CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

April 6, 2000

H.R. 3069

Southeast Federal Center Public-Private Development Act of 2000

As ordered reported by the House Committee on Transportation and Infrastructure on March 23, 2000

H.R. 3069 would authorize the General Services Administration (GSA) to enter into an agreement with a private entity for the purposes of redeveloping the Southeast Federal Center (SEFC) in Washington, D.C. Because much uncertainty exists as to whether GSA could find a private-sector partner to redevelop the SEFC and the exact form that such an agreement might take, CBO cannot estimate the budgetary impact of H.R. 3069. Because the bill could affect direct spending (including offsetting receipts), pay-as-you-go procedures would apply.

An agreement to develop the SEFC under H.R. 3069 could take one of many forms, including a lease, joint venture, or limited partnership between the federal government and a private entity. Through such an agreement, GSA could sell a portion or all of SEFC; lease or exchange SEFC property for space, goods, or services, including new construction or physical improvements to existing federal property; or, through a public-private partnership, construct, manage, and lease space in new facilities to federal and nonfederal entities. The bill would prohibit GSA from providing a federal guarantee for any debt issued as part of an agreement. Any obligation for GSA to make payments under H.R. 3069 would be subject to funding being provided in advance in appropriation acts. Under the bill, GSA could retain and spend any proceeds resulting from an agreement sufficient to recover its costs under the agreement. Finally, before entering into an agreement, the bill would require GSA to report to the Congress on the proposed agreement.

Because much uncertainty exists as to whether GSA could find a private-sector partner to redevelop the SEFC and the form such an agreement might take, CBO cannot estimate the budgetary impact of H.R. 3069. However, depending on the type of agreement, implementing H.R. 3069 could have significant budgetary consequences. For example, a public-private partnership formed to construct an office building at SEFC for use by federal agencies would be a lease-purchase agreement. Under the Budget Enforcement Act, a lease-purchase agreement would require an up-front appropriation equal to the building's full construction cost, and outlays would be recorded during the construction period. Alternatively, GSA could use the authority in H.R. 3069 to provide a long-term lease of the

SEFC to a private entity in exchange for specific services, such as rent-free office space for federal agencies. Because it would not involve the payment of cash, that transaction would have no budgetary impact. Finally, GSA could sell some or all of the SEFC property, thus increasing offsetting receipts from the sale of surplus federal property.

H.R. 3069 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act and would impose no costs on state, local, or tribal governments. The District of Columbia could benefit under this bill because public land currently exempt from property tax would become taxable if the property is transferred to private ownership. The outcome would depend on whether the District of Columbia would choose to grant a tax exemption based on the proposed use of the property.

The CBO staff contact for this estimate is John R. Righter. The estimate was approved by Robert A. Sunshine, Assistant Director for Budget Analysis.