

# *GSA's PBS and FAS—Two Roads Diverged*

by Patrick J. Keogh AMV, LLC

I have spent almost 30 years as a GSA employee, mostly in the Public Buildings Service, and over 15 years as a government consultant under contract to the Federal Acquisition Service. GSA has been around for 61 years since it was formed in 1949, so I have been there about three-quarters of that time. That alone can make you feel old.

This article is my perspective of how GSA and its work have evolved. GSA's origins are in the enormous success of American industry and military in World War II. A large centralized industrial engine had contributed to winning the war and the Hoover Commission adapted that experience as the model for the post-war government. It was thought that bigger would result in greater efficiency and economies of scale. In the case of GSA that worked at first and in some ways it has worked up to the present.

## **GSA is about Acquisition and Management**

Today, GSA has been reduced to basics. It has fundamentally two business organizations and functions. GSA does "personal property and services acquisition and management" and it does "real property acquisition and management." Personal property matters are handled by GSA's Federal Acquisition Service (FAS) and real property is the province of GSA's Public Buildings Service (PBS). Over the years there have been other "services" (industry might call them business lines or profit centers) focused on telecommunications, transportation, surplus property and data processing. But those are now gone, mostly having been absorbed into FAS and PBS.

## **The Federal Acquisition Service**

Remember, I spent a long career with PBS as an employee and my 15 years as a consultant has been as a FAS contractor. FAS was the government's Sears Roebuck or Walmart, and was based on the premise that bigger is better. Bigger will get you better prices and more efficiencies. Years ago FAS ran a national system of warehouses, buying in bulk and distributing supplies to government employees through a network of retail stores. FAS bought paper, pencils, paint and hand tools at wholesale and in volume and retailed them to Federal agency customers. As delivery practices changed, it moved away from the bricks and mor-

tar retail outlets to catalogues, and orders placed by phone were delivered to individual offices. Later still, FAS moved to including products and services on schedule contracts from which Federal agencies could order directly from the supplier or service provider. Schedule contracts are master procurement vehicles where FAS has pre-negotiated the pricing and other important terms. As noted, my firm has been a FAS schedule contract holder for about 15 years now.

## **FAS Schedule Contracts**

Let's understand what a FAS schedule contract is. It is a pre-negotiated contract or license granted by FAS. When services are involved, it details the skills required and the rates that can be charged. It may also identify the fee schedule when the contractor works at risk. For example, the AMV schedule contract identifies the hourly rates that we can charge for real estate consulting, financial analysis and legal services. It also specifies the at-risk fee we can earn for structuring and placing financing. By "at-risk" is meant that if we work on a project involving private financing that goes to closing then we earn the fee; if not, there is no cost to the government. That's the way it works in the commercial world and that's the way it can work under an FAS schedule contract.

What is even more important is what an FAS schedule contract does not do. It *does not tell you how* to structure and do the deal. If we provide financial advisory services to do a lease financing, for example, there is no prescription in our schedule contract as to how that should be done or how the lease should be written. That is left to us to work out with the client agency. But in working with the client agency we must conform to the applicable schedule contract standards, including fee. Periodically, FAS reviews our work and charges to assure itself that we are keeping within the bounds of the schedule contract and appropriate fee structure. FAS also want to make sure that we are paying FAS the correct "industrial funding fee (IFF)" which is three-quarters of one percent of our gross earnings that is due FAS as a "franchise fee" for processing and administration of the schedule contract. If we do no business we owe nothing. If we have sales then we owe the IFF fee, which FAS uses to fund its

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operating costs. The schedule contract is effectively a franchise to do business, but no guarantee of business. FAS takes care of the more cumbersome parts of the procurement process, leaving the business matters to be decided by the agency working with its selected contractor.

As an existing schedule contractor I'm sure I have my biases, but as a citizen the whole relationship feels like good government. In particular, FAS appears to have adapted the best commercial practices in creating *relationship-based* business approaches. It does so at a modest fee, and the significant business choices are all made by the agency client.

### **PBS Working with the Private Sector**

Through the years I have watched, participated in and have frankly admired the evolution of matters on GSA's personal property and services side. It makes sense and has kept pace with the way I conduct business elsewhere. That's not so true, however, on the real property side of things. Let me cite an example. Years ago I would never have believed PBS would engage real estate brokers to acquire its leased space. Back then there was lots of talk about conflicts of interest and what constituted "essentially governmental functions." Government employees had to do the lease acquisition work because private brokers were thought to be too conflicted. A lot of biblical "can't serve two masters" stuff was tossed around. Over time that changed—but not really. As PBS leasing staff was reduced through attrition and worked increased, PBS contracted with national brokers to do some leasing work. But, unlike FAS, *PBS prescribed how to do the deals*. Essentially, PBS saw the problem as a lack of real estate personnel and that the manpower deficit could be filled by real estate brokers. But, rather than empower brokers to do what brokers do best, PBS prescribed the tools, processes and procedures. In the end, PBS took one of the more efficient and professional U.S. industries and turned its members into technicians.

### **FAS and PBS and their Procurement Styles**

I have learned over the years to be cynical when either financial advisors or public officials tell me "it's different." You hear a lot of that from PBS. "It's differ-

ent" doing government leases," and that "We have laws and procurement regulations to comply with." To some extent that's true. Government procurement does require compliance with a number of statutes and regulations prescribing domestic content, competition, subcontracting requirements, payment provisions, minority participation, and the like. Much of it falls under the umbrella of socio-economic factors. In all my years of contracting on the government side of deals I cannot recall a single contractor ever objecting to a standard statutory requirement. FAS appears to be able to work with those same standard statutory and regulatory requirements and yet constantly create new ways to work with industry to design new tools. PBS, on the other hand, continues to conduct its leasing business using tools, processes and procedures unique to it. PBS may be using brokers, but those brokers are structuring those transactions with tools PBS prescribes. On the other hand, FAS has structured its procurement vehicles to create competition and set compensation parameters, but leaving to the professional contractor and its government client to determine the best tools for accomplishing the public mission.

### **NIH Bayview as an Example of Using Private Sector Approach**

Regular readers of Government Leasing News have likely read about our \$250 million leased build-to-suit for the National Institutes of Health Bayview Research Center in Baltimore. Let us use that example to better understand the procurement culture differences between FAS and PBS in its dealings with private professionals. As mentioned, AMV is the proud owner of a FAS Financial and Business Solutions schedule contract. Under that contract we can offer financial advisory, real estate, development and legal services. Most services are based on hourly rates. Financial advisory services can be procured on an at-risk fee basis as a percentage of any financing structured and placed. There were a number of financial limitations placed on the project and the financing had to be designed to meet the client's needs as well as a number of important budget scoring rules. Johns Hopkins University was providing the land through a lease, and the lease provisions had to be structured to conform to the project needs and financing terms. In view of the cost

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