support good health through nutrition. Keep on improving the SE quadrant with publicly supported projects."

"It's next door, it's an ugly building that adds no value to the community, and the market concept sounds exciting."

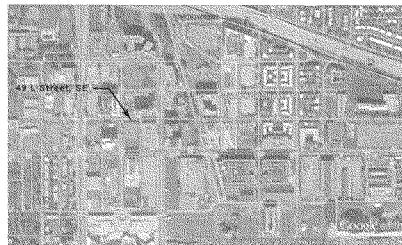
"Diversified development tied to educational and vocational opportunities need community support."

"Economic diversity is very important in all areas of DC. This part of SE has been transformed into highrise buildings, residential and commercial, owned by large corporations. But there is a need for small business incubators and entrepreneurial opportunities to raise the economic level of all our residents. Half Street Market will offer that potential. The concept is exciting and unique to the area and deserves support."

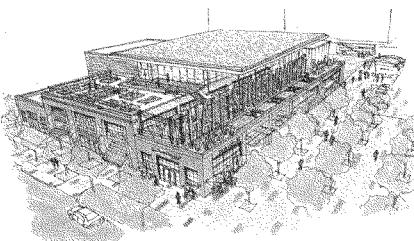
"This would be a fantastic addition to the neighborhood and an asset to the city and local communities."



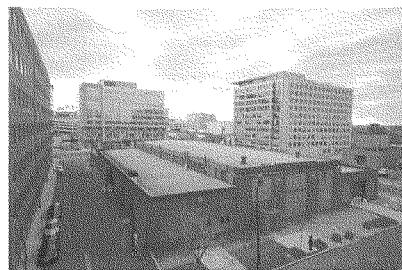
For more information on the Half Street Market initiative, please contact Nathan Alberg via e-mail at albergn@verizon.net, or Rachel Reilly Carroll via e-mail at RachelReillyCarroll@gmail.com.

Visual References

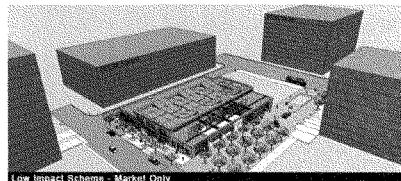
Location of 49 L Street, SE Washington, D.C. 20003



Aerial Sketch of the proposed Half Street Market with moderate intervention



Exterior View of 49 L Street SE Washington, D.C. 20003



Low Impact Scheme - Market Only



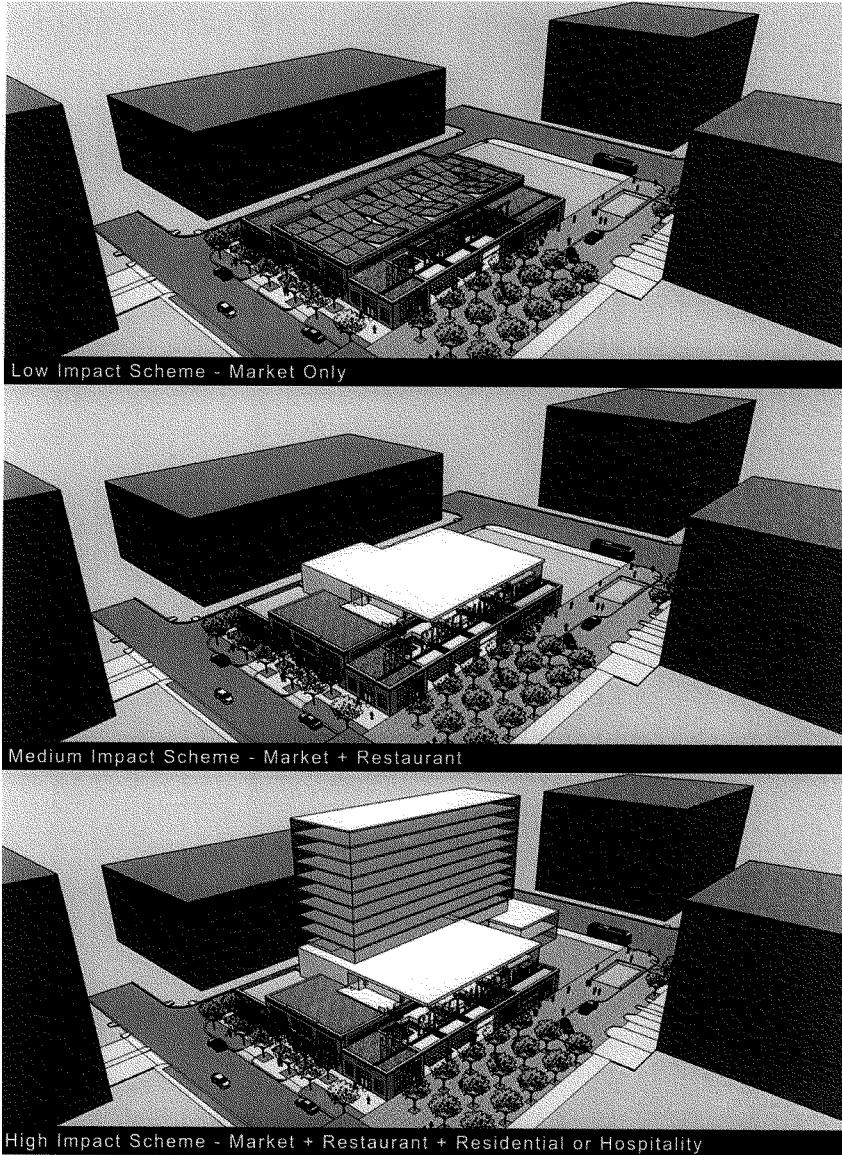
Medium Impact Scheme - Market + Restaurant

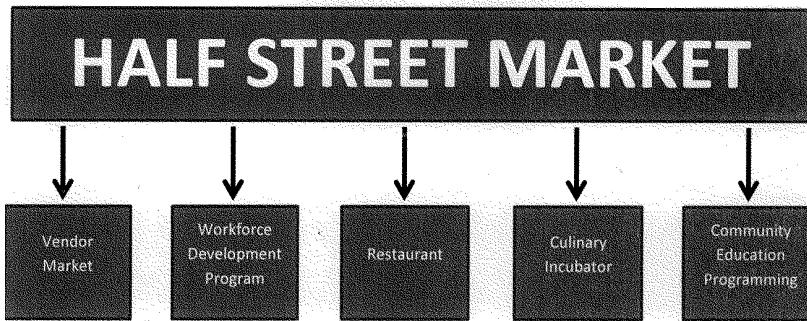


High Impact Scheme - Market + Restaurant + Residential or Hospitality

Interior View of 49 L Street SE Washington, D.C. 20003

Options for Warehouse Rehabilitation and Intervention



Half Street Market's Proposed Business LinesEducation Opportunities**Vendor Market**

Participants in the Workforce Development Program will be able to work alongside vendors in order to gain job experience, expand their network of opportunities, participate in mentorship programs, and gain the “soft skills” necessary for successful employment in the culinary, retail and hospitality industries.

Workforce Development Program

This program will be administered in partnership with a local education institution that will be able to provide accreditation and certification. The program is focused as continuing adult education for D.C. residents that are unemployed or underemployed. Its place-based setting in a market supports hands-on learning opportunities which are key to the success of adult education programming. Participants will start in the shared-use kitchen facility to learn technical skills and equipment use, and will be required to participate in each business line in order to benefit from on-the-job education and training. Upon completing their program, participants will have had opportunities to gain job experience, build their resume, explore their interests, and network with potential employers.

Restaurant

Participants in the Workforce Development Program will be required to spend time working in the restaurant in various capacities. Participants will be able to rehearse the skills that will prepare them for a successful career in hospitality and fine dining, and gain front and back of the house training. They will also have the opportunity to learn about sourcing and preparing a full menu, management, and delegation of staff necessary to run a dining room.

Culinary Incubator

The shared-kitchen facilities will also serve as a culinary incubator for culinary entrepreneurs looking to start or scale their small business. On-site instruction on equipment use and technical skills will be available. Entrepreneurs and participants in the Workforce Development Program will have access to entrepreneurial education courses, which will be offered by the education institution administering the Workforce Development Program.

Community Education Programming

The flexible design of the space will allow for after-hours community education events and programming. Local nonprofit organizations can educate low-income children and families on how to shop for, prepare, and enjoy healthy foods within the confines of a government supplemented budget. Vendors and entrepreneurs could host tasting events to promote their products. The workforce development program could sponsor community dinners and events that allow participants to gain additional experience and display their talents. The space could be programmed to hold lectures and speaking engagements pertaining to the culinary arts and healthy living.

