Subcommittee on Economic Development, Public Buildings, and Emergency Management

Federal Real Estate Post-COVID-19: A View from the Private Sector

Statement of Norman Dong, Managing Director, FD Stonewater

May 13, 2021

Madame Chairwoman, Mister Ranking Member, and members of the Subcommittee:

My name is Norman Dong, Managing Director with FD Stonewater. Our firm is a brokerage, development, and investment firm with extensive experience in Federal real estate. Our team has managed more than 45 million square feet of lease transactions and completed over 4,000 leases on behalf of our clients. Having delivered over 25 Federal build-to-suit projects, we are a leader in developing, financing, owning, and operating facilities leased to government tenants across the country. I appreciate the opportunity to be here with you today.

Over the past decade, I have had the opportunity to engage in Federal real estate from several vantage points:

- As the CFO at FEMA, I saw the challenges and the opportunities in real estate through the eyes of a Federal tenant agency.
- During my time at OMB, we recognized the importance of government-wide policy to control Federal real estate spending, launching the Federal Freeze the Footprint policy in 2012, followed by the Reduce the Footprint policy in 2015.
- While I was at GSA, our focus was on translating policy into execution – managing thousands of Federally owned and leased projects to meet the space and facilities needs of our Federal tenants each year.

Today, I continue to engage in Federal real estate from the private sector. While I learned a lot about Federal real estate during my time in government, I have learned even more since I left

GSA. And there are some important lessons from the private sector that can be brought to bear on the challenges we face in Federal real estate.

Federal agencies face significant uncertainty about their space and facilities needs in the aftermath of the pandemic. Does the recent increase in telework reflect a temporary accommodation to get through the current public health crisis, or a more permanent way of doing business? As the government considers the longer-term impact of the pandemic, it is important to understand how workplace needs will change given what we have experienced, and what we have learned, over the past 15 months. And the time has come to re-consider some of the conventional thinking about how best to support the space and facilities needs of Federal agencies.

Without doubt, the remote work "proof of concept" that we have experienced over the past year will have lasting implications. Many Federal employees have lived the benefits (and shortcomings) of remote work, and few may be willing to walk away from the increased flexibility and reduced commute time they have grown accustomed to during the pandemic. As a result, Federal agencies must be willing to accommodate some increased level of remote work to remain competitive in the labor market.

Although we will likely never fully revert to the workplace centric model we once knew, neither will we adhere to the scale of remote work experienced during the height of the pandemic. According to a Gensler workplace survey conducted last year, at least 80 percent of employees want to return to the office at least one day a week. Some agency missions, including law enforcement, lab research, national security functions, and public facing functions, cannot be performed effectively through long-term telework. For many people, working from home will never provide the workplace setting that fosters the type of communication, collaboration, and innovation to advance agency missions.

The pandemic compels us to rethink conventional wisdom in managing the Federal real estate portfolio. Take, for example, large scale Federal construction projects, like the Department of Homeland Security at St. Elizabeths or other large agency consolidations. After a year where most of the workforce has worked remotely, is the original value proposition of co-locating thousands of employees across multiple bureaus and divisions still valid? Or does it make sense to pursue an alternative approach – one that reflects what we have learned over the past year, where many employees have been able to work productively without being tethered to a single location?

In many ways, COVID-19 has been an accelerant and is now forcing the Federal government to confront real estate management challenges that pre-date the pandemic. For more than a decade, the conversation has focused on some key challenges:

- Improving agency space utilization across the Federally owned and leased portfolio to reduce overall spending in Federal real estate,
- Disposing of underutilized Federal properties to eliminate the costs of operating and maintaining these buildings and to identify more productive use for these assets, and

- Addressing the significant backlog of the maintenance, repair, and renewal needs across an aging portfolio of Federally-owned buildings.

As a former agency CFO, I often view Federal real estate challenges through a budgetary lens, and agencies must make the best use of their limited resources. In FY2021, for example, GSA only received 39 percent of its total capital budget request. And over the past decade, its list of capital project needs has far exceeded the availability of capital funds. As we grapple with the question of how much space the Federal government ultimately will need in the aftermath of the pandemic, the time has come for GSA to consider the right mix of owned, leased and flexible office space that meets future agency space requirements while recognizing the current fiscal reality.

Over the past decade, the Federal government has made real progress in managing the Federal real estate portfolio more effectively.

- Since 2012, GSA has reduced its leased inventory by more than 15 million square feet and has saved billions of dollars in lease costs through its Lease Cost Avoidance Program.
- In 2016, the exchange of the Volpe Campus demonstrated how GSA could leverage its existing exchange authority to harness the development potential of an underutilized asset and realize more than $750 million in benefit for the Federal government.
- And GSA has been a leader in sustainability and environmental stewardship. GSA's energy and water consumption have decreased by 24% and 36%, respectively, since

FY2010, and almost a quarter of GSA's Federally owned portfolio is LEED certified, by square footage.

These examples demonstrate both the progress the Federal government has made in recent years and the potential to address future challenges in managing the Federal portfolio. And in my opinion, these examples demonstrate how sometimes the right answer is not about a need for more money or additional authorities, but instead creating a more deliberate focus on execution, impact, and results.

Members of the Subcommittee, I very much appreciate the opportunity to appear before this afternoon. And I would be pleased to answer any questions you may have.