
EXTENDING FOR 1 YEAR CERTAIN PROVISIONS OF SECTION 100 OF THE SERVICEMEN'S READJUSTMENT ACT OF 1944, AS AMENDED, RELATING TO THE AUTHORITY OF THE ADMINISTRATOR OF VETERANS' AFFAIRS TO ENTER INTO LEASES FOR PERIODS NOT EXCEEDING 5 YEARS

MAY 16 (legislative day, APRIL 21), 1947.—Ordered to be printed

Mr. MILLIKIN, from the Committee on Finance, submitted the following

REPORT

[To accompany S. 1135]

The Committee on Finance, to whom was referred the bill (S. 1135) to extend for 1 year certain provisions of section 100 of the Servicemen's Readjustment Act of 1944, as amended, relating to the authority of the Administrator of Veterans' Affairs to enter into leases for periods not exceeding 5 years, having considered the same, report favorably thereon, without amendment, and recommend that the bill do pass.

The bill was recommended by the Administrator of Veterans' Affairs and was approved by the Bureau of the Budget.

GENERAL STATEMENT

The bill authorizes the Administrator of Veterans' Affairs until June 30, 1948, to enter into leases for periods of not to exceed 5 years.

In making such leases the Administrator is exempted from the provisions of the Economy Act of 1932 as amended. This exemption will permit making a lease where the first year's rental exceeds 15 percent of the fair market value of the premises and will allow alterations in excess of 25 percent of the first year's rental.

Today's real estate market is such that it is nearly impossible to determine the exact fair market value of any property from day to day, and the present scarcity of materials and labor plus increased cost of both in today's market require the exemption of the 25 percent limitation on alterations.

The Veterans' Administration under its decentralization program has established 1,468 branch, regional and subregional offices which are quartered in 1,685 separate buildings, occupying 13,500,000 square

feet of office space as compared with an anticipated 15,000,000 square feet of office space. It would have been almost impossible to acquire much of this space under the conditions existing in the real estate market of the country during the fiscal year 1947 had it not been for the authority contained in Public Law 424 of the Seventy-ninth Congress, which was favorably reported by this committee, giving this authority to the Administrator up to and including June 30, 1947.

During the coming fiscal year it is the intent of the Administrator of Veterans' Affairs to consolidate many of these offices under one roof and to carry out this program of consolidation successfully it will be necessary to extend this law for one more year.

It has been the policy of the Administrator of Veterans' Affairs to exercise the authority granted him only in cases in which it has been determined that the exercise of such authority was necessary in the public interest. This policy will remain in effect if the authority of the Administrator of Veterans' Affairs to negotiate such leases is continued for the fiscal year 1948. Without such authority it doubtless would have been necessary in many cases to accept undesirable office space or resort to condemnation or purchase to acquire suitable space.

Failure to continue the provision of Public Law 424, Seventy-ninth Congress, for another year would seriously hamper the activities of the Veterans' Administration, particularly those relating to installation and out-patient treatment clinics. It would probably result in an increase in the expenditure of public funds.

The report of the Administrator of Veterans' Affairs on this bill is as follows:

APRIL 9, 1947.

HON. ARTHUR H. VANDENBERG,
President pro tempore of the Senate,
Washington 25, D. C.

DEAR MR. PRESIDENT: There is transmitted herewith draft of a bill to amend section 100 of the Servicemen's Readjustment Act of 1944, as amended, with the request that the same be introduced and considered for enactment.

The purpose of the proposed bill is to extend for 1 year the provisions of the second paragraph of section 100 of the act, as added by Public Law 424, Seventy-ninth Congress, approved June 22, 1946, which authorize the Administrator of Veterans' Affairs to enter into 5-year leases, notwithstanding the fact that appropriations are not presently available for the entire period and further to permit such leases to be made free from the restrictions of the so-called Economy Act of 1932 (47 Stat. 412) approved June 30, 1932, as amended (47 Stat. 1517) prohibiting entering into any lease where the annual rental rate, in cases of rentals above \$2,000 per annum, exceeds 15 percent of the fair market value of the premises at date of the lease, or where the amount of alterations, repairs and improvements to be made at Government expense exceeds 25 percent of the first year's rental. These provisions of section 100, *supra*, expire June 30, 1947.

No substantial change in the rental market is presently anticipated and the Veterans' Administration will have the same difficulty in securing rental space during the fiscal year 1948 as required the special authorizations contained in the act of June 22, 1946.

The Veterans' Administration, under its decentralization program, has established 1,468 branch, regional, subregional, contact, and guidance offices. These field offices are quartered in 1,685 separate buildings and occupy approximately 13,500,000 square feet of office space as compared with an anticipated maximum requirement of approximately 15,000,000 square feet of space. The Administrator of Veterans' Affairs would have been unable to acquire much of this space under the conditions which existed in the real estate markets of this country during the fiscal year 1947 had it not been for the authority contained in section 100, *supra*.

During the coming fiscal year, in the interest of improved service for veterans and maximum economy of operation, many of these offices will be consolidated

under one roof. The number that will be consolidated cannot be estimated with any degree of accuracy, but such consolidations will be made wherever practical. However, if the Administrator of Veterans' Affairs is to successfully carry out this program of consolidation, it will be necessary for him to continue to exercise his present authority under section 100, *supra*.

The policy of the Administrator of Veterans' Affairs during the fiscal year 1947 has been to exercise the leasing authority in question only in those instances in which it has been determined that the exercise of such authority was necessary in the public interest. This policy will remain in effect if the authority of the Administrator of Veterans' Affairs to negotiate such leases is continued for the fiscal year 1948. In this connection, it should be noted that to date but approximately fifty leases have been entered into for a period exceeding 1 year. Without such authority it doubtless would have been necessary in many cases either to accept undesirable space or to resort to condemnation or purchase to acquire suitable space.

Failure to continue the provisions of the second paragraph of section 100, *supra*, would seriously hamper the activities of the Veterans' Administration, particularly those relating to the installation of out-patient treatment clinics. It would also probably result in an increase in the expenditure of public funds.

The conclusions stated in the preceding paragraph are based upon the following considerations. The Veterans' Administration is now excepted by the provisions of section 100, *supra*, from the restrictions imposed by the terms of the act of June 30, 1932, as amended, *supra*, which limit expenditures for alterations, improvements and repairs of leased space to 25 percent of the first year's rental. This restriction under present market conditions would make it difficult to obtain space at a reasonable price, since in the experience of the Veterans' Administration, cheaper space costing, for example, 50 cents per square foot per annum would generally require a greater expenditure for alterations than higher priced space costing perhaps \$3 per square foot per annum. Notwithstanding this fact, however, under the restrictions of the act of June 30, 1932, as amended, the Veterans' Administration could spend 75 cents per square foot for alterations on the more expensive space whereas on the cheaper space it could spend for alterations but 12½ cents per square foot. Consequently, when space is required for a long-term use, it would in many cases result in a substantial saving to the Government to acquire cheaper space and put it into condition for use. An estimate of gross savings which might be realized by the Government in this manner cannot be definitely determined but undoubtedly it would approximate many thousands of dollars. Further, in connection with the installation of medical clinics in leased premises, the Veterans' Administration is unable, because of the peculiar and extensive character of the alterations required, to make the necessary alterations for as little as 25 percent of the annual rental.

For the foregoing reasons, it is respectfully requested that the proposed legislation be introduced and given early consideration for enactment.

Advice has been received from the Bureau of the Budget that there would be no objection by that office to the submission of the proposed legislation to the Congress.

Sincerely yours,

OMAR N. BRADLEY,
General, United States Army, Administrator.

The committee is in accord with the purposes of this bill and recommends its enactment.

