



# 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](http://www.realestatesales.gov) (previously known as [www.auctionrp.com](http://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.



**Michael Gelber**  
Acting Deputy Commissioner  
Public Buildings Service



Michael Gelber was appointed Acting Deputy Commissioner of the United States General Services Administration's Public Buildings Service in January 2013. In this role he serves as the Service's Chief Operating Officer.

The Public Buildings Service designs, develops, renovates, manages, oversees and disposes of a real estate portfolio of approximately 375 million square feet of space located in over 9,600 owned and leased properties across the United States and six territories. It is one of the largest and most diversified public real estate organizations in the world.

Prior to his current position, Mr. Gelber was the agency's Federal Acquisition Service Regional Commissioner in the Pacific Rim Region where he was responsible for Federal Acquisition Service programs in four western states, American Samoa, Guam, the United States Trust Territories, Japan and the Republic of Korea. Based in San Francisco, Mr. Gelber had oversight responsibility for \$1 billion in goods and services.

His previous senior leadership positions include Regional Commissioner in the Northwest/Arctic Region as well as Deputy Regional Administrator, Assistant Regional Administrator and Deputy Regional Commissioner in the Great Lakes Region. He began his career with General Services Administration in 1988 as a Project Manager and Facilities Planner.

Mr. Gelber entered the Senior Executive Service in 2009. He is a graduate of Columbia University with a bachelor's degree in history and has attended the University of Chicago.

Michael and his wife Debra have a son, Asa.