



March 2020

FEDERAL LEASING

Quality Information and Metrics Would Allow GSA to Better Assess the Value of Its Broker Program

Accessible Version

GAO Highlights

Highlights of [GAO-20-361](#), a report to congressional committees

View [GAO-20-361](#). For more information, contact Lori Rectanus at (202) 512-2834 or rectanusl@gao.gov.

Why GAO Did This Study

As the leasing agent for the federal government, GSA acquires space for federal agencies and currently manages over 8,000 leases. To help negotiate leases, GSA contracts with commercial real-estate brokerage firms. In previous reviews, GAO reported that GSA was unable to demonstrate cost savings and results from its use of brokers, and GAO made related recommendations.

A statute included a provision for GAO to review GSA's broker program. This report examines: (1) how GSA's broker program has changed over time and (2) GSA's goals for the broker program and how GSA measures the program's results. GAO reviewed documentation from GSA's broker program and GSA's available data on leases assigned to brokers from October 2005 to July 2019. GAO interviewed officials from GSA headquarters, selected GSA regional offices that work with brokers, as well as other stakeholders, including representatives from the six brokers currently participating in the program.

What GAO Recommends

GAO is making two recommendations that GSA should: (1) assess and address the reliability of the information used to calculate reported cost savings and (2) develop outcome-based metrics to evaluate the effectiveness of using brokers to supplement the GSA leasing workforce. GSA concurred with the first recommendation but did not concur with the second. GAO continues to believe that GSA needs metrics to assess the brokers' role as

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What GAO Found

The General Services Administration (GSA) contracts with commercial real estate brokers to perform a variety of services needed to acquire and complete leases. GSA uses brokers to negotiate leases meeting certain thresholds in urban areas (see figure). GSA has made several changes to its broker program since 2015, including:

- changing how brokers can be assigned to leases, i.e., using brokers for specific geographical zones rather than on a nationwide basis;
- allowing greater flexibility in when and how brokers can be used during the leasing process; and
- changing the name from the National Broker Contract program to the GSA Leasing Support Services program.

Statistics for General Services Administration's (GSA) Leases That Involve Brokers Compared to Leases without Brokers, October 2005–July 2019

Categories	Brokers	In-house GSA staff
Number of leases	3,227	5,452
Median current annual rent	\$259,666	\$147,215
Median monthly rent	\$21,639	\$12,268
Median rentable square footage	9,967	6,275

Source: GAO Analysis of General Services Administration's (GSA) data. | GAO-20-361

For the broker program, GSA's goals include saving money and supplementing its leasing workforce; however, potentially inaccurate data and limited outcome-based metrics could affect GSA's ability to assess whether it is meeting these goals. According to GSA, in the last 3 years, brokers have negotiated 303 leases, 60 percent of which were below the market rate (17.8 percent below the market rate, on average), an outcome that, GSA says helped it avoid \$676 million in costs. However, selected GSA regional officials and brokers expressed concerns about the accuracy of the market reports used to calculate these cost savings. Additionally, while GSA has identified various outcome-based metrics related to its leasing program, these metrics do not indicate whether using brokers to supplement its leasing workforce has enabled GSA to complete leasing work it would have otherwise been unable to complete. For example, GSA sets targets for and tracks the number of leases assigned to brokers each year, but this measure is not an indicator of the effectiveness of using brokers. Quality information, along with additional reliable outcome-based measures, is important for GSA to define success for its 2020 broker program which creates new contracts and expands services performed by brokers.

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Abbreviations

GSA	General Services Administration
GLS	GSA Leasing Support Services
GPRA	Government Performance and Results Act of 1993
GPRAMA	Government Performance and Results Act Modernization Act of 2010
REXUS	Real Estate Across the United States

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March 31, 2020

The Honorable John Barrasso
Chairman
The Honorable Thomas R. Carper
Ranking Member
Committee on Environment and Public Works
United States Senate

The Honorable Peter A. DeFazio
Chairman
The Honorable Sam Graves
Ranking Member
Committee on Transportation and Infrastructure
House of Representatives

Federal agencies spend over \$5.7 billion annually in rental payments for over 8,000 leases for a variety of properties, ranging from office space to laboratories. As the main landlord and leasing agent for the federal government, the General Services Administration (GSA) is responsible for acquiring space from private buildings' owners for federal tenant agencies. For more than a decade, GSA has used a program for commercial real-estate brokerage firms (i.e., brokers) to assist its staff with the leasing process.¹ This program, originally the National Broker Contract, is now the GSA Leasing Support Services (GLS) program. GSA developed the program to complement its leasing workforce and provide support services to the GSA's regional offices. Congress has raised questions about the role of brokers in the federal leasing process, and we and others have identified challenges that GSA has faced in demonstrating program results.

The John S. McCain National Defense Authorization Act for Fiscal Year 2019 included a provision for us to review GSA's broker program.² This report examines:

¹Commercial real estate firms began to negotiate with building owners on behalf of the federal government in 2005. Prior to 2005, regional GSA offices contracted with commercial real estate firms separately but not as a formalized program.

²Pub. L. No. 115-232, § 877 (2018).

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- how GSA's broker program has changed over time and how GSA uses brokers, and
 - GSA's goals for the broker program and how the agency measures the program's results.

To address these objectives, we collected and analyzed GSA documents, policies, and other internal documentation involving the GLS program. We interviewed the six brokers currently participating in GLS to understand their perspectives on the program.³ We interviewed GSA headquarters officials responsible for the program's management and oversight to understand the agency's role in providing oversight to GLS brokers and the broker's role in the lease procurement process. We also interviewed officials in six GSA regional offices that work directly with brokers when negotiating leases to understand the offices' oversight role and their views of the program. We selected these offices to provide a diversity of location and lease activity, value, and size procured by the office, among other factors.

To determine how GSA uses brokers, we analyzed selected GSA leasing data from October 2005 through July 2019 to assess the characteristics of leases that involved brokers versus those leases that did not (i.e., leases involving only GSA staff). Key data we analyzed included the number of leases, annual and monthly rent, square footage, total lease cost, and other data variables. We obtained these data from GSA's Real Estate Across the United States (REXUS)—GSA's database to track and manage the government's real property assets, including leases. To determine if the REXUS data were reliable, we looked for outliers and incomplete data and interviewed GSA officials about their processes for reviewing the data and ensuring their accuracy. We concluded that the REXUS data were sufficiently reliable for the purposes of reporting the median amount of rented square footage, annual and monthly rent per lease, and the number of leases completed by GSA and brokers.

To provide context on the effect of brokers on leases and incentives for brokers, we interviewed three economists who are faculty members at

³The GLS brokers are (1) Jones Lang LaSalle Americas, Inc.; (2) Savills Studley, Inc.; (3) CBRE, Inc.; (4) Carpenter/Robbins Commercial Real Estate, Inc.; (5) Public Properties LLC; and (6) Cushman & Wakefield, Inc.

U.S. research universities.⁴ To identify these experts, we conducted a literature search in June and July 2019 for peer-reviewed articles on real estate brokers using the following research databases: Scopus, EBSCO, ProQuest, Dialog, and NBER.⁵ We selected these experts to interview based on their prominence in the field, the depth of their knowledge on brokers, and relevance of their research to our objectives. We also interviewed property owners (lessors) to learn about their experiences working with brokers in the federal-leasing process, including the negotiations over broker commissions.⁶ To understand how the program has changed, we reviewed our prior reports on this program and GSA's policies, manuals, and reports spanning the various versions of the broker program.

To determine how GSA sets goals and measures to demonstrate results for the broker program, we identified and reviewed the GLS program's goals and measures, as reported in GSA's strategic plans, policies, and guidance. We compared GSA's efforts to leading practices based on the Government Performance and Results Act of 1993 (GPRA), as amended by the GPRA Modernization Act of 2010 (GPRAMA), which create a framework of goal setting and performance management for federal agencies.⁷ In addition, we compared leading practices examined in our prior work that focused on goals and outcome measures.⁸ We also compared GSA's efforts to the *Standards for Internal Control in the Federal Government*, in particular, the importance of management using

⁴The experts we interviewed were Dr. William G. Hardin III, Dr. Ken H. Johnson, and Dr. Len Zumpano. Drs. Hardin, Johnson, and Zumpano are published in the field of real estate economics and have conducted research related to real estate brokers.

⁵To ensure our interviews collected a variety of viewpoints, we used a non-probability stratified sampling approach where we reviewed the literature on real estate brokers with publication dates from 2009 to 2019, and sorted the articles into similar categories.

⁶We interviewed and selected these lessors as a part of our separate review examining GSA's leasing requirements, [GAO-20-181](#). This review selected a non-generalizable sample of 20 current GSA lessors by first obtaining data from GSA on each of the leases it entered into during fiscal years 2016 to 2018, the most recent data available.

⁷GPRAMA, Pub. L. No. 111-352, 124 Stat. 3866 (2011); GPRA, Pub. L. No. 103-62, 107 Stat. 285 (1993).

⁸See, for example, GAO, *Elder Justice: Goals and Outcome Measures Would provide DOJ with Clear Direction and a Means to Assess Its Efforts*, [GAO-19-365](#) (Washington, D.C.: June 7, 2019); GAO, *Broadband: Intended Outcomes and Effectiveness of Efforts to Address Adoption Barriers Are Unclear*, [GAO-15-473](#) (Washington, D.C.: June 2, 2015); and GAO, *Environmental Justice: EPA Needs to Take Additional Actions to Help Ensure Effective Implementation*, [GAO-12-77](#) (Washington, D.C.: Oct. 6, 2011).

quality information to achieve goals.⁹ We analyzed data from Signet Log—GSA’s database to track task orders for broker services—to identify the number of leases assigned to brokers. To determine if the Signet Log data were reliable, we looked for outliers and incomplete data, and interviewed GSA officials about their processes for reviewing the data and ensuring their accuracy. We concluded that the Signet Log data were sufficiently reliable for the purposes of reporting lease projects assigned to brokers.

We conducted this performance audit from January 2019 to March 2020 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

The federal government’s civilian real-property holdings include thousands of leased office buildings and warehouses across the country that cost billions of dollars annually to rent, operate, and maintain. GSA’s Public Building Service acquires space on behalf of the federal government through new construction and leasing and acts as a caretaker for federal properties across the country. The type and amount of space for each lease varies based on a particular agency’s need, and GSA categorizes leases by value depending on factors such as square-footage and location.¹⁰ As of fiscal year 2018, the Public Building Service held or leased space in 8,681 buildings or other assets and maintained an

⁹GAO, *Standards for Internal Control in the Federal Government*, [GAO-14-704G](#) (Washington D.C.: September 2014).

¹⁰Specifically, GSA categorizes leases as high, moderate, or limited value depending on their square footage and location within or outside a large urban area. For example, high-value leases are those leases above 2,000 square feet and in the 100 largest urban areas. Moderate leases are “succeeding leases” above 2,000 square feet in the 100 largest urban areas, new or replacing lease above 10,000 square feet and outside of the 100 largest urban areas, or new or replacing leases less than 2,000 square feet in the top 100 urban areas. A “succeeding lease” begins upon expiration of the previous lease in the same building. Limited leases are succeeding leases outside the 100 largest urban areas or new or replacing leases consisting of less than 2,000 square feet outside of the 100 largest urban areas.

inventory of more than 370-million square feet of workspace for 1.1 million federal employees, plus support contractors.¹¹

The federal-leasing process contains several stages, and brokers can be involved in many parts of this process (see fig. 1) as a way to supplement the work of GSA's leasing staff. For example, in the "requirements development" phase, GSA can task brokers with drafting project milestones and working with federal agencies that are seeking building space to provide a complete requirements package.¹² In the "lease acquisition" phase, brokers can conduct market research on rental rates, negotiate rates and terms of the lease, and prepare final contract forms.¹³ For such work, brokers can earn a commission based on a percentage of the aggregate lease value.¹⁴

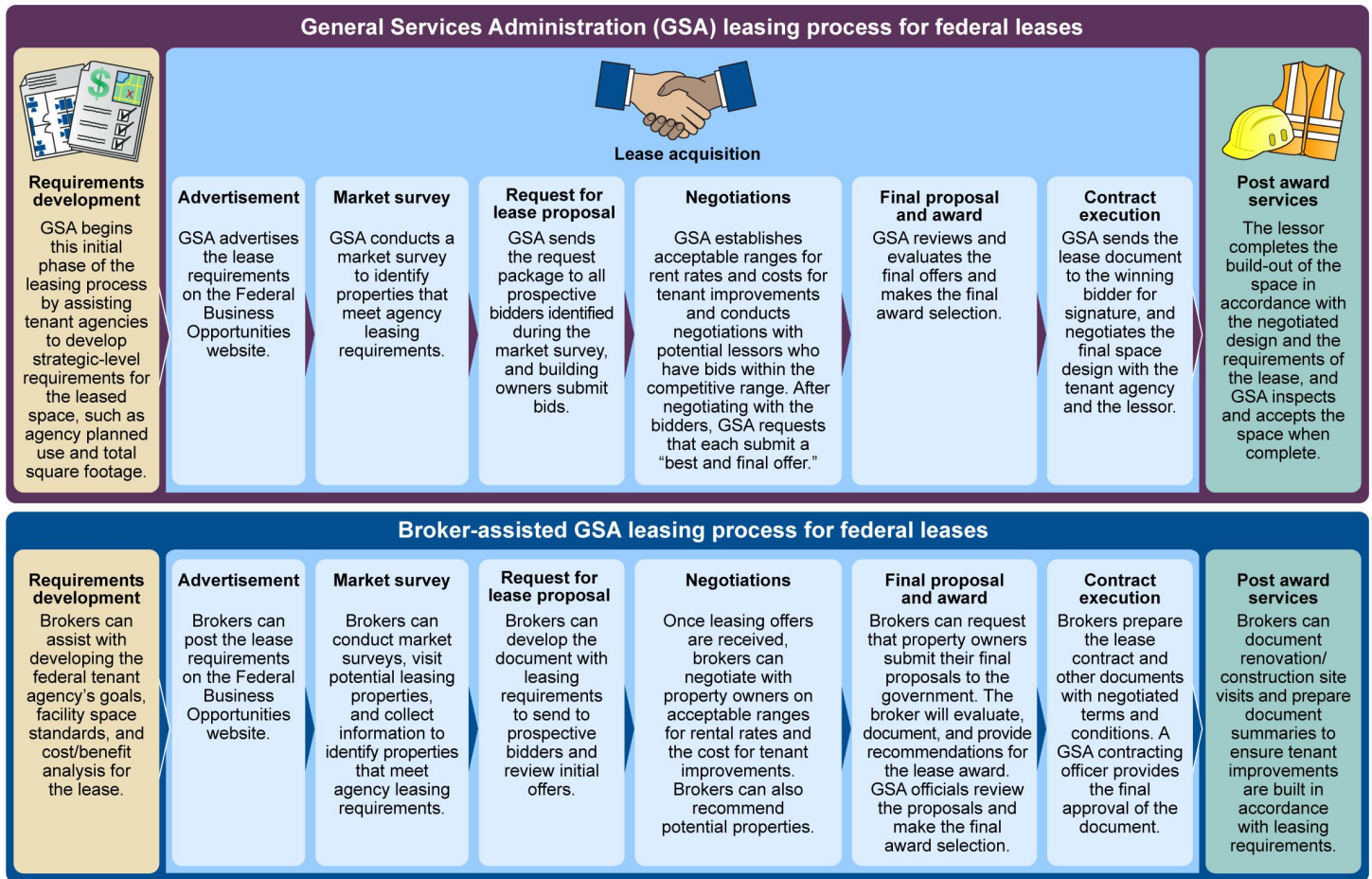
¹¹Overreliance on leasing and a lack of reliable data to support decision-making are two of the main reasons that federal real property remains on our High-Risk List.

¹²"Requirements development" is the analysis of the tenant agency's mission, goals, business processes, and space standards. During this pre-planning phase, the focus is on obtaining information such as the delineated area, agency planned usage, and total square footage.

¹³For leases that do not involve brokers, in-house GSA staff perform all tasks.

¹⁴We found in 2007 that brokers were compensated through commissions paid by the lessors (the entity leasing space to GSA), and no payments were made directly by the government. Compensating brokers in this way is typical in the commercial real estate industry as we reported in our initial review of the National Broker Contract program, see GAO, *GSA Leasing: Initial Implementation of the National Broker Services Contracts Demonstrates Need for Improvements*, [GAO-07-17](#) (Washington, D.C.: Jan. 31, 2007).

Figure 1: The Role of the Broker in the General Services Administration’s (GSA) Leasing Process



Source: GAO analysis of General Services Administration's information. | GAO-20-361

However, pursuant to the Federal Acquisition Regulation, brokers are not allowed to complete some activities, as contractors cannot be used for the performance of inherently government functions.¹⁵ Brokers are not allowed to complete all required leasing tasks to execute a federal government lease. For example, according to GSA officials, a broker cannot sign a lease contract on behalf of the federal government with a property owner since that action is considered an inherently governmental function. The broker may prepare the final lease contract, but GSA's contracting officials are responsible for signing the lease. Even when a

¹⁵48 C.F.R. § 7.503.

broker is involved in the leasing process, GSA officials oversee and approve the broker activities.

Prior to 2015, GSA had implemented various changes to how it used brokers to assist with its leasing program.

- Before 1997, GSA's in-house staff completed all leasing acquisition work, but starting in the late 1990s, downsizing initiatives at GSA reduced the number of staff and therefore its in-house capacity to acquire leases.
- In 1997, GSA began to increase its use of brokers by signing regional contracts for broker services and paying brokers by using appropriated funds. By 2003, brokers were completing approximately 20 percent of GSA's leasing work.
- In 2003, GSA analyzed the advantages, disadvantages, and costs of different types of contracting options for using the brokers, including having them negotiate leases on a nationwide basis, as compared to designated geographic zones or local areas.¹⁶ Based on that analysis, GSA concluded that contracting for brokers to negotiate leases nationally represented the best option available and formalized the program as the National Broker Contract program. In 2004, under this program, GSA awarded nationwide contracts to four commercial real-estate brokerage firms, moving from a regional to a national approach.¹⁷
- In 2010, GSA established the second iteration of the broker program (called the National Broker Contract 2), which maintained a similar nationwide structure with four national contracts to brokers.

We have previously found that GSA has been unable to demonstrate cost savings with its broker program. For example, in 2007, we found that GSA was unable to quantify savings from the program and recommended that GSA develop processes for doing so.¹⁸ In response to our recommendation, GSA conducted a comparative analysis of prior agency

¹⁶GSA, *Business Analysis and Case for National Contracts for Brokerage Services in GSA* (Aug. 25, 2003).

¹⁷Commercial real estate firms began to negotiate with building owners on behalf of the federal government in 2005 in the National Broker Contract 1. GSA began executing leases with the assistance of brokers in fiscal year 2006. The National Broker Contract 2 program began in 2010.

¹⁸[GAO-07-17](#).

contracts and broker contracts; this analysis demonstrated program cost savings. However, GSA's subsequent efforts to demonstrate continued cost savings were less conclusive. For example, in 2012, when GSA attempted to compare rental rates negotiated by brokers with those negotiated by in-house staff, the agency found little difference between the two and noted that the data were insufficient to conduct a meaningful comparison. In 2013, we found that GSA had not linked its goals and metrics for evaluating the broker program to the anticipated cost savings in rental rates.¹⁹ As a result, GSA had no means of evaluating and reporting on this aspect of the program, and the value of the broker program in terms of cost savings continued to be unclear. We recommended that GSA link program goals to anticipated cost savings and develop and implement a means of evaluating and reporting program results. In response, GSA developed a metric for measuring the efficacy of utilizing brokers to assist with lease workloads and a performance report that included information on financial savings and productivity, among other things. We found limitations; however, with these efforts, as discussed in the second section of this report.

GSA Has Changed Its Broker Program to Allow Greater Flexibility and Has Prioritized Using Brokers for High Value Leases

GSA Has Increased the Number of Brokers and the Flexibility for Using Them

GSA has made changes to the broker program to allow more brokers to participate and to increase GSA's flexibility in its use of brokers. In 2015, GSA changed the program's name to the GSA Leasing Support Services program (GLS). Under this version of the program, GSA moved from using four brokers on a nationwide basis to designating brokers within four geographical zones. GSA awarded contracts to two or three brokers for each zone (see table 1). Thus, each GLS contract covers a zone rather than the entire country, as was previously done under the National Broker Contract. Currently, there are six GLS brokers, and each broker

¹⁹GAO, *Federal Real Property: GSA Should Clarify Savings Goals for the National Broker Contract Program*, [GAO-14-14](#) (Washington, D.C.: Oct. 31, 2013).

can serve up to two zones.²⁰ Of the six GLS brokers, five participated in the National Broker Contract programs.

Table 1: Program Zones for General Services Administration’s (GSA) Leasing Support Services

Zones	Major markets	Brokers
Northern Zone 1	New York, Chicago, and Detroit	Jones Lang LaSalle Americas, Inc. CBRE, Inc.
Southern Zone 2	Dallas/Fort Worth, Miami, Atlanta, New Orleans, Houston, and Austin	Savills Studley, Inc. Public Properties LLC
Western Zone 3	Los Angeles, San Francisco, Las Vegas, Seattle, and Portland	Carpenter/Robbins Commercial Real Estate, Inc. Cushman & Wakefield,
National Capital Region Zone 4	Washington, DC	CBRE, Inc. Jones Lang LaSalle Americas, Inc. Savills Studley, Inc.

Source: GAO analysis of General Services Administration’s (GSA) information | GAO-20-361

According to GSA officials, modifying the program to operate by zone provided a greater opportunity to involve more brokers, increase competition and local market specialization, and strengthen relations among brokers and GSA regional offices. In addition, awarding contracts by zones rather than the entire country has allowed small businesses to participate as brokers, and GSA selected two small-business brokers as prime contractors: Carpenter Robbins Commercial Real Estate, Inc., and Public Properties LLC.²¹ Multiple GSA regional offices oversee and monitor brokers within each zone, except for the National Capital region, which is its own zone. In early 2020, GSA plans to announce the brokers that will be involved in the fourth iteration of the program. In this iteration, called GLS Plus, the zones and number of brokers within each zone will remain the same.

In addition to establishing the zones, GSA has also allowed its regional staff to have more flexibility in deciding how to use brokers. During the past two iterations of the National Broker Contract, brokers had to be involved during the entire leasing process. In the GLS program, regional GSA officials choose broker services for specific parts of the leasing

²⁰Three firms (Jones Lang LaSalle Americas, Inc.; Savills Studley, Inc.; and CBRE, Inc.) serve two zones. In addition, there are three firms (Carpenter/Robbins Commercial Real Estate, Inc.; Public Properties LLC; and Cushman & Wakefield, Inc.) serving only one zone.

²¹In previous iterations of the program, small businesses were involved as subcontractors. For example, Carpenter Robbins Commercial Real Estate, Inc. previously served as a subcontractor in the National Broker Contract program.

process based on the needs of the region. For example, several regional officials said they could now request brokers to perform market research or negotiate a lease, while GSA staff performs other tasks to complete a lease.²² Officials in three of the six regional offices we interviewed said this change provided additional flexibility in how GSA involves the brokers in the leasing process and helped balance the workload of GSA staff. In GLS Plus, GSA will request that brokers provide additional post-award services such as evaluating pricing for proposed renovations and monitoring on-site construction progress for the leased facility.

Brokers Are Used Primarily for High-Value Leases

In the GLS program, about 64 percent of the brokers' workload were high-value leases. GSA officials told us they typically task brokers to negotiate these high-to-moderate value leases because brokers are paid through commissions as a percentage of the lease's value. Since they earn more money with high value leases, they have a greater incentive to participate in the program. Consistent with what GSA officials said, the agency's leasing data showed that leases involving brokers tended to have large square-footage and higher rents than the rents for leases that did not involve brokers, as shown in table 2. According to GSA's leasing data from October 2005 to July 2019, the agency used brokers in about 37 percent of all leases.

Table 2: Statistics for General Services Administration's (GSA) Leases That Involve Brokers Compared to Leases without Brokers, October 2005–July 2019

Categories	Leases with brokers	Leases without brokers
Number of leases	3,227	5,452
Median current annual rent	\$259,666	\$147,215
Median monthly rent	\$21,639	\$12,268
Median rentable square footage	9,967	6,275

Source: GAO analysis of General Services Administration's (GSA) data. | GAO-20-361

Notes: Various factors affect rental rates, such as local market areas, type of facility, square footage, and unique requirements, among other issues. These factors may explain differences between leases with brokers and leases without brokers and were not included as part of our analysis because of data limitations.

The table excludes leases where the predominant use was indicated as parking or "unique," as well as records without a lease award date. Dollar amounts presented reflect GSA's data and have not been adjusted in our analysis for inflation.

²²GSA developed several leasing options (modules) to identify the specific broker services needed for each lease.

Available data did not clearly demonstrate the extent to which brokers negotiated lower lease rates than GSA's in-house staff for similar types of properties. Although there are differences in rental rates and other outcomes of leases involving brokers compared to those that do not, it is difficult to determine whether these differences are due to having brokers involved in the process as opposed to the characteristics of the leases themselves. Various factors affect rental rates in federal leases, such as local market areas, type of facility, square footage, and unique requirements, among other issues. According to the Public Buildings Service's Commissioner, brokers are more successful at negotiating lower lease rates relative to the market than GSA in-house staff and using brokers provides savings to the government. GSA officials said they believe this result is in part because brokers negotiate what are called "commission credits"—a percentage of the total commission that goes back to the federal tenant agency in the form of a reduction in rent—which can result in lower costs for federal tenant agencies. In contrast, several lessors (property owners) said that when GSA uses brokers to negotiate leases, broker commissions have to be paid by the lessor and that this cost is ultimately passed on to GSA's federal-agency-tenant clients. Furthermore, three real estate economists we interviewed indicated that real-estate sale prices and rental rates are driven primarily by competitive market forces and thus would not be heavily influenced by broker negotiation. These economists were not aware of any research indicating that brokers could affect commercial real estate rental rates.

Broker Leases Include Commissions to the Broker and Credits to Tenant Agencies

As previously noted, GSA typically tasks brokers to negotiate high-to-moderate value leases. A broker-negotiated GSA lease includes a total commission negotiated between the lessor and the broker that represents a percentage of the aggregate lease value. This total commission is comprised of the standard commission paid to the broker and commission credits given back to the federal tenant agency. In the GLS program, the total commission sometimes includes a "best value" commission that a broker may earn on top of the standard commission. This total commission includes the following three components:

Standard Commissions. The standard commission a broker earns is normally a percentage of the total lease value. Our analysis showed that brokers earned about \$390 million in standard commissions since fiscal year 2006 (see table 3). For the GLS program, brokers had earned just

over \$35 million as of July 2019. At the time of our review, the program was ongoing, and brokers were still completing leases.

Best Value Commission. Under the GLS, in addition to the standard commission that a broker always earns, the broker can be paid an additional commission, called the “best value commission,” by negotiating a lease rate below an established market rate target and earning high evaluation ratings from GSA. Specifically, the best value commission was expected to incentivize brokers to negotiate lower rental rates. This best value commission is paid out of the commission credit the tenant agency would otherwise receive and does not increase the total cost of the commission. As of July 2019, brokers had collected about \$3.5 million in best value commissions during the GLS program. GSA plans to eliminate the best value commission in the new iteration of its broker program, GLS Plus. Officials said determining whether brokers met the best value criteria was burdensome for regional officials and that brokers prefer a steady volume of future government leases as an incentive. Similarly, two real estate economists we interviewed said that the best value commission was unnecessary to incentivize brokers to seek the best rates for their GSA client, and that the prospect of additional future business negotiating government leases was a sufficient incentive.

Table 3: Total Commissions for General Services Administration’s (GSA) Broker Programs, October 2005–July 2019

Program iteration ^a	Standard broker commissions (paid to the broker)	Best value commissions (paid to the broker)	Commission credits (reduction in rent for federal tenant agency)	Total commission
GSA Leasing Support Services	\$35,128,616	\$3,456,832 ^b	\$41,065,898	\$79,651,346
National Broker Contract 2	\$144,094,117	N/A	\$159,054,645	\$303,148,762
National Broker Contract 1	\$210,440,973	N/A	\$139,913,283	\$350,354,256
Total^c	\$389,663,706	\$3,456,832^b	\$340,033,826	\$733,154,364

Source: GAO analysis of General Services Administration’s (GSA) data. | GAO-20-361

^aThe National Broker Contract 1 program data ranged from April 1, 2005, to September 30, 2010. However, GSA awarded the first lease under the program in the fiscal year 2006. National Broker Contract 2 program data range from October 1, 2010, to January 18, 2016. GLS data ranged from January 19, 2016, until July 24, 2019 (the date we received these data).

^bBest value commissions were available only in the GLS program.

^cBroker commissions, best value commissions, and commission credits together equal total commissions. Broker commissions and best value commissions are paid to brokers. Commission credits are provided back to the federal tenant agency in the form of a reduction of rent in the lease agreement.

Commission credits. The commission credit is a percentage of the total commission that goes back to the federal tenant agency in the form of a reduction in rent. As part of the total commission, brokers have negotiated over \$340 million in commission credits. GSA estimates that its future GLS Plus program will generate \$129 million in commission credits throughout the duration of the program.

Lessors and real estate economists we interviewed highlighted various issues about GSA's commission structure, including commissions paid to the broker and commission credits paid back to the tenant agency. The interviewees had different perspectives on whether GSA's broker program and the current commission structure are beneficial to the federal government.

- Some questioned whether the use of brokers saves the federal government money. As previously noted, according to GSA officials, lessors, through the commission, pay the brokers, which is customary in commercial real estate. Although GSA does incur some costs from appropriated funds because GSA officials oversee the work of brokers, GSA officials noted that GSA does not currently use its own appropriated funds to compensate brokers for services performed as a part of the broker program.²³ However, four lessors that we interviewed said that broker commission costs are passed through to federal tenants in their leases. These lessors questioned the benefits of using brokers for federal leases.
- In contrast, two real estate economists we interviewed said that GSA could potentially be missing cost-saving opportunities when brokers are not used because rental rates are generally set by competitive market forces, also GSA's in-house staff may not negotiate commission credits. GSA officials, however, disagreed with this statement, saying in-house staff generally seek to receive credit or concessions for leases they negotiate since there is no commission to be paid to a broker.
- Another real estate economist we interviewed indicated that paying brokers based on a fixed price basis, versus a commission basis, could result in lower costs to the government because this type of payment structure could involve GSA brokers' bidding for lease acquisition assignments in fixed-price terms only. This real estate

²³In 1997, prior to the establishment of the National Broker Contract program, GSA paid brokers with appropriated funds.

economist also said that this approach could potentially address past concerns involving GSA’s commission structure.²⁴

GSA Faces Limits in Assessing Value of Its Broker Program

GSA Has Established Various Goals for Its Broker Program

Over the years and with different iterations of the program, GSA has established various goals for the broker program; most of these goals pertain to cost savings. During our review, GSA officials also said that the main purpose of the program is to serve as a workforce multiplier for the regional offices—providing needed personnel to complete leases that GSA does not have enough staff to complete on its own. Our review of GSA documents and interviews with GSA staff identified various program goals as shown in table 4.

Table 4: Goals Identified for General Services Administration’s (GSA) Broker Program, by Program Iteration

Goals	National Broker Contract	GSA Leasing Support Services (GLS)		GLS Plus ^a
	Program guidance	Program guidance	GSA strategic plan	GSA staff interviews ^b
Consistent, high-quality service	Yes			Draft program proposal Yes
Leverage broker expertise/resources	Yes	Yes	Yes	Yes
Low rental rates/best value/taxpayer savings		Yes	Yes	Yes
Reduce contract administration		Yes	Yes	
Avoid costs ^c			Yes	
Personnel support				Yes

Source: GAO analysis of General Services Administration’s (GSA) documentation and interviews with GSA officials. | GAO-20-361

^aGLS Plus is the fourth iteration of the program, which will begin in mid-2020. GSA referred to the draft program proposal as the GLS Plus Draft Solicitation.

^bWe asked officials from all six selected regional offices what was the overall goal of the current GSA Leasing Support Services program.

²⁴Our prior work questioned whether there was an inherent conflict of interest in brokers negotiating the best deal for the government while also negotiating their commissions with lessors. See [GAO-14-14](#) and [GAO-07-17](#).

^cAccording to GSA's strategic plan, cost avoidance includes multiple strategies such as improving efficiency in awarding leases, negotiating longer lease terms, and reducing square footage, among other things.

For GLS Plus, the fourth iteration of the broker program, which GSA plans to start in mid-2020, the proposed goals include achieving taxpayer savings, improving the customer experience, and leveraging broker expertise. GSA officials also said that maximized productivity would be a goal of the program.

GSA Relies on Data to Measure Cost Savings That Some Stakeholders Said Is Inaccurate

As previously discussed, one of the main goals of the broker program is to avoid costs and save the taxpayer money. In November 2019, GSA headquarters officials said that they demonstrate cost savings of the broker program through its Lease Cost Avoidance Plan, which aggregates cost-savings from several efforts, including negotiating leases below market rates, reducing rented square footage, and leasing vacant space.²⁵

A metric within the Lease Cost Avoidance Plan that seeks to show whether leases are negotiated below market rates is called Lease Cost Relative to Market, which is a comparison of the negotiated rental rate to the target market rate. According to this metric, as reported by GSA, over the last 3 years, brokers have negotiated 303 leasing deals, 60 percent of which were below the market rate (17.8 percent below the market rate, on average), which helped GSA avoid \$676 million in costs. In addition, GSA found that brokers negotiated better rental rates than GSA in-house staff, on average. For example, GSA reported that in fiscal year 2018, 56 percent of leases negotiated by brokers were below the market rate compared to 38 percent of leases negotiated by GSA in-house staff.²⁶ As discussed previously, however, there are various factors, including the type of lease that may account for these differences.

This metric is calculated primarily using market lease rates that GSA determines using a tool it developed called the "Bullseye" report. To

²⁵According to GSA's fiscal year 2019 Lease Cost Avoidance Plan, leased vacant space mitigation is defined as cost savings from backfill or exercising of termination rights.

²⁶GSA reported that in fiscal year 2018, 63 out of 112 leases negotiated by brokers were below the target market rate; 160 out of 417 leases negotiated by GSA in-house staff were below the target market rate.

develop the report, GSA gathers available market data from commercial real estate databases and compiles these data to identify local information, analysis, and insight regarding the local real estate submarket.²⁷ According to GSA guidance, the success of the GLS program is dependent on the brokers' negotiating competitive lease rates through full utilization of the Bullseye report and standardized negotiation objectives.²⁸ The guidance further states that the Bullseye report should be utilized by GSA regional offices as a tool to make informed leasing decisions on behalf of the U.S. government and can provide the necessary backup documentation to aid leasing personnel in their negotiation with an offeror.

While GSA headquarters officials noted that this tool is adequate for this use, other GSA officials and brokers had concerns about whether the Bullseye report accurately reflects market rates and conditions. GSA regional officials we interviewed had mixed views on the accuracy of the Bullseye report. For example, several officials questioned the accuracy or noted limitations to the Bullseye report. In addition, four of the six brokers found the Bullseye report to be rarely or only sometimes accurate. As a result, brokers told us that they found it difficult to negotiate a rental rate at or below the target Bullseye rate. In addition, two lessors we interviewed agreed that the gap between the Bullseye report and local market rates potentially affected negotiations with GSA. Furthermore, brokers publicly questioned the accuracy of Bullseye reports in written responses to GSA's draft solicitation for the 2020 GLS Plus program.²⁹ They also suggested that the new broker program should include an adjudication process for revisiting Bullseye target rates.

²⁷The Bullseye report is a market report provided by the Bullseye national team to regions specifying market rates, characteristics, and dynamics for the project-delineated area. The Bullseye report utilizes data from multiple real estate market databases, including REIS, CBRE Economic Advisors, and CoStar, when available. The report contains a Bullseye target developed by averaging rental rates. It identifies tenant improvement concessions and the expected number of months of free rent, as provided by REIS. The purpose of the Bullseye report, including the Bullseye target, is to assist GSA staff or brokers with developing and establishing appropriate negotiation objective goals.

²⁸GSA, *Leasing Alert—Bullseye Program, Negotiation Objectives, and GLS Commission Management*. (Washington, D.C.: Apr. 25, 2016).

²⁹GSA. *Response to Industry Feedback GLS Plus Draft Solicitation No. 47PA0519R001*. 2019.

Selected GSA regional officials and brokers in our review identified several factors that may affect the accuracy of the Bullseye reports:

Geography. According to GSA officials, the Bullseye report includes market rates from over 85 major markets in the U.S. However, GSA regional officials and brokers we interviewed said that the Bullseye report provides limited submarket rental rates for specific areas or neighborhoods within large metropolitan areas. This can be problematic because there can be significant rental differences among different areas within a given market. For example, in response to GSA's draft solicitation for the new broker program, brokers stated that they found the Bullseye target rates to be an obstacle in the rapidly moving West Coast urban markets, and there can be significant discrepancies between Bullseye rates and actual market rates. One selected GSA regional office in our review provided examples of the Bullseye target rate being below the market rate in several instances. For example, the average asking rent for office space in San Diego, CA, was 36 percent higher than the Bullseye rate.

Federal requirements. According to GSA regional officials and to brokers, the Bullseye report does not take into account the unique building requirements for federal leases. For example, GSA officials and brokers reported that the Bullseye report develops a target rental rate based on certain classes of buildings (A, B, and C). Although the government generally accepts A and B class buildings, C buildings are generally unacceptable for federal leases.³⁰ Brokers we interviewed said including these C building rates could lower the market rates identified by the Bullseye market report for certain areas. GSA officials said they are not able to remove the C building rates from the Bullseye report because the data are purchased from a private-sector data source that includes various building rates from a local area. In addition, brokers said the Bullseye report does not take into account the unique requirements of federal buildings. For example, federal law enforcement agencies require certain security measures, such as special entrances. Brokers reported that landlords may increase their pricing to account for these factors. Brokers also identified these issues in the draft solicitation for the new broker contract, noting that the Bullseye does not use comparable

³⁰Commercial real estate buildings are generally classified into three categories: Class A, Class B, or Class C buildings. Standards vary by market, and each category is defined in relation to its counterparts. Class A buildings are generally considered the best in terms of construction and location.

buildings that take into account the uniqueness of a specific space requirement.

Lag time. Several brokers and GSA officials told us that federal leases generally take significantly longer than commercial leases due to the federal leasing acquisition process. As a result, GSA officials and brokers found that by the time a lease was awarded, which could be years later, the initial target market rate provided by the Bullseye report was outdated. GSA headquarters officials told us if the Bullseye report is over a year old, then an updated report should be requested, although it's not mentioned by the 2016 Bullseye guidance memo. Officials from selected GSA regional offices varied on whether those updates occurred or not. Furthermore, several brokers in our review told us that they found that the Bullseye report is not always updated after a year. One broker told us that there have been several instances when a lease is about to be awarded—which can be 1 to 2 years after the initial Bullseye report was generated—and the tenant agency is not willing to accept the rental rates negotiated in the lease. Or GSA's leasing staff is hesitant to execute the lease due to differences between the Bullseye rate and the actual lease contract rate. This can cause significant delays or result in the project being canceled all together.

Concerns about the reliability of the Bullseye report call into question whether the Lease Cost Relative to Market metric can accurately demonstrate how brokers' efforts lead to cost savings, either through achieving rental rates below market or better rates than GSA in-house staff. Even though GSA provided us cost-savings data in November 2019 based on this metric, at other times during our review, GSA officials described limitations and questioned the efficacy of using this metric. Specifically, in April 2019, GSA headquarters officials told us that GSA had stopped using this metric because GSA found it unreliable. For example, GSA found the comparison was not indicative of broker effectiveness or ability to negotiate low rental rates. At that time, GSA officials cautioned against using the Lease Cost Relative to Market data for comparative purposes, such as comparing broker performance to in-house GSA staff performance. The officials said it is impossible to assess the financial information of a lease transaction and evaluate a specific procurement method—using brokers or not—without talking directly to the GSA in-house staff responsible for overseeing the procurement. Furthermore, GSA officials told us in April 2019, that leases negotiated by brokers were not comparable to leases negotiated by in-house staff because they work on different types of leases. In December 2019, however, GSA officials told us that GSA does still track this metric, uses it

for GSA's Lease Cost Avoidance Plan, and that the agency believes brokers can achieve better deals for the government than in-house staff.

Nonetheless, GSA officials told us that they have not assessed the reliability of or made any changes to how they calculate the Bullseye report.³¹ According to *Standards for Internal Control in the Federal Government*, management should use quality information to achieve the entity's objectives and to inform decision-making.³² Until GSA assesses the reliability of the information used to calculate reported cost savings for the broker program, it is hindered in its ability to fully assess the effectiveness of the program.

GSA Lacks Measures of Brokers' Effectiveness As a Workforce Multiplier

As noted above, throughout the various iterations of the program, GSA has identified various goals for the broker program. During this review, a key goal consistently stated by GSA officials we interviewed was the use of the broker program as a workforce multiplier—providing additional people that enable GSA to complete leasing work it would otherwise be unable to complete. The effectiveness of the broker as a workforce multiplier is significant to GSA because leasing staff has decreased by over 50 percent since the late 1990s, from over 800 personnel to less than 400 in 2019. Consequently, GSA staff rely on brokers to deliver leased space to federal agencies. GSA officials told us that a broker may not accomplish a lease faster or cheaper than GSA staff but that the agency does not currently have the personnel to complete its leasing work. GSA's *Strategic Plan 2018-2022* also states that GSA will use brokers where appropriate to improve efficiency in awarding leases.

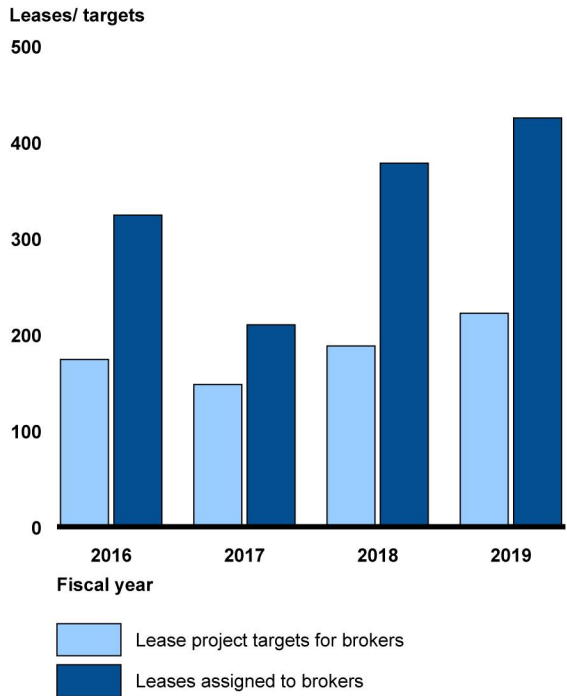
Although GSA has set target goals for utilizing brokers and tracks the number of leases regional officials assign to brokers, we found that GSA had limited ability to track how using brokers to augment the GSA's leasing workforce achieves results for GSA's leasing efforts. For example, GSA has increased its broker utilization targets in recent years, as described in figure 2, requiring regional offices to award more lease projects to brokers. Moreover, GSA tracks performance relative to these

³¹We did not independently assess the reliability of the Bullseye, since that it outside the scope of this review.

³²GAO, *Standards for Internal Control in the Federal Government*, [GAO-14-704G](#) (Washington, D.C.: September 2014).

targets, and regional officials in our review told us that they are evaluated based on the number of leases they task to brokers.

Figure 2: General Services Administration’s (GSA) Leasing Support Services Targets and Leases Assigned to Brokers



Source: GAO analysis of General Services Administration data. | GAO-20-361

Data table for Figure 2: General Services Administration’s (GSA) Leasing Support Services Targets and Leases Assigned to Brokers

Fiscal year	Lease Project Targets for Brokers	Leases Assigned to Brokers
2016	174	324
2017	148	210
2018	188	378
2019	222	425

Additionally, in April 2019, GSA developed a model to project, on average, the number of hours a broker saves the GSA’s lease-contracting officer and project manager. The project estimated the broker saved roughly 175 to 125 hours, respectively, per project over a 3-year period. GSA then multiplied the hourly salary of GSA leasing personnel by the potential number of hours saved to generate their reported personnel savings of \$3 million per year.

However, tracking these outputs alone does not provide GSA with a means to measure the effectiveness of the broker program as a workforce multiplier. An output measure tracks the direct product or activity delivered by a program, while an outcome measure tracks the progress the program is making toward achieving its goal. Tracking the number of hours a broker saves for GSA officials provides limited information to help GSA understand the overall benefits of the broker program as a workforce multiplier. For example, this goal does not demonstrate if brokers are more productive than in-house staff or if they are completing leases more efficiently, such as brokers completing an additional number of leases on an annual basis.

According to GSA officials, the principal way they measure broker program outcomes is through its Lease Cost Avoidance Plan, which, as we previously discussed, aggregates cost savings from a number of GSA leasing efforts, including the broker program. The plan identifies realized cost avoidance through various metrics such as leases negotiated below market costs and reductions in rental square footage and vacant space. However, aside from the negotiated rental rates, GSA does not currently have specific metrics that allow it to distinguish the particular role brokers play in achieving those results. For example, GSA officials said that the more leases that can be replaced by using brokers, the more GSA can tackle its expiring lease inventory and right size leases with rental square foot reductions. Specifically, GSA officials said that brokers contributed to a 2.5 percentage square footage reduction in fiscal years 2018 and 2019. However, since this metric applies to the leasing program in general and is not specific to the brokers, GSA is unable to demonstrate the extent to which such reduction is attributable to the use of brokers.

GSA officials also told us that using brokers allows GSA to replace more leases on time and thus avoid extending leases, which is more costly and can lead to agencies renting space under less favorable terms.³³ GSA measures this through its lease replacement rate, which tracks the percentage of expiring leases that are replaced in a timely manner. For example, GSA reported that in fiscal year 2019, it replaced 61 percent of

³³When leases expire before a long-term solution can be finalized, GSA may pursue short-term extensions, or if GSA and a private lessor cannot come to agreement prior to expiration, the lease may go into holdover status—where a federal tenant occupies space without a contractual agreement. Extensions and holdovers may limit GSA's ability to obtain favorable contract terms. See GAO, *Federal Real Property: Performance Goals and Measures Needed to Help Stem GSA's Reliance on Lease Extensions and Holdovers*, [GAO-15-741](#) (Washington, D.C.: Sept. 30, 2015).

its lease inventory, which represented \$481 million of its \$791 million lease inventory. However, while GSA tracks the number of lease extensions brokers have worked on, GSA is unable to demonstrate the extent to which the use of brokers helps GSA avoid lease extensions and holdovers.³⁴ Furthermore, similar to the Lease Cost Avoidance Plan, this metric applies to the leasing program in general and is not specific to the brokers. As a result, GSA has limited information on the extent to which brokers contributed to leasing program outcomes.

GPRA, as amended, creates a framework for articulating unified goals and outcome measures that can provide federal agencies with a clear direction for successful implementation of program activities and improve the efficiency and accountability of agencies' efforts.³⁵ We have previously reported that the GPRA framework can serve as a leading practice at other organizational levels, such as component agencies, offices, programs, and projects.³⁶ GPRA calls for outcome-based metrics that are linked to goals, which allow a program to track the progress an organization is making toward achieving its intended outcome. Because GSA lacks outcome-based metrics that demonstrate the broker's role in achieving the program's goal for being a workforce multiplier, GSA is hindered in its ability to distinguish the role brokers played in its reported program results. Furthermore, having such a metric could help GSA make better decisions about the balance of brokers versus in-house leasing staff since GSA received \$34 million dollars for fiscal year 2020 to hire an additional 34 GSA lease-contracting officers and specialists. GSA officials said they plan to complete this hiring in 2020.

Conclusions

GSA has developed a program that allows the agency to utilize expertise and personnel from leading commercial real-estate brokers to help it complete thousands of federal leases. GSA has stated cost savings and

³⁴GSA officials said they are currently streamlining its data collection and distribution process in regards to how broker data is managed. This effort will allow GSA to fully utilize its databases and information technology systems to manage, track, and summarize the broker program.

³⁵GPRA, Pub. L. No. 103-62, 107 Stat. 285 (1993), as amended by GPRAMA, Pub. L. No. 111-352, 124 Stat. 3866 (2011).

³⁶See, for example, GAO, *Elder Justice: Goals and Outcome Measures Would Provide DOJ with Clear Direction and a Means to Assess Its Efforts*, [GAO-19-365](#) (Washington, D.C.: June 7, 2019).

workforce goals for the broker program but lacks the information necessary to assess if the program is achieving its intended results. If GSA envisions that the use of brokers is to save money, then having quality, reliable data and information is critical to demonstrating this result. If using brokers to augment GSA's workforce were also a goal, then having outcome-based metrics would allow GSA to show whether it is achieving that goal. This information is especially critical as the program has changed over time and could provide GSA insight on what has been successful in the past. This information would also inform GSA's decision-making as it launches another version of its broker program and uses millions of dollars in appropriated funds to increase the agency's leasing personnel.

Recommendations

We are making the following two recommendations to the Administrator of GSA:

GSA should assess and address the reliability of the information used to calculate reported cost savings for the broker program. (Recommendation 1)

GSA should develop outcome-based metrics to evaluate the effectiveness of using brokers to supplement the GSA's leasing workforce. (Recommendation 2)

Agency Comments and Our Evaluation

We provided a draft of this product to GSA for review and comment. GSA provided written comments, which are summarized below and reproduced in appendix I. GSA said it did not agree with our main conclusions and findings because it believed our report did not acknowledge brokers' demonstrated benefits. We noted throughout the report that brokers play an important role in helping GSA achieve various leasing-related goals. Our position is that the lack of quality data and outcome-based metrics inhibit GSA's ability to demonstrate the brokers' specific effect in achieving GSA's goals as compared to other factors.

With regard to the first recommendation about data used to calculate reported cost savings from the broker program, GSA said it concurred

with the recommendation and is making changes to its data systems that it believes will improve its data on brokers.

GSA said it did not agree with the second recommendation as it was originally worded about having outcome-based measures to evaluate the effectiveness of using brokers. In providing technical comments on our report, GSA officials raised concerns that this recommendation gave the impression that GSA had no metrics to assess the brokers. The agency said that it has several outcome-based metrics in place that it believes can be correlated with the value of the brokers, including achieving cost savings, replacing leases on time, and reducing the need to hire more GSA staff. In GSA's letter, it referenced these statistics, several of which we had included in our report as well. For example, our report discusses GSA's Lease Cost Relative to Market measure, which is a comparison of the negotiated rental rate to a target market rate. We also noted, however, that this metric is calculated primarily using data, that GSA staff and other stakeholders we interviewed expressed concerns about as unreliable. These concerns resulted in our first recommendation.

Further, other metrics, such as reducing square footage and replacing leases, that GSA pointed to relate to GSA's leasing efforts in general and are not designed in a way to distinguish the brokers' contributions specifically. Specifically, GSA officials said that brokers contributed to a 2.5 percentage square footage reduction in fiscal years 2018 and 2019. This metric, however, applies to the overall leasing program, and GSA is unable to demonstrate the extent to which such reduction is attributable to the use of brokers. In addition, GSA does not have a means to measure the effectiveness of the broker program in supplementing its workforce to achieve these goals, a result that GSA staff in headquarters and regional offices consistently told us was the primary reason GSA uses brokers. Tracking the number of hours a broker saves for GSA officials provides limited information to help GSA understand the overall benefits of the broker program. Such information does not demonstrate if brokers are more productive or efficient than in-house staff, such as whether brokers are completing an additional number of leases on an annual basis, for example. Additional metrics focused on evaluating the outcomes of GSA's use of brokers would benefit the agency because it has lost over 50 percent of its leasing personnel since the 1990s. Furthermore, GSA received \$34 million to hire additional agency lease-contracting officers and specialists in 2020. Consequently, it is imperative that it has information and data that could inform the right mix of brokers and GSA leasing personnel as the agency moves forward with its leasing work.

In response to GSA's concerns and to make our recommendation more specific, we clarified the recommendation. Specifically, we focused it more narrowly on the need to evaluate the effectiveness of using brokers to supplement the GSA leasing workforce. We also made some additional changes to the draft to include more information about the metrics GSA uses and that it believes can be correlated to the use of brokers.

We are sending copies of this report to the appropriate congressional committees, the Administrator of the General Services Administration, and other interested parties. In addition, the report is available at no charge on the GAO website at <http://www.gao.gov>.

If you or your staff have any questions about this report, please contact me at (202) 512-2834 or RectanusL@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made key contributions to this report are listed in appendix II.



Lori Rectanus
Director, Physical Infrastructure

Appendix I: Comments from the U.S. General Services Administration



The Administrator

March 6, 2020

The Honorable Gene L. Dodaro
Comptroller General of the United States
Government Accountability Office
Washington, DC 20548

Dear Mr. Dodaro:

The U.S. General Services Administration (GSA) appreciates the opportunity to review and comment on the U.S. Government Accountability Office (GAO) draft report entitled *Quality Information and Outcome-Based Metrics Would Allow GSA to Better Assess the Value of Its Broker Program* (GAO-20-361).

GSA does not agree with the main conclusions and findings in this draft report. The draft report does not acknowledge GSA broker contractors' demonstrated benefits of leveraging their expertise in negotiating the most competitive lease rates, reducing the Federal footprint, and providing the necessary supplemental resources to replace leases in a timely manner and avoid costly extension premiums. For these reasons, GSA strongly disagrees with the conclusions and findings in the draft report.

GAO made the following two recommendations to GSA in its draft report:

- 1) GSA should assess and address the reliability of the information used to calculate reported cost savings for the broker program. (Recommendation 1)
- 2) GSA should develop outcome-based metrics with which to evaluate the brokers' role in achieving broker program goals. (Recommendation 2)

With regard to Recommendation 1, GSA agrees with GAO and the recommendation on the importance of assessing the reliability of data used for the broker program. Data integrity, collection, formulation, and reporting are top priorities of the broker program, and GSA's assessment effort is underway. Currently, GSA is standardizing and implementing better use of source systems that will greatly impact the capabilities and reliability of broker-specific data.

GSA does not agree with Recommendation 2, "to develop an outcome-based metric evaluating the broker's role in achieving broker program goals." GSA already has several outcome-based metrics in place that capture the value add of the broker and

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Appendix I: Comments from the U.S. General Services Administration

demonstrate broker achievement of broker program goals. GSA's Lease Cost Avoidance Plan (LCAP), which includes GSA's Lease Cost Relative to Market (LCRM) metrics, clearly demonstrates that the broker program achieves program goals and saves significant money by negotiating lower rental rates, reducing the hours needed from internal staff, and increasing the lease replacement rate that, in turn, avoids costly extension premiums. Both the LCAP and the LCRM measures are outcome-based, results-oriented metrics.

In November 2019, GSA provided GAO with the below LCRM chart demonstrating that brokers bring substantial savings to the government in the form of better rental rates. As demonstrated in the LCRM data, which was provided to GAO, in fiscal year 2019 alone, GSA broker partners negotiated lease rates on average 25% below market. In fiscal year 2018 and 2017 respectively, brokers negotiated on average 10% below market. This represents a total of \$676 million in cost savings for 303 broker tasked projects.

2017							
Type	Lease Count	Leases Below Target	% of Leases Below Target	Market PV	GSA PV	Cost Avoidance	Assessment % Cost Avoidance
In-House	426	291	68%	\$1,163,842,670	\$1,172,603,832	-\$8,761,163	0.80%
Broker	75	60	80%	\$561,767,822	\$502,608,626	\$59,159,195	-10.50%
AAAP	27	22	81%	\$133,406,773	\$114,763,417	\$18,643,356	-14.00%
TOTAL	528	373	71%	\$1,859,017,264	\$1,789,975,870	\$69,041,394	-3.70%

2018							
Type	Lease Count	Leases Below Target	% of Leases Below Target	Market PV	GSA PV	Cost Avoidance	Assessment % Cost Avoidance
In-House	421	163	39%	\$815,308,991	\$853,521,246	-\$38,212,255	4.7%
Broker	117	67	57%	1,413,006,868	1,265,557,830	\$149,449,038	-10.6%
AAAP	61	39	64%	\$227,991,816	\$209,998,905	\$17,992,911	-7.9%
Grand Total	599	269	45%	\$2,456,307,675	\$2,329,077,981	\$129,229,694	-5.3%

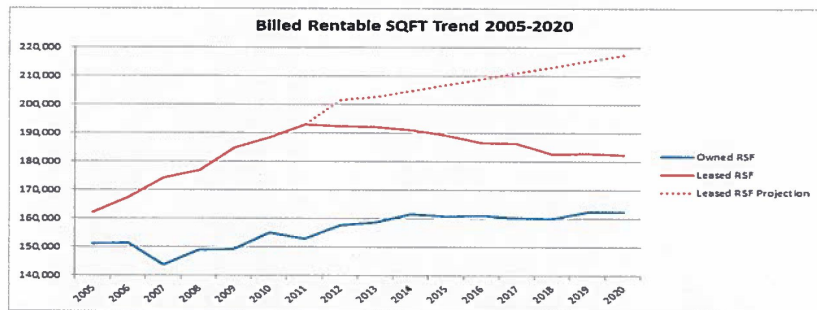
2019							
Type	Lease Count	Leases Below Target	% of Leases Below Target	Market PV	GSA PV	Cost Avoidance	Assessment % Cost Avoidance
In-House	364	160	44%	\$1,029,748,529	\$987,067,188	\$42,681,341	-4.1%
Broker	111	56	50%	1,812,923,883	1,345,408,415	\$467,515,468	-25.8%
AAAP	83	55	66%	\$299,231,530	\$273,675,260	\$25,556,270	-8.5%
TOTAL	558	271	49%	\$3,141,903,942	\$2,606,150,863	\$535,753,079	-17.1%

In addition, brokers are instrumental in assisting GSA's tenant agencies with reducing their square footage and downsizing to provide additional savings. The chart below demonstrates that GSA has reduced its leased square footage portfolio by more than 4.7 million rentable square feet (RSF) over the last 3 fiscal years. The majority of the RSF reductions occur on GSA's largest lease projects, which are typically tasked to brokers.

Appendix I: Comments from the U.S. General Services Administration

Fiscal Year	Leased RSF	% Decrease
FY17	187,557,589	
FY18	184,717,216	-1.51%
FY19	182,850,604	-1.01%
Total Decrease	(4,706,986)	-2.51%

*FY19 adjusted for short term Census need



The more leases that can be replaced by using brokers, the more GSA can tackle its expiring lease inventory and right-size leases with RSF reductions that bring substantial cost savings.

Further, using brokers allows GSA to replace more leases on time and thus have less costly extensions and holdovers. The more leases that can be replaced on time, the more cost savings are achieved. The chart below demonstrates that GSA, by tasking more projects to the brokers, is able to replace more of its leases on time and save on costly extensions. In FY 2019, GSA replaced 61% of its expiring lease dollar value, which is the highest amount in many years. GSA was able to accomplish this by tasking and relying more on brokers to help replace leases on time.

Lease Replacement Measure			
	Replaced	Total	%
FY17	\$332,177,086	\$652,894,882	51%
FY18	\$330,345,661	\$755,690,641	44%
FY19	\$481,103,274	\$791,587,236	61%

Brokers reduce the need for GSA to hire additional full-time staff. GSA provided GAO, through its workforce model efforts, the chart below that demonstrates over \$4 million dollars in annual salary savings by employing brokers. The chart shows the "quantity"

**Appendix I: Comments from the U.S. General
Services Administration**

Appendix I: Comments from the U.S. General Services Administration

(103,310 hours per year) the brokers save in Full Time Equivalent (FTE) costs. The value of a broker is often times significantly more than a GS-12 step 1 in the chart, especially where we have brokers working on high value prospectus level projects. The "value" of a broker is best measured in the LCRM results above.

Potential GSA Leasing Support Services Savings	
DC Locality GS-12 Step 1 Salary	\$83,398*
Hourly Salary	\$40.10
Potential Hours Saved Using GLS (Per Year)	103,310
FTE Yearly Salary Savings	\$4,142,731

*Based on 2019 salary tables.

In conclusion, brokers are best utilized on high-value leases in larger markets due to their market expertise, ability to earn a commission, and greatest opportunity for savings. They bring significant savings to the government by negotiating below market rental rates, assisting tenant agencies in reducing their footprint, and supplementing GSA FTE staff, which helps GSA replace more leases on time and avoid costly extensions and holdovers.

While GSA appreciates GAO's review of its broker services program as required under the 2019 John S. McCain National Defense Authorization Act, GSA does not agree with GAO's draft report conclusions, findings, and Recommendation 2.

If you have any questions or concerns, please contact Mr. Jeffrey A. Post, Associate Administrator, Office of Congressional and Intergovernmental Affairs, at (202) 501-0563.

Sincerely,



Emily W. Murphy
Administrator

cc: Lori Rectanus, Director, Physical Infrastructure, GAO

Text of Appendix I: Comments from the U.S. General Services Administration

Page 1

March 6, 2020

The Honorable Gene L. Dodaro Comptroller General of the United States
Government Accountability Office Washington, DC 20548

Dear Mr. Dodaro:

The U.S. General Services Administration (GSA) appreciates the opportunity to review and comment on the U.S. Government Accountability Office (GAO) draft report entitled Quality Information and Outcome-Based Metrics Would Allow GSA to Better Assess the Value of Its Broker Program (GAO-20-361).

GSA does not agree with the main conclusions and findings in this draft report. The draft report does not acknowledge GSA broker contractors' demonstrated benefits of leveraging their expertise in negotiating the most competitive lease rates, reducing the Federal footprint, and providing the necessary supplemental resources to replace leases in a timely manner and avoid costly extension premiums. For these reasons, GSA strongly disagrees with the conclusions and findings in the draft report.

GAO made the following two recommendations to GSA in its draft report:

- 1) GSA should assess and address the reliability of the information used to calculate reported cost savings for the broker program. (Recommendation 1)
- 2) GSA should develop outcome-based metrics with which to evaluate the brokers' role in achieving broker program goals. (Recommendation 2)

With regard to Recommendation 1, GSA agrees with GAO and the recommendation on the importance of assessing the reliability of data used for the broker program. Data integrity, collection, formulation, and reporting are top priorities of the broker program, and GSA's assessment effort is underway. Currently, GSA is standardizing and implementing better use of source systems that will greatly impact the capabilities and reliability of broker-specific data.

GSA does not agree with Recommendation 2, "to develop an outcome-based metric evaluating the broker's role in achieving broker program goals." GSA already has several outcome-based metrics in place that capture the value add of the broker and

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demonstrate broker achievement of broker program goals. GSA's Lease Cost Avoidance Plan (LCAP), which includes GSA's Lease Cost Relative to Market (LCRM) metrics, clearly demonstrates that the broker program achieves program goals and saves significant money by negotiating lower rental rates, reducing the hours needed from internal staff, and increasing the lease replacement rate that, in turn, avoids costly extension premiums. Both the LCAP and the LCRM measures are outcome-based, results-oriented metrics.

In November 2019, GSA provided GAO with the below LCRM chart demonstrating that brokers bring substantial savings to the government in the form of better rental rates. As demonstrated in the LRCM data, which was provided to GAO, in fiscal year 2019 alone, GSA broker partners negotiated lease rates on average 25% below market. In fiscal year 2018 and 2017 respectively, brokers negotiated on average 10% below market.

This represents a total of \$676 million in cost savings for 303 broker tasked projects.

{Graphic of Table, data available from GAO upon request}

In addition, brokers are instrumental in assisting GSA's tenant agencies with reducing their square footage and downsizing to provide additional savings. The chart below demonstrates that GSA has reduced its leased square footage portfolio by more than

4.7 million rentable square feet (RSF) over the last 3 fiscal years. The majority of the RSF reductions occur on GSA's largest lease projects, which are typically tasked to brokers.

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Fiscal Year	leased RSF	Decrease from previous year
FY17	187,557,589	--
FY18	184,717,216	-1.51%
FY19	182,850,604	-1.01%
Total Decrease from FY 17	(4,706,986)	-2.51%

*FY19 adjusted for short tenn Census need

{Graphic line chart showing billable rentable sq feet trend from 2005 to 2020}

The more leases that can be replaced by using brokers, the more GSA can tackle its expiring lease inventory and right-size leases with RSF reductions that bring substantial cost savings.

Further, using brokers allows GSA to replace more leases on time and thus have less costly extensions and holdovers. The more leases that can be replaced on time, the more cost savings are achieved. The chart below demonstrates that GSA, by tasking more projects to the brokers, is able to replace more of its leases on time and save on costly extensions. In FY 2019, GSA replaced 61% of its expiring lease dollar value, which is the highest amount in many years. GSA was able to accomplish this by tasking and relying more on brokers to help replace leases ontime.

Lease Replacement Measure			
	Replaced	Total	Percentage
FY17	\$332,177,086	\$652,894,882	51 %
FY18	\$330,345,661	\$755,690,641	44%
FY19	S481,103,274	\$791,587,236	61 %

Brokers reduce the need for GSA to hire additional full-time staff. GSA provided GAO, through its workforce model efforts, the chart below that demonstrates over \$4 million dollars in annual salary savings by employing brokers. The chart shows the "quantity"

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(103,310 hours per year) the brokers save in Full Time Equivalent (FTE) costs. The value of a broker is often times significantly more than a GS-12 step 1 in the chart, especially where we have brokers working on high value prospectus level projects. The "value" of a broker is best measured in the LCRM results above.

Potential GSA Leasing Support Services Savings

DC Locality GS-12 Step 1 Salary	\$83,398•
Hourly Salary	\$40.10
Potential Hours Saved Using GLS (Per Year)	103,310
FTE Yearly Salary Savings	\$4,142,731

"Based on 20 19 salary tab les

In conclusion, brokers are best utilized on high-value leases in larger markets due to their market expertise, ability to earn a commission, and greatest opportunity for savings. They bring significant savings to the government by negotiating below market rental rates, assisting tenant agencies in reducing their footprint, and supplementing GSA FTE staff, which helps GSA replace more leases on time and avoid costly extensions and holdovers.

While GSA appreciates GAO's review of its broker services program as required under the 2019 John S. McCain National Defense Authorization Act, GSA does not agree with GAO's draft report conclusions, findings, and Recommendation 2.

If you have any questions or concerns, please contact Mr. Jeffrey A. Post, Associate Administrator, Office of Congressional and Intergovernmental Affairs, at (202) 501- 0563.

Emily Murphy Administrator

cc: Lori Rectanus, Director, Physical Infrastructure, GAO

Appendix II: GAO Contact and Staff Acknowledgments

GAO Contact

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Staff Acknowledgments

In addition to the individual named above, other key contributors to this report were: Andrew Huddleston (Assistant Director), Nelsie Alcoser, (Analyst-in-Charge), Caitlin Cusati, Josh Ormond, Colleen Taylor, Jack Wang, Michelle Weathers, Crystal Wesco, and William Woods.

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