Written Statement of Nina Albert, Commissioner of the Public Buildings Service
Before the Senate Committee on Environment and Public Works
"*Oversight of the General Services Administration: Examining the Federal Real Estate Portfolio*"
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Good morning Chairman Carper, Ranking Member Capito, and distinguished Members of the Committee. My name is Nina Albert, and I am the Commissioner of the Public Buildings Service at the U.S. General Services Administration (GSA). I appreciate the Committee's invitation to discuss opportunities to achieve long-term cost savings by right-sizing the Federal real estate footprint and by improving our real estate assets to align building utilization with mission delivery.

Today, I am happy to share how GSA is evaluating and helping other Federal agencies address their space needs, and how strategies to right-size the Federal footprint can be accelerated if GSA gains full access to annual collections that are deposited into the Federal Buildings Fund and additional flexibility to maintain and dispose of real estate.

The last few years have highlighted the need for operational resilience and GSA's ability to work with customer agencies to support their many different mission needs and types of work. Many agencies have increasingly realized that they can adapt their workplaces to more effectively and cost-efficiently carry out their missions. As the Government's largest civilian real estate provider, GSA plays a key role in helping agencies redefine their space requirements and in facilitating the Federal Government's transition to a more optimal real estate footprint.

Since 2021, as directed by Office of Management and Budget memos M-21-25 and M-23-15, agencies have been evaluating how work environments can be structured to enhance mission delivery while strengthening their organizations for the future—including evaluating the impacts of telework and other operational policies on agencies' performance of their missions. Agencies are gaining additional insights about their human capital as well as approaches to the workplace and future space requirements. Parallel to agency efforts, GSA is now taking steps to leverage its expertise and experience to help agencies optimize their real estate footprints. Congressional support for GSA's full fiscal year (FY) 2024 budget request—including legislative reforms and the agency's $2.3 billion request for capital program investments—is critical to help address these concerns.

Since 2011, the Congressional practice of annually diverting roughly $980 million away from GSA investments in federal buildings to fund activities at other agencies has cost more money than it has saved for GSA. The resulting delays in funding necessary repairs in GSA facilities exacerbate the deterioration of building conditions, and we have seen minor issues grow into more costly repairs or replacements. When this happens, there is the potential for system failures that result in cascading impacts to occupant agency missions. It also can delay consolidation plans, forcing the Government to carry space that is being underutilized while we wait to relocate tenants. All of these things increase costs to the Federal Government, especially when we are forced to make more costly emergency repairs or delay consolidations. In the most extreme cases, these delays have led to forced temporary relocations until the repairs were able to be completed.

Indeed, one of GSA's programs devoted specifically to driving forward consolidations has received only 40% of requested funding over the past 10 years; this is in spite of the program's proven record of success, releasing over two million square feet of space resulting in an average payback period of GSA's investments of less than two years. Using the resources made available, GSA has successfully been able to avoid $168 million in annual private sector lease payments. However, extrapolating based on our performance metrics and successes with the funding we have received, we estimate that had GSA been appropriated the amounts requested, GSA could have potentially undertaken approximately 120 additional consolidation projects.

Delays in building repairs due to lack of adequate funding also increase costs and impede consolidation efforts. For example, in FY 2023, 8 of the 17 Major Repairs and Alterations line item projects that GSA requested in the President's Budget were resubmissions from a prior year's budget request that went unfunded. The collective total cost for those eight projects was $122 million above the amounts needed when originally submitted in prior fiscal years. In FY 2024, 13 out of 17 Major Repairs and Alterations projects proposed are resubmittals; collectively, the total costs for these projects is now $300 million higher than the aggregate projects cost when submitted in prior fiscal years. Many of these projects would also have facilitated agency consolidations.

GSA's proposed FY 2024 projects include essential infrastructure work and necessary alterations—not only to improve building operability, but also to improve agency utilization and mission achievement. Support for GSA's full FY 2024 budget request—including the $2.3 billion requested for capital program investments and the

$50 million requested to support the Consolidation Activities Special Emphasis Program—will enable GSA to help address many of the long-standing concerns raised by this Committee. In addition to funding requests for building operations, maintenance, and alterations, GSA's FY 2024 budget request includes a proposal to ensure that GSA is provided full access to the annual revenues and collections that are deposited into the Federal Buildings Fund. GSA is also proposing an increase to the prospectus threshold from $3.613 million to $10 million. Taken together, these proposals work to reduce timelines for project delivery, support improved building utilization rates, and provide better services to Federal agencies and the communities they serve. Collectively, these proposals will allow GSA to invest in Federally-owned properties and optimize their configuration and performance to reduce the reliance on privately-owned space, ultimately helping GSA to deliver the best value in real estate to our partners across government.

It is critical that GSA receive full access to the Federal Buildings Fund in order to reinvest in the Federally-owned portfolio. There are significant opportunities across the GSA portfolio where consistent and adequate funding can be used to drive real estate savings, and is expected to reduce costs many times over the level of increased investment. For example, in FY 2024, GSA expects to collect approximately $10.7 billion in agency rental payments and other revenues that will be deposited into the Federal Buildings Fund. Of that, approximately $5.7 billion (or just over half) will be passed through as rental payments to private sector lessors. With full access to its annual collections, GSA could properly invest in Federally-owned properties and initiate a successful transition to improved utilization.

In order to reduce the timeline for project delivery and provide better value to Federal agency customers, GSA is also proposing an increase to the statutory prospectus threshold from $3.613 million to $10 million. The higher threshold will allow GSA to more quickly tackle many routine repair projects that exceed our current threshold by a limited amount. This proposal will also help to reduce repair costs and prevent smaller repair projects from growing into larger, more expensive replacements. And the higher threshold will allow Congress to remain engaged on the most costly and complex transactions. As noted in the FY 2024 budget request, GSA conservatively estimates that increasing the prospectus threshold will yield over $50 million in annual rent cost avoidance.

As GSA works to optimize and consolidate its portfolio, there will be some properties that are no longer needed in the Federal inventory and which should be disposed of. To help accelerate the disposition of underutilized real estate, GSA's FY 2024 budget request includes a legislative proposal to expand allowable uses of the Expenses, Disposal of Surplus Real and Related Personal Property appropriation, permanently authorized by statute. The expanded authority will allow GSA to better assist agencies in identifying and preparing real property for disposition prior to the agency declaring a property excess. This will allow GSA to help agencies right-size their portfolios by providing the resources and support necessary to assess, prepare, and accelerate underutilized property for disposition using the Disposal Fund rather than agency base resources with repayment of Disposal Fund costs through disposal proceeds.

GSA has a long track record of optimizing Federal space utilization. One example involves our own space, where GSA successfully executed two separate consolidations of the Federal Acquisition Service and National Capital Region offices from numerous locations across the Washington, DC, area into our headquarters facility at 1800 F Street. These moves have yielded significant operational benefits to the agency, and they have also resulted in a 350,000 square foot reduction in the amount of space we occupy—reducing energy consumption by 50% below our previous baseline by releasing space, and saving $24 million in private sector rent payments annually. These consolidations were catalyzed in part by funding that GSA received in the American Recovery and Reinvestment Act.

GSA and our Federal customer agencies are aligned around the opportunity to right-size the Federal real estate portfolio. The opportunity is to transform into one that is high-performing, more efficient, and physically smaller than today's inventory. The opportunity has never been better. Portfolio-wide, GSA has helped to reduce the footprint of tenant agencies housed in office buildings in GSA's custody and control by disposing of almost 12 million owned square feet and reducing 14 million square feet of leased space since 2013. With approximately half of the value of our leased portfolio expiring within the next five years, we can seize this opportunity—but only if we are able to make the necessary investments in our owned portfolio.

I would like to thank this Committee again for its willingness to address these issues and for being a critical partner as we work to modernize and right-size Federal facilities. Thank you for the opportunity to testify before you today, and I look forward to answering any questions the Committee may have at this time.