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FEDERAL ASSET MANAGEMENT: ELIMINATING WASTE BY DISPOSING OF UNNEEDED FEDERAL REAL PROPERTY

HEARING

BEFORE THE

FEDERAL FINANCIAL MANAGEMENT, GOVERNMENT INFORMATION, FEDERAL SERVICES, AND INTERNATIONAL SECURITY SUBCOMMITTEE

OF THE

COMMITTEE ON HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS UNITED STATES SENATE

OF THE

ONE HUNDRED TWELFTH CONGRESS

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FEDERAL ASSET MANAGEMENT: ELIMINATING WASTE BY DISPOSING OF UNNEEDED FEDERAL REAL PROPERTY

THURSDAY, JUNE 9, 2011

U.S. SENATE,
SUBCOMMITTEE ON FEDERAL FINANCIAL MANAGEMENT,
GOVERNMENT INFORMATION, FEDERAL SERVICES,
AND INTERNATIONAL SECURITY,
OF THE COMMITTEE ON HOMELAND SECURITY
AND GOVERNMENTAL AFFAIRS,
Washington, DC.

The Subcommittee met, pursuant to notice, at 2:02 p.m., in room 342, Dirksen Senate Office Building, Hon. Thomas R. Carper, Chairman of the Subcommittee, presiding.

Present: Senators Carper, Begich, Brown, and Coburn.

OPENING STATEMENT OF SENATOR CARPER

Senator CARPER. Well, good afternoon, one and all. Senator Brown and I are happy to welcome you to our hearing today. We thank you for joining us.

Today, we will—actually, as it turns out, we have a vote starting at 2:15, and I think Senator Brown is going to slip out here in a few minutes and run and vote, so he will be at the beginning, then come and chair the hearing until I get back so we can both vote and we will not waste your time and we will get this show on the road. But welcome.

Today, we will examine the challenges that our Federal Government faces in managing our property, really, the property of the American people. We will also discuss the President's proposal to address at least some of these challenges through the creation of what the Administration is calling a Civilian Property Realignment Board to assist agencies in right-sizing our Federal real estate portfolio.

There is general consensus that the Federal Government has to get smarter about the way we manage our buildings and lands, and with concerns over the implications for our deficit and our national debt mounting, eliminating waste and achieving cost savings in this area must remain a priority.

Between 2001 and 2009, we ran up as much debt as we did in the first 208 years of our Nation's history. Last year, we ran up what may be the largest budget deficit in our Nation's history. While most of us here in Washington are united in our desire to

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find a solution to our country's fiscal problems, we are still facing an ocean of red ink for as far as the eye can see.

A wide variety of ideas have been put forward on how to reduce our budget deficits and begin whittling down our debt. Last fall, the majority of the bipartisan Deficit Commission appointed by President Obama provided us with a road map to reduce the cumulative Federal deficits over the next decade by roughly $4 trillion. A number of the steps we would need to take in order to accomplish this goal will likely be painful.

Many Americans believe that those of us here in Washington are not capable of taking these steps. They do not think we can do the hard work that we were hired to do, that is to effectively manage the tax dollars—their tax dollars that they have entrusted to us. They look at the spending decisions we have made in recent years and the poor management across government and question whether the culture here is broken and question whether we are capable of making the kind of tough decisions they and their families have to make every day with respect to their own budgets, and I do not blame them for being skeptical.

We need to establish a different kind of culture here in Washington when it comes to spending. We need to establish what I call a culture of thrift. That involves looking at every nook and cranny of Federal spending, domestic, defense, entitlement programs, along with tax expenditures, and asking this simple question: Is it possible to get better results for less money, or at least to get better results for the same amount of money?

When it comes to Federal property management, it is clear to me and to others that we can get better results and save money. Federal property management has been on the Government Accountability Office's (GAOs) High-Risk List since January 2003, in part due to the overwhelming number of unneeded, underutilized, and even vacant facilities held by Federal agencies.

The most recent comprehensive data available showed that Federal agencies apparently possess more than 45,000 underutilized buildings totaling more than 340 million square feet in space. That is about the size of Delaware. I exaggerate, but it is a lot of space. [Laughter.]

These buildings cost nearly $1.7 billion annually to secure and to maintain.

Just last month, the Administration released a list of 14,000 real property assets that have been identified as excess, meaning they no longer meet a Federal need and should be disposed of.

In addition, we are also likely over-leasing. Since 2008, the General Services Administration (GSA) has leased more property than it owns, even though owning a Federal building is often a more cost effective way of meeting an agency's long-term needs.

Fortunately, both Congress and the Obama Administration are united in their commitment to address this issue. In June 2010, President Obama issued a memorandum urging agencies to move more swiftly to dispose of unneeded property. He also put into place a goal of achieving $3 billion in savings through property sales and other disposal actions by the end of Fiscal Year (FY) 2012.

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In addition, the President's latest budget includes a recommendation to form what the Administration calls a Civilian Property Realignment Board, whose purpose would be to review the government's property portfolio and dispose of those deemed excess in an expedited manner. This is a proposal that my colleagues and I on the Homeland Security and Government Affairs Committee (HSGAC) still need to spend time examining, but I am pleased that the President has put this suggestion, something aggressive, on the table.

Clearly, the momentum is building to address a widely recognized problem. Yet, in all of our zeal to save, we must be intelligent in our approach. Rome was not built in a day. The Federal Government's bloated property portfolio cannot be unbuilt in a day. We have an opportunity that is ripe to change the way the government manages its hundreds of billions of dollars worth of assets.

The President's proposal may be the right approach. It may not be. It does, however, hold some promise, and that said, agencies should not be waiting for a civilian Base Realignment and Closure (BRAC) to solve their problem in the meanwhile managing the properties. In an era of shrinking budgets and scarce resources, it is critical that agencies come up with innovative property management tools to expeditiously dispose of assets that they no longer need and take better care of those that they do need.

In sum, our government has many underutilized and vacant properties that cost billions of dollars each year to maintain. We pay for their maintenance. We pay for security for those properties. We pay for utilities for many of those properties. Despite efforts to reduce this inventory, multiple obstacles remain that preclude quick and easy solutions, and I really look forward to hearing from our witnesses today as you share your thoughts with us on the Administration's plan and on sitting down with our Subcommittee colleagues who are interested in this issue so that we can move forward with the more difficult work that lies ahead. Senator Brown.

OPENING STATEMENT OF SENATOR BROWN

Senator BROWN. Thank you, Mr. Chairman, for holding this hearing. I have enjoyed our time together and really learning about where a lot of the waste and inefficiency is. This is something I commend the President for putting forth, a plan for how to deal with a lot of the underutilized properties, which, as you referenced, cost us $1.7 billion a year that we could be using in other types of programs or putting back to paying down our deficit.

I will submit my statement for the record, but I just wanted to point out those two things and I look forward to the witnesses' testimony, as well. Thank you.

Senator CARPER. Thanks so much, Senator Brown.

Let me just say to our staffs, both Democrat and Republican, I thank our staffs for helping us in preparation for this hearing.

I want to begin by just welcoming our first panel of witnesses, and the first is a person who needs little introduction here. It is someone who has served on this side of the dais many times the Honorable Alan Dixon, Senator from Illinois from 1981 to 1993. While he served in the Senate for at least 10 of those years, I was serving in the House and we had a fair amount of overlap. Senator

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Dixon was a member of the Committee on Armed Services, the Committee on Banking, Housing, and Urban Affairs, where I used to serve, as well, and the Committee on Small Business.

Since retiring from the Senate, he has continued to demonstrate his commitment to public service by serving as the Chairman of the Defense Base Closure and Realignment Commission during 1994 and 1995. He is currently Senior Counsel at Brian Cave, an international law firm. Senator, welcome. It is great to see you.

Mr. David Baxa is President and Chief Executive Officer (CEO) of VISTA Technology Services, Incorporated, a management and information technology (IT) consulting firm that supports large organizations in getting the most from their real property asset portfolio. He has more than doubled the size of VISTA since 2003. Previously, Mr. Baxa spent more than half of his career as general manager (GM) of a team providing support for every Defense Base Realignment and Closure round since 1988, so your paths intersected a lot with Senator Dixon back in the mid–1990's. Welcome.

Tim Ford is Chief Executive Officer of the Association of Defense Communities (ADC), which has been accredited with helping guide hundreds of its members through BRAC 2005. Mr. Ford is a nationally recognized expert on the impacts of base closure, base redevelopment, and community-military partnership. Previously, Mr. Ford was Executive Director of the New York City Employment and Training Coalition, which is the city's leading workforce development association. Mr. Ford, very nice to see you.

And finally, our fourth witness is a person whose last name has never been correctly pronounced, and I am going to try to do it. I ask my staff, whenever we have a tough name to pronounce, I ask them to spell it out phonetically and we will see how I do and how well they do. Ms. Foscarinis.

Ms. FOSCARINIS. Foscarinis, perfect.

Senator CARPER. OK, good. Thank you. Maria Foscarinis is the Executive Director of the National Law Center on Homelessness and Poverty. She is the founder of the Center, which has advocated for solutions for homelessness since 1985. Ms. Foscarinis is a primary architect of the Stuart B. McKinney Homeless Assistance Act. I served with Stuart McKinney for a number of years on the Banking Committee in the House. That was the first major act of Federal legislation passed addressing homelessness. She has led the successful litigation to secure the legal rights of the homeless and is an internationally known expert, and we thank you and each of our panelists for being here today.

Why don't we go ahead and begin your testimonies. We will ask that you try to limit your testimonies to 5 minutes or so. If you go way over that, we will rein you in. If you do not, we will be in good shape.

Senator Brown, you may want to slip out and go vote. Is the vote going to start at 2:15?

Senator BROWN. Yes.

Senator CARPER. If it is, you may want to do that, and then you can come back and I will run over and vote and we will be in good shape. Thank you.

Senator, please proceed. Your entire statements will be made part of the record and feel free to summarize as you wish.

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STATEMENT OF HON. ALAN DIXON,[1] FORMER CHAIRMAN, 1995 DEFENSE BASE REALIGNMENT AND CLOSURE COMMISSION

Mr. DIXON. Thank you very much, Mr. Chairman and Senator Brown. It is delightful to be here with you today. I ask that my full statement be included in the record.

I think you will find it useful in view of my experience as Chairman of the 1995 BRAC. In that year, my good friend Senator Sam Nunn, the Chairman of the Armed Services Committee, recommended me to President Clinton to be the Chairman of BRAC and talked me into it. I have come to forgive them both, Mr. Chairman, for that experience. But I can testify on the basis of that experience that BRAC was an immense success. Billions and billions and billions of dollars were saved by what we did.

I am simply going to close by saying my experience is outlined in the record for you, but I want to say that the BRAC experience showed that some form of government assistance to communities affected by major closures or realignment was essential both for losing communities to overcome the economic impact, and in some cases for gaining communities to prepare local infrastructure to receive new activities.

Now, Mr. Chairman, I notice that under the Administration's proposal, the Civilian Property Realignment Board's meetings are not open to the public, and the Chair and the Ranking Member of the congressional Oversight Committees can sit in on all meetings of the Board. I respectfully suggest, Mr. Chairman, that the Subcommittee should take a close look at these aspects of the Administration's proposals in light of my BRAC experience.

The value of transparency, the value of openness, the value of all opportunities for people to be heard is terribly important. The BRAC experience shows that military base closures can be done in a fair, open, and compassionate manner and the communities affected can recover economically, and I believe that will be true of your experience with this legislation if you are prepared to protect transparency.

I thank the Chair.

Senator CARPER. Thanks very much, and to your point, I spent a couple of days last week—we were in recess here in the Senate, and I spent a couple of days in California, where many of the bases, including Motha Field Naval Air Station, where I was a Naval Flight Officer, have been closed and have been transitioned to other activities, and for the most part, very successfully. So I think you are absolutely right.

Mr. DIXON. May I make this final response to that?

Senator CARPER. Please.

Mr. DIXON. In my own State of Illinois, Mr. Chairman, they closed Chanute Air Force Base near the University of Illinois at Rantoul. Everybody thought that would be the ruination of this community called Rantoul in Central Illinois. As a matter of fact, that has become a tremendous industrial park and has contributed a lot of good economically to that community. They closed Fort Sheridan in Northern Illinois and that became one of the most beautiful residential areas on Lake Michigan that you could ask to

[1] The prepared statement of Mr. Dixon appears in the appendix on page 51.

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see. So I definitely believe that the economic results of this will be very beneficial to the government and the people of the United States.

Senator CARPER. My staff oftentimes hear me quote Albert Einstein, who once said, "In adversity lies opportunity," and the same is true and you have shown it with the work that you have done. Thank you. Thanks for being with us today.

Mr. Baxa, please.

STATEMENT OF DAVID BAXA,[1] CHIEF EXECUTIVE OFFICER, VISTA TECHNOLOGY SERVICES, INC.

Mr. BAXA. Thank you, Mr. Chairman. I certainly want to say on behalf of the employees of VISTA TSI, we sincerely appreciate your invitation to share our views. Our views and my personal views are honed by nearly 25 years of experience with Defense BRAC through five rounds, starting in 1988.

Our comprehensive support to the Department of Defense (DOD) has included development of tools to determine space requirements in concert with workforce demographics and organizational missions. We have also helped to determine excess properties by specific type and location. These proven methodologies continue to result in major savings and cost avoidances to DOD.

For example, we recently helped the Army avoid more than half-a-billion dollars in new costs for medical and parking facilities. We examined other government agency practices, applicable industry standards, and analogous private sector benchmarks to help the Army adopt new criteria. The result was cost avoidance of $220 million for medical facilities, $310 million for parking. The resulting elimination of these 500,000 square feet of medical and 8 million square yards of parking allowed the Army to avoid tens of millions of dollars of additional costs in future operations and maintenance for those facilities. This is the kind of thinking that should take place as civilian agencies change the way they view their needs for real property.

I would caution the Congress not to view the current initiative as a fire sale of assets for short-term gain. Rather, it should be viewed as an opportunity to effect permanent changes in Federal real property asset management practices. The most substantial benefit to the taxpayer will come through reduced year over year sustainment costs for facilities we no longer need. We should be ambitious and not miss an extraordinary opportunity to help Federal asset management professionals drive significant costs out of their system.

My written statement offers several suggestions for the Subcommittee's consideration. I would like to highlight six of them here.

First, the Senate-confirmed Commission should operate for no less than 8 years, with official recommendations issued every 2 years during that period. It will likely take two or three rounds to achieve the maximum benefits, where agencies truly get in sync with the process prescribed by the Commission, improvements in agency asset management business practices become institutional-

[1] The prepared statement of Mr. Baxa appears in the appendix on page 54.

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ized, and congressional and taxpayer expectations are met with regard to asset sale proceeds, property management cost avoidances, and other savings.

Second, the Commission's development of standards or best practices and criteria for evaluating agency recommendations is one of the keys to this process. The Commission should avoid a one-size-fits-all criteria, but done right, standard benchmarks can lead to the integration of improved business decision methodologies across all agencies. This would help ensure that realignment is an ongoing activity. Agencies should regularly evaluate their real property holdings and configurations as their missions evolve, business processes improve, and workplace realities change.

Third, steps should be taken to ensure that departments and agencies have essential data to account for what they own or lease, where it is, what condition it is in, how it is being utilized, and how it compares to what is actually needed to support essential missions and programs. Without these important data points, decision-makers will have diminished ability to effectively realign or improve management of their real property assets.

Fourth, agencies should be given sufficient time to work through the thorny issues associated with making recommendations to the Commission. Done right, this process will require agencies to rethink their space requirements. Based on years of practical experience, including DOD BRAC, this undertaking requires sufficient time to promote the best choices.

Fifth, Congress should consider requiring departments and agencies to prepare and publish workforce projections and planning criteria in the Federal Register. Defense BRAC required DOD to publish force structure plans and criteria for determining asset closure and realignment candidacy. This established consistency in the way recommendations were developed and would be helpful to civilian departments and agencies, as well.

Finally, Congress should consider the establishment of a Resolution Trust Corporation (RTC)-type entity to take possession of all designated properties and dispose of them in a way that maximizes returns. This would reduce disposal burdens on agencies and promote bundling of assets across agencies as part of the process. While GSA is very skilled as a customer-focused landlord and does a good job there, its experience in bundling assets in creative ways to maximize returns is more limited. An RTC-type entity could effectively engage private development interests to successfully address such disposal innovations.

To conclude, Mr. Chairman, I genuinely applaud your efforts to address this need. Congress should take care to design the process so that the taxpayer realizes the greatest benefit possible.

Senator CARPER. Thanks, Mr. Baxa.

Mr. Ford, please proceed. And if we get about 5 minutes into your testimony, I am going to have to maybe adjourn, or at least recess, but go ahead. I would like to get started. Please proceed.

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STATEMENT OF TIM FORD,[1] CHIEF EXECUTIVE OFFICER, ASSOCIATION OF DEFENSE COMMUNITIES

Mr. FORD. Chairman Carper, Senator Brown, distinguished Members of the Subcommittee, we appreciate the opportunity to be here today. For more than 35 years, ADC has been the leading nongovernmental organization involved with the BRAC process. We represent over 250 communities that have dealt with or are dealing with the impacts of BRAC. Through our involvement with the past rounds and our current involvement in the property disposal process, we bring a vast experience with working with local and State Governments, the Federal Government, and the private sector on the impacts of Federal property transfer.

As this Subcommittee considers legislation to dispose of excess Federal property, we hope that the lessons learned in the BRAC process, and in particular the impact of the role of communities and States should be given consideration. Communities and States have been a central part of the BRAC process since its inception in the early 1980's. In fact, one of the major reasons we ended up with BRAC was to mitigate the concerns of communities and States regarding the transparency of the overall process.

While decisions related to BRAC and the impact of communities and States have been challenging, the BRAC process has remained politically viable because of the independence of the process, a commitment to transparency, and procedures for engaging communities and States from the beginning through implementation of the decisions. As currently written, the Administration's proposal risks making similar mistakes that were made in the 1988 BRAC round, and I will speak to recommendations that I think would improve the overall approach.

First, it is critical to recognize that communities and States will be impacted and should be involved in the decisions regarding the Federal footprint in their area. Potential negative impacts for communities could range from the elimination of jobs, the movement of jobs, and then there are the implications of property redevelopment.

At the same time, this process could have positive outcomes for communities and States. Working with local government and the private sector, there are opportunities to maximize the efficiency of the Federal footprint and enhance the local tax base. Engaging communities through the entire process may add complexity, but we think it is essential to the success of the process, and we see three critical elements to really building this engagement.

First, transparency. The Administration's proposal to establish a board rather than an independent commission will impede the objectivity of the process and could allow politics to influence decisions. The independent nature of decisions reached through the commission in the BRAC process has been critical to maintaining the support and involvement of communities.

Second, institutionalizing community involvement. Given the length of the proposed process and its broad national impacts, mechanisms for institutionalizing community and State involvement need to be part of this legislation. First, to facilitate coordina-

[1] The prepared statement of Mr. Ford appears in the appendix on page 62.

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tion with communities and States, the board should be required to establish regional-State liaisons that would manage interaction with affected areas.

Second, in those areas where significant actions are taking place, the board should have the option to create a joint Federal-local agency chaired by the community or State and comprised of Federal-local members in the impacted areas. This entity could provide a mechanism for ensuring that local tools, such as zoning and land use entitlements, are in place to maximize the return to the Federal Government. A similar model has been very important in the successful transfer of property and military base closure.

Third, given the ongoing budget discussion, there is strong interest in selling unneeded Federal property as a way to generate revenue. While it could be an option in some situations where market conditions are favorable, our experience in disposing of Federal property in BRAC has shown that cost avoidance rather than generating revenue through land sales is a more realistic goal. Attempts to focus BRAC property transfer on attaining fair market value and sales revenue have not been successful. In many instances, the value of the property decreased because of the extra carrying cost to the government while it tried to maximize the value in the marketplace.

Another issue for property disposal involves the transfer of parcels to State and local entities for public benefit. Communities need to have a strong voice in this process and be allowed to petition, and in some cases receive Federal property at little or no cost if it meets local needs. Community involvement needs to be extended to the screening of property for homeless needs. In most instances, community and State leaders, not a Federal board, will understand their communities' needs and can best accommodate the needs of the homeless.

Finally, while there is value in using existing disposal authorities within Federal agencies, most agencies are not set up to manage significant property disposal actions. Centralizing the disposal authority into one agency with real estate and property expertise is essential.

To conclude, communities and States can play an important role in the success of the Federal disposal effort. Creating a process that maintains independence and transparency while engaging communities will be key for successfully implementing this process. After a decision is made, the property disposal process must focus on partnering with local entities to expedite the process. BRAC, while complex, has taught us this process can create mutual benefits for all involved.

We appreciate the opportunity to testify today. Senator Brown.

[Presiding.] Great. Thank you very much. Ms. Foscarinis.

STATEMENT OF MARIA FOSCARINIS,[1] EXECUTIVE DIRECTOR, NATIONAL LAW CENTER ON HOMELESSNESS AND POVERTY

Ms. FOSCARINIS. Thank you very much. Chairman Carper, Senator Brown, Members of the Subcommittee, I appreciate the opportunity to testify today. I am the Executive Director of the National

[1] The prepared statement of Ms. Foscarinis appears in the appendix on page 67.

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Law Center on Homelessness and Poverty. Our mission is to serve as the legal arm of the nationwide movement to end and prevent homelessness in America.

Each year, more than 3 million Americans experience homelessness, including 1.3 million children. These numbers have increased as a result of the recession and foreclosure crisis. In fact, the U.S. Conference of Mayors estimated a 9-percent increase in family homelessness in 2010 alone. Over 70 percent of the officials surveyed for the report expect family and child homelessness to increase further during the coming year.

The U.S. Government has committed itself to ending homelessness. Just a year ago, the U.S. Interagency Council on Homelessness released "Opening Doors: The Federal Strategic Plan to End and Prevent Homelessness." The plan's central belief is that no one should experience homelessness. No one should be without a safe, stable place to call home.

Recently, our government stated before the world community that homelessness in our country implicates our human rights commitments and made a pledge to the world community to reduce homelessness. And Congress has made similar commitments, most recently in the HEARTH Act of 2009, which established a Federal goal of ensuring that individuals and families who become homeless return to permanent housing within 30 days.

You might wonder what homelessness has to do with Federal surplus property. The answer is simple. In 1987, Title V of the McKinney-Vento Act put in place a set of important protections for homeless people. Under the law, homeless service providers have a right of first refusal to acquire Federal property no longer needed by the government to use it for urgent needs, such as housing and services for people who are homeless.

More than 2.4 million Americans benefit each year as a result of this provision in the law. Formerly vacant Federal properties now provide shelter, transitional and permanent housing, case management, food pantries, job training, mental health and substance abuse treatment, and child care. Just in the States represented by Members of this Subcommittee, properties have been transferred in Alaska, Arkansas, Maine, and Montana. Massachusetts is also on that list, and I am not sure why I did not include it.

As Congress reviews efforts by Federal agencies to dispose of surplus properties, homeless people must be protected, and I know the Committee is very concerned with cost reduction and I want to note that ending homelessness is not only the right thing to do, but also the fiscally responsible thing to do. It is more costly to allow homelessness to continue in our country than to end it, and Title V is one of the important Federal programs that can help us do that.

I want to make three points that are elaborated on in my written testimony. The Title V process is not the cause of inefficiencies in the Federal property disposal process and thus it should be protected and not eliminated or drastically altered as a result of procedural reform. The process takes a mere matter of months, and once complete, the Federal Government may move forward with any alternative means of property disposal. We know that nearly all of the 14,000 properties on the list of existing—on the list of properties that have been screened through Title V, the review has

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been completed and they are now awaiting transfer. Title V is not the cause of the hold-up. If there are reasons for the delay, they do not lie within Title V and thus Title V should not be altered to address the inefficiency.

Second, while we reject this contention that Title V is causing delay, we agree that procedural reforms can be made to streamline the process and make it work in a faster and smarter way, and we are happy to work with the Committee to do that. We also believe that more Federal properties could be made available that would be useful in providing housing for homeless people and thus saving the Federal Government, ultimately, resources.

Third point, we understand that the Subcommittee is now considering a legislative proposal put forth by the Office of Management and Budget (OMB) that would eliminate Title V and replace it with a BRAC-like process. We want to say that we cannot support this proposal in its current form. The protections that are in BRAC are not in place in this proposal and we cannot support the proposal without those protections. Those protections include representation of homeless people on the commission that would review property and it would include a right to have—by those representatives to refer a property to be screened for use on behalf of homeless people.

This is not the time, as homelessness continues to rise across the country, this is not the time to take away an important Federal program to help homeless people that has been in place for almost 25 years. This is the time for the Federal Government to be looking at increasing ways that it can assist in addressing the needs of homeless people. And as I said before, this is not only the right thing to do, it is also a cost effective—the cost effective thing to do, because homelessness not only costs lives, it costs resources.

So with that, I will submit the rest of my testimony for the record. I thank you very much for the opportunity to testify and I would be glad to respond to questions.

Senator BROWN. Great. Thank you very much.

Obviously, I have Senator Begich here and Senator Coburn. I will start off. We will do 7-minute rounds and then we will alternate until the Chairman gets here. He went and voted.

Mr. Ford, if I could just start with you, I know that in your testimony, you emphasize the importance of a commission as opposed to a board. How would the creation of a board instead of a commission impede the independence of the President's proposed process, if at all?

Mr. FORD. I am not the expert on all the differences between the board and a commission. We know the experience in BRAC with the commission, which is independent, Presidentially appointed——

Senator BROWN. Right.

Mr. FORD [continuing]. It is not within an agency, so it has the independence to make decisions and can establish its own transparency requirements. It has been a process that has been successful through BRAC.

Senator BROWN. And, Mr. Baxa, during your experience with the BRAC process, any mistakes that you encountered that we should avoid in administering the civilian property realignment proposal?

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Mr. BAXA. Well, I think some of the things that probably I would call attention to is that there were instances where there could have been more done to help, I think, localities deal with these big closures. I am not sure, though, that the same thing applies to a civilian BRAC, since we are not looking most likely at shutting down small cities like we were in the case of many defense installations. So I think there are different parameters that come into play that need to be recognized.

Senator BROWN. And, Mr. Ford, back to you. There are many stakeholder interests involved in the disposal of Federal property. We see that all around. There is California, other types of States that have parochial interests, obviously, in protecting or eliminating or dealing with these types of properties. Do you have any suggestions how to ensure that we have an efficient process while also considering any stakeholder interests? Do you have any thoughts on that?

Mr. FORD. I think it is establishing a process from the beginning so you are engaging the communities and the States and the regions in the decisionmaking process. I think some of the early attempts at base closure were done sort of from a Washington perspective and they started just making decisions and the communities and the States kind of fought back, and that is why we ended up with BRAC as a more transparent process. So I think it is establishing a system to engage the communities so that they are working with the commission or board, and I think it—again, it adds some complexity to it, but it could make the whole process move more smoothly.

Senator BROWN. And, Mr. Baxa, on the 14,000 properties you indicated have little market value, what is that? What type of properties, just so anyone listening—what type of properties are we talking about? Are we talking undevelopable plots of land, abandoned buildings——

Mr. BAXA. If you look at the list that has been put out by OMB at this point in time, I think you can see there are a number of very small structures that are part of that. There is obviously open land. And some of them are scattered around in remote areas. And those, I think, would probably have little or no value. There are some that are on Federal enclaves that could not reasonably be cordoned off——

Senator BROWN. You cannot get access? Access issues?

Mr. BAXA. Right, to generate any——

Senator BROWN. Yet where we are actually spending money maintaining these buildings.

Mr. BAXA. Exactly. So the real savings are what comes down the road.

Senator BROWN. Right. So would the recommendations also be to just tear a building down?

Mr. BAXA. I think, in some cases, that is the logical disposal approach.

Senator BROWN. So what has taken so long up to this point? I mean, it seems we are spending $1.7 billion keeping some of these properties maintained, yet they have no fair market value or resale, et cetera.

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Mr. BAXA. There has not been a strong impetus to dispose in the past. I think that may have slowed things down. I think there are some environmental considerations. I do not have the full view of all of those properties, but there certainly are a number of different hurdles that have to be overcome in the disposal process.

Senator BROWN. I will just wrap up with Ms. Foscarinis. So you indicated that you are not in favor of the President's proposal and that you have suggestions to help streamline the process. What are your suggestions? What type of things do you have?

Ms. FOSCARINIS. First of all, our first point is do not alter Title V, because Title V is not the cause of the problem. It is not the reason why those 14,000 properties are languishing and costing the Federal Government.

Senator BROWN. What do we do about those 14,000 properties? What are your suggestions with that?

Ms. FOSCARINIS. Well, I can address only the issue of Title V. So I think with regard to Title V, there can be better targeting so that the properties that truly could be of use for homeless people are targeted and made available, offered for that use to service providers.

Senator BROWN. OK.

Ms. FOSCARINIS. Right now, there is all kinds of properties that go through the Title V process that are not of any practicable use. Those include national security properties, air strips, all kinds of properties that could not conceivably be used to house anybody. So those do not need to go through Title V process. There could be better outreach so that service providers serving homeless people become better aware and are also assisted in the application process. That would also speed it up.

Senator BROWN. OK. Well, thank you.

I am going to turn it back over to the Chairman. I have completed my questions, so I started and then we have two new Members.

Senator CARPER.

[Presiding.] How did they do in answering those questions?

Senator BROWN. They did very well, thank you.

Senator CARPER. OK. That is good. All right.

Senator Begich, why do you not go ahead, and feel free to make a statement if you would like.

Senator BEGICH. Thank you very much. I will probably combine it here.

I am listening to the testimony and the ideas, and I come from a city where for 20-some years we have had surplus properties and we put them into what we call the Heritage Land Bank, run by an independent board appointed by the mayor under both Republican and Democratic mayors. They hold the land in trust and then they release the land and sell it off or they look for public purpose.

And so I am listening to your concerns, because we had the same concerns. We have a high homeless population. We also recognize every property—I am from the real estate industry, and I will tell you, every property has value. There is no property that has not had value. Someone will figure it out. I have seen this time and time again with properties that maybe there is no public purpose,

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but there is a sliver and they take it and they develop it in some way, and it is amazing what they will do.

So I am looking at this from a very simplistic purpose, or simplistic idea, that taking all this surplus property, I do believe it should be an independent board that disposes of this, because if you leave it to government, I do not know how long that will take. And I do not mean dispose in the sense of just selling, either. I think a combination of things here.

I want to throw out a thought, and then if you could respond. Why not—and I am not sure, the BRAC to me, it is day and night. BRAC is a whole different process. We had to deal with it in Anchorage, so it is about, like you said, towns disappearing, commercial centers disappearing. These are buildings and facilities that most people drive by and go, "What is that?" "Who owns that?" And then they go by and then there is a window broken and they go, "Oh, it must be some government property because they are not maintaining it," and we would get the calls when I was mayor all the time.

So why not just take all these properties, the 14,000, and you can protect Title V. You can say it is going to be a new law. We are going to put these 14,000 properties or whatever else might occur over the years. The board's purpose is to have three goals, or two or three goals. One is, look at these properties for public purpose. Put those aside. The properties that have no public purpose, those are then to be inventoried, valued, or put on the market to sell. And then there is usually this third category that they are really not sure yet because there may be, there may not be, and there is some more analysis that has to be done, and the board continually looks at the inventory that occurs, because the inventory of the Federal Government does go up and down, depending on what is going on in the different industries, or like we are right now consolidating Homeland Security properties into one building. I do not know if they are all leased. Maybe they are. Maybe there are some government buildings that will appear as surplus.

Why not just keep it that simple and just, that is what we do. You keep the concept of Title V in play in the sense of this goal, but we also get rid of some of these properties that, as you have just identified, I mean, airfields, I will guarantee you, someone will buy that airfield. Who knows what they will do with it, but they will buy it. Why not do something like that?

OK. I see a lot of nodding heads. I am afraid to ask for any verbal comment, then, because if you are nodding your head yes—to me, it just seems so logical. To try to replicate the BRAC in this situation is not what it is about. It is about taking property we just do not utilize for U.S. Federal Government purposes anymore, but it may have other purposes. Comments?

Ms. FOSCARINIS. Senator, if I may respond, I think that there is a lot that can be done to reform, as you just indicated. Our first goal would be to keep Title V separate from this process——

Senator BEGICH. I have heard that. Do not worry.

Ms. FOSCARINIS. Well, because the hold-up happens after the Title V process——

Senator BEGICH. I understand that.

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Ms. FOSCARINIS. And so from our perspective, the safest and best thing from the point of view of homeless people, who are often not in a position of power at all in this process. Is to keep Title V separate and address the reform post-Title V. And your suggestions, I think, make a lot of sense.

Senator BEGICH. We used to do a lot of partnership with Habitat for Humanity, Cook County Housing Authority, for that simple purpose. But they just would inventory the property and there is stuff that they could use and there is stuff that they would look at and say, never possible. And then there is stuff that we would have to debate, the board would debate on highest and best value, both from a community and the social service side.

Mr. BAXA. Senator, if I may, I think we are calling it a BRAC process, but this civilian property realignment process with a commission, I think, puts some special impetus on getting the job done, and so having that in play, I think, provides, if you will, a chance for decisions to be made that may be politically difficult to make outside of that construct, and so I would suggest that something along the lines of a BRAC commission and I do favor a commission because I think it has a wider acceptance—would, in fact, help us to get to the end game much more rapidly than we would otherwise.

Senator BEGICH. Go ahead, Mr. Ford.

Mr. FORD. And I think that there is—I mean, in discussions about this process, there has been some assumptions that a commission could look beyond the 15,000 properties on the surplus list to really looking at how to create efficiencies across the Federal footprint and that agencies probably have not listed some of the properties that the commission might consider. So this could have a broader impact. I think the history of BRAC, especially in this last round, where BRAC used to be about closing bases, in our last round, it really became about transformation. But again, BRAC is really just a decisionmaking process. At least it is a process that has shown the ability to deal with local politics and Federal-level politics.

Senator BEGICH. Yes. I guess—I appreciate it. That is great. I agree with you that it is semantics, whatever you call it, just a mechanism. I worry, and maybe I am naive about this, but I am—the political controversy of getting rid of properties that no one uses, at least as a mayor and someone who sat as a mayor for 5 years and 10 years on the city council, is not really controversial. The controversy occurs that you do not do it and it becomes dilapidated, falling apart and deteriorating, where the neighborhoods then get upset because you have not done anything.

And that is where—so I hear—BRAC is so much—I mean, I understand the politics of BRAC. That is like a nightmare, which base should be closed, who should not be closed, all the business that would be affected. But when you have surplus properties, I just—maybe I am, again, naive about this. I do not see the controversy even comparable to BRAC. I understand BRAC is a process, but—just some thoughts there. I think there is a way to do this very easily and I hope we do not over-think this, because I think it is a way to make this happen for the benefit of both ends but at the same time meet our goal, which is we do not want these properties if

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they are costing us money and there is no public purpose from a Federal Government side. There may be community public purpose and/or the faster you get this out into the market, if it is not a public purpose property, you are going to produce economic development, which produces new revenue streams for those local communities and it just dominoes.

So I just—I hope we are not—what I have learned around this place is we sometimes over-think these issues to the point where it is not that complicated. And I will just say from a local government perspective, a mayor, we have done this. Mayors have done this a lot around the country and it seems to work. So I am just throwing that on the table as a concept.

I understand when you say realignment, really, what you are doing is you are reassessing the assets of the Federal Government. It is not realigning anything. You are just reassessing. They do not need that anymore, so now we will pull that and move it over here. So I think we are all saying the same thing. It is just the mechanism. I do not want us to get it complicated, that is all.

That is all, Mr. Chairman. I like this. I mean, I am all for this. I know Mr. Coburn and I have talked about it. Mr. Chairman, we have talked about it. I think this is the right movement to do. It is, just let us not make it too complicated or we will never do it, or it never will happen and we will have 14,000 properties backed up.

Senator CARPER. All right. Senator Coburn has worked on this stuff for many, many years. I think we are going to make some progress here at last and I thank you for your work in all those vineyards and for being here today.

Senator COBURN. I appreciate it. Thank you.

I was just going to reply to Senator Begich that it is not simple because you have every roadblock in the world. There are over 70,000 properties. We have only got 14,000. We have 70,000. The $1.2 billion does not come close to the cost of maintaining those 70,000. That is just the 14,000. So we have billions of dollars.

The question I would ask Ms. Foscarinis, should we use cost-benefit analysis? I mean, we have Title V here and we have a building that we could sell for $5 million and yet the homeless can use it and they would have to put another million in it, and really, it is not the appropriate structure, and for $1.5 million, we could get the ideal structure. Why would we not do that rather than say, well, we are going to do this because we have Title V sitting there blocking an actual good sale of a building for a real purpose when we could take some of the profits from that and put it into homeless? Why would we not want to do that?

Ms. FOSCARINIS. Well, we do that sometimes. In fact, there are examples of groups that have——

Senator COBURN. Yes, but most of the time, we do not do that——

Ms. FOSCARINIS. Well——

Senator COBURN [continuing]. And most of the time, it becomes an inhibitory factor for us to get rid of buildings.

Ms. FOSCARINIS. Well——

Senator COBURN. And it is not just Title V. It is true in my State. When we are sitting at $14 trillion worth of debt and we are

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drowning in debt and we are saying, instead of making smart moves, the right appropriate economic move, we are going to give a building to a State or city or something like that by law because we have to, when, in fact, what we should be doing is sell it and lowering the debt, and then we have an obligation to help take care of the homeless. Your accounts say, you cannot touch Title V. Well, we are going to have to touch Title V, but that does not mean we cannot touch it in a way that makes it better, not less than what it is.

So I hope you will consider, as we go through this, if we have a commitment to the homeless, then we ought to do that in the most cost-effective way, and what we have is a bureaucracy now lined up that says, basically, you cannot get rid of any real property. I mean, that is really what has happened. I have been working on this for now 13 years, to try to get some movement, and every time we get close to a movement, we get blocked. And the No. 1 thing that blocks it is Title V. People get afraid. Rather than say, OK, we will make a commitment over here to homeless, but what we have heard is you cannot change this. And what we need to do is make a commitment to homeless, but also do the smart thing economically for the country, and that is why I am very supportive of the idea behind this, because I think it will do it.

Let me ask a——

Ms. FOSCARINIS. Senator Coburn, may I respond, respectfully, please?

Senator COBURN. Sure.

Ms. FOSCARINIS. I know that you have been working on this issue for many years, as have we. The issue of Title V is not the problem here, if I might just——

Senator COBURN. I disagree.

Ms. FOSCARINIS [continuing]. Respectfully disagree with you——

Senator COBURN. I have looked at it. It is a problem.

Ms. FOSCARINIS. Title V is a matter of months in the process. The reason that the 14,000 properties are languishing is not due to Title V——

Senator COBURN. No, I am not talking about—Title V is a problem because we inappropriately match properties to the benefit of Title V, which is not the best, efficient way to match what the homeless need. And what we should say is here is how much property we have. Here is our commitment to the homeless. Forget all this and go sell the property and give some of the money to the homeless and let that happen. We are making something very, very difficult, and every time we try to move anything on this, what we hear—you are very effective. You are very effective because you have dead stopped every movement at property reform in the Congress in the last 13 years.

Ms. FOSCARINIS. Well——

Senator COBURN. It has been dead stopped.

Ms. FOSCARINIS. I guess I should be flattered.

Senator COBURN. It is a compliment. You are very effective lobbying for the homeless. But the point is, is if we really care about our country and the homeless, we will do both. And when your adamant statement is you cannot touch Title V——

Ms. FOSCARINIS. Well——

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Senator COBURN [continuing]. What you are saying to us is there is not another way to care for the homeless in this country except the way we are doing it today, and I reject that. I want you to know——

Ms. FOSCARINIS. Senator Coburn, I do not mean to interrupt, but I think you might have missed our statement where I said that we are happy to work with the Committee to reform Title V to make it better and we are open to reforms that will streamline it, that will make it work better——

Senator COBURN. But you are still stuck on Title V. What about just a commitment to the homeless in this country because it is the right thing to do outside of Title V and separate it from real property?

Ms. FOSCARINIS. Well, sure. There are many things that need to be done, and it is not just about Title V. You are absolutely right. And Title V alone will not solve the problem of homeless. But in many communities, the absence of a piece of property is the key factor, the key barrier——

Senator COBURN. You are missing my point completely. Take the money. Separate real property from homelessness. Commit a portion of the money to homelessness. Create the organization where you do the ideal thing for the homeless rather than the less than ideal. That is all I am saying.

Ms. FOSCARINIS. Right. I understand. I understand. I think we need to do both, because there needs to be money and Title V can also serve an important role. We are not talking about a lot of properties. Each year, there are only a few properties that go through Title V and are used for homeless purposes. But those properties make a big difference——

Senator COBURN. But every property in the Federal Government's warehouse has to go and encounter Title V to see if it is available. Well, that is crazy.

Ms. FOSCARINIS. Well, that is why we are saying we do think that the process can be reformed, because right now, there are many properties that go through the process that are of no conceivable use to homeless people.

Senator COBURN. That is right.

Ms. FOSCARINIS. And so we would be happy to work with the Committee on a targeted——

Senator COBURN. So when we tried to change that 4 years ago, what we got was feedback, no, you cannot do that.

Ms. FOSCARINIS. I believe we proposed, and we have worked with this Committee on sensible reforms that would target properties.

Senator COBURN. Well, that was not our response on the floor when we had a bill on the floor.

Let me—I want to followup a little bit with Senator Begich, and I think we can really use a lot of his experience. I think, first of all, I think he knows real estate, one. It is kind of like an old haberdasher told me. You never short-sell the suit. You keep it on the rack because there is always somebody that is going to come and buy it. You may not get as much as you wanted, but you can always sell it.

I think Senator Carper's idea and this idea of getting our hands around real property—what I want to ask you is also we have seen

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because of our budget process that we have to account for the cost of a new facility under the budget guidelines in the year we take possession. And so, consequently, what we have seen is we have gone from buying properties to leasing properties, and quite frankly, that costs the Federal Government a whole lot more money.

Do you have any comments on the stupidity—and those are my words—of a budget process that forces us into leasing properties at a great deal more expense than what we could buy them for now? Does anybody have any comments on that?

Mr. BAXA. I would simply say, if I may, Senator Coburn, that it just does not seem to make reasonable sense that you cannot count the total cost of a lease in the process of trying to decide whether you are going to do it or not. If I were leasing on my own for my own personal purposes, I would certainly look at that and count that as part of the cost of acquiring that particular——

Senator COBURN. And you would do a cost-benefit analysis on what the net cost to you over the life utilization——

Mr. BAXA. Over the expected life of that——

Senator COBURN [continuing]. Lease compared to purchasing ability.

Mr. BAXA. Exactly, and I know we have worked with elements of the Defense Department to try to help them to figure out where they could take things out of lease and put it into government-owned facilities, and we have driven a lot of cost out of the lease bill for the Army, as an example, by doing that.

Senator COBURN. But some of the smaller agencies really do not have that option, because if they buy a property, we charge it to them in the year they buy it——

Mr. BAXA. Exactly.

Senator COBURN [continuing]. Rather than amortize it over the life of the building.

Mr. BAXA. Yes, sir.

Senator COBURN. Any comments, Mr. Ford?

Mr. FORD. No specific comments. I mean, that is—I think his expertise is probably more clear in this area.

Senator COBURN. All right. Thank you, Mr. Chairman. I went over. I apologize.

Senator CARPER. That is quite all right.

I want us to hit rewind and go back about 3 or 4 minutes to the exchange between Ms. Foscarinis and Senator Coburn, and I am going to ask Mr. Baxa and Mr. Ford to—you have been sitting here listening to this back-and-forth, and just to share your wisdom with us in how we actually end up with a better outcome here but we do not turn our backs on the homeless. What advice would you have for us?

Mr. FORD. Every base closure community, every community impacted by BRAC has to go through a process. Now, it is different and there have been some changes, and I will not speak to all the technical changes that BRAC communities face. But what has always been important is maintaining the community role in that process, so community leaders are at the table trying to figure out what is in the best interest of their community.

So in the case of BRAC, the homeless providers are working with the local redevelopment authority to make these decisions, so it—

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and that local redevelopment authority has a plan that they are trying to implement. So it becomes not sort of an abstract discussion of what is going to be good for the homeless, but it is really fitting in with an overall concept of how to reuse land, and the biggest focus for a BRAC community is to get jobs back to replace the jobs they lost.

So I think it is a much more comprehensive approach to it, and while I cannot say it has not been without challenges, because all of our local redevelopment authorities around the country would say it can create a lot of headaches, it has been a process that at least has allowed them to move forward and has not been a huge stumbling block for moving forward.

Senator CARPER. Mr. Baxa.

Mr. BAXA. I can only say that it is one more step in the process. I think what Senator Coburn has outlined certainly seems to make sense, that we could accomplish the same ends and not hold up the process of getting the most from those assets that we no longer need.

Senator CARPER. Ms. Foscarinis, when you referred for agencies that one of the obstacles—I am going to go back and recover some of this ground, but I think it is important—but one of the obstacles to property disposals is the lengthy screening process that must be performed before a property can be put on the market for sale. Just take a minute. Let us just back up. Explain to us, if you will, how does the McKinney screening process work, how an agency determines if a property is suitable for the homeless? And, on average, how long does it take for property to be transferred to a homeless service provider? Just——

Ms. FOSCARINIS. Sure.

Senator CARPER. I call it, like, 101.

Ms. FOSCARINIS. Right. Well, the properties are listed in the Federal Register and there is a 60-day period during which homeless service providers have first crack at the property. So during that 60-day period, they can submit a letter of interest if they are interested in the property. If there is no interest, the property is free to be sold. So 60 days.

If there is a letter of interest submitted, there is a 90-day period for a full application to be submitted, and that is either the application is submitted and the process goes forward and it is reviewed by the Department of Health and Human Services (HHS) and the property may or may not go to the homeless service provider, or it does not go forward and then it is over and the property is free to be sold.

So it is a matter of months that the property goes through the Title V screening process.

Senator CARPER. Now, what advice could you offer to streamline that process?

Ms. FOSCARINIS. Well, one way would be to target the properties so that—right now, there is a very kind of broad brush approach to this. Basically, there are a lot of properties that are published as being suitable for use for homeless purposes under Title V that really are not. So there are these national security properties or properties that are contaminated that are not habitable, or the airstrip example, or properties that——

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Senator CARPER. The what example? Airstrip?

Ms. FOSCARINIS. Airstrip, for example, an airstrip that is listed that could not conceivably be used by a homeless service provider. So there could be a more targeted process that happens up front so fewer properties go through the process, but better properties, properties that are more likely to be usable for this purpose, and we have made that recommendation. We have made that proposal.

There could also be a greater effort to—right now, there are often hold-ups in the application process. This is a very cumbersome process. These are very often very unsophisticated homeless service providers. HHS will often come back to them with a request for additional information which further holds up the process, so the application process itself could be streamlined or more assistance could be offered.

Senator CARPER. Mm-hmm.

Ms. FOSCARINIS. So those are some of the ways that I think the process could work better serving everybody's interest.

Senator CARPER. All right.

Ms. FOSCARINIS. It is not our interest to hold up lots of property that is of no possible use to anyone. Our interest is simply taking these resources, which are public resources which are often very valuable to the providers, because getting a piece of real estate is often the biggest barrier. Not having access to property is often the biggest barrier to providing services or housing for homeless people in a given community.

Senator CARPER. OK. Thanks. In Dover, Delaware, we have a huge Air Force Base——

Ms. FOSCARINIS. Mm-hmm.

Senator CARPER. And we have on that Air Force Base huge airplanes, C–5, one of the largest aircraft in the world, C–17, another major airlifter in our armed services. About 5 miles away, we have the Dover Federal Building, and every 5 or 6 years when we go through the BRAC process, there is always great concern what is going to happen to the Dover Air Force Base, which employs about 5,000 people, the largest employer south of the Chesapeake and Delaware Canal in our State.

I have always said to the folks in Central and Southern Delaware, BRAC can be our friend, and as it turns out, BRAC has been our friend at the Dover Air Force Base. Activities that were previously done in other States, other bases, are now being consolidated in Dover. So it has been beneficial to us.

We have a Federal building about 5 miles away that is eventually being emptied out. We moved out of there about a year or so ago. Congressman Castle, now Congressman Carney, moved out more recently. But the Federal building sits on about a piece of property roughly half the size of a football field, maybe the size of a football field, but certainly not more than that. The base itself is quite large, as you might imagine. And the 5,000 people work at one and there are fewer than 100 that probably work at the other.

I have been through the BRAC process as a Governor. I have been through it as a Congressman. I have been through it as a Senator. And it just seems to me that there are some real differences between disposing of Dover Air Force Base and the Fed-

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eral building in Dover, a two-or three-story Federal building. Let me just ask of each of you, what are some of the key differences between the Administration's proposal for a Civilian Property Realignment Board and BRAC? What are the key differences? What are the key similarities? And what are our lessons to be taken from those similarities and differences?

Mr. BAXA. If I might, Senator, one of the key differences that is right off the top is the board versus a commission, and it seems that the commission structure has worked well in BRACs in the past and that commissions tend to have inherent in them the ability for the legislative branch to recommend appointees. They seem to be more bipartisan in terms of their construct. And I think, then, as a result of the commission structure, it tends to carry more weight, to be more credible than many boards have been in the past. And so that is one certainly key difference.

I think the other difference is that we have a little bit different scenario in the fact that with the Civilian Property Realignment Board or Commission or Act, you are talking about multiple independent civilian agencies, and OMB is the most likely capstone that would provide some oversight to that. In the case of BRAC, you had the Secretary of Defense who depended on the services and the defense agencies to make recommendations and then there was a certain normalization that took place at the OSD level before that was, in turn, submitted to the commission, and I think there needs to be a step like that included in the civilian side so that—and OMB could possibly play that role—so that you have the same opportunity to kind of look across the agencies at the recommendations that are being made because there may be some opportunities to do some colocation, some combinations that cross agencies that would be worthwhile for the government to consider, given our current budget situation.

Senator CARPER. Thanks. Mr. Ford, same question.

Mr. FORD. I think that the point that was made is that DOD started this process wanting to get rid of property. I mean, they have wanted to get rid of bases along the way but Congress has stopped them. So the motivation is slightly different in starting this, because I do not think a lot of agencies necessarily—they will put forward their surplus, but are they going to really put forward maybe higher-value pieces of property that could be consolidated or taken out of the Federal portfolio.

And again, this whole difference between the commission and the board, I think that there is the independence of it and the ability to make those decisions, I think is a big difference.

I think this also has the opportunity, because you are not going to necessarily have communities like in BRAC who are going to be necessarily defensive, who are going to be posturing to try to save something. So there is probably an opportunity to work with a community and figure out, maybe they have an asset where Federal offices could be consolidated and it would be easier to sell a piece of property that the Federal Government owns. And it also would be an opportunity to work with the private sector. So I think there are a lot more opportunities to develop some creative solutions to this at the local level. It is a win for the community and a win for the Federal Government.

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And I think the other issue that crosses both is this whole issue of property disposal. I mean, we still are dealing with property disposals from the 1988 and 1990s BRAC rounds. You still have land that has not been disposed of. So it is not an easy process. Even the smallest pieces of property can be challenging.

So on the BRAC side, we only had to work with three services, and that has been a struggle because each of them took a law that came down and interpreted it their own way, so I cannot imagine working with 16 or 20 different agencies, trying to do disposal. So I think, again, consolidating the disposal authority into some sort of entity that is able to move these properties quickly and has the real estate expertise to put these public-private deals together would help everyone.

Senator CARPER. What entity would you suggest that authority reside in?

Mr. FORD. Of course, GSA has those skills. That is one option. I think the RTC has always—has actually been discussed in BRAC for years. So I think there are a variety of ways to look at it. I mean, it is probably something that takes a lot more analysis to figure out what makes sense, but the focus on expediting the transfer of property as quickly as possible should be the goal.

Senator CARPER. All right. Thanks. Senator Brown.

Senator BROWN. Mr. Chairman——

Senator CARPER. I am sorry. Ms. Foscarinis.

Ms. FOSCARINIS. Oh, well, if you——

Senator CARPER. No, please. I am sorry.

Ms. FOSCARINIS. OK. That is fine, Senator. Well, from our perspective, the BRAC process is quite different from the process currently being proposed by the Administration because it has very explicit provisions to safeguard homeless people and their needs as part of the disposal process. So in the BRAC process, the needs—it is written into the law that the needs of homeless members of a given community must be considered in disposing of the base property. Homeless people—representatives of homeless people must be also part of that process and the Department of Housing and Urban Development (HUD) must oversee the disposal of a property in order to ensure that the needs of homeless people are addressed. So that is very different. All of those protections are missing from the Administration's current proposal.

Senator CARPER. Senator Brown says he has no more questions for this panel. I have just one more and then we will excuse you.

Mr. Baxa, in your testimony, you suggest that we consider a Resolution Trust Corporation, something I got to know pretty well as a member of the House Banking Committee during the savings and loan (S&L) crisis.

Mr. BAXA. Mm-hmm.

Senator CARPER. You suggest we consider a Resolution Trust Corporation-like entity and assist the government in liquidating some of the surplus real property assets. Just take a minute and let us just drill down on that idea——

Mr. BAXA. Yes, sir.

Senator CARPER [continuing]. And if you would, describe for us how you think that might fit into a civilian BRAC process.

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Mr. BAXA. If you look at what happened on the defense side over the many rounds, each of the services and the defense agencies, but most of the services had to develop their own disposal office that took care of the implementation plans to implement what decisions had come from the commission.

I think we certainly do not want to try to recreate that in every landholding agency in the Federal Government. We could create a situation where the various agencies might be bidding for certain talent against each other in order to be able to staff for fairly sizable disposal activities.

I would also suggest that the Resolution Trust Corporation be enabled to bring in real estate development interest and other professionals into an arena where they could begin to look at combining and bundling. So if you took, for instance, you had many properties that might be in different cities around the country, it might be possible to bundle those and make that very attractive to a particular business that needed to be located in all of those various locations. And so having the wherewithal and the talent to be able to put together those kinds of packages, I think, could facilitate the disposal process and perhaps get a higher return for those properties than might otherwise be the case.

Senator CARPER. All right. Good. Thanks. Does anybody have anything else that you want to add before we excuse you and invite the next panel to join us?

Ms. FOSCARINIS. Thank you for the opportunity.

Senator CARPER. All right. You bet. Our thanks to each of you.

Our Members have 2 weeks to submit questions. Some of our colleagues who were not here and could not ask questions have up to 2 weeks to submit their questions, and we just ask when you receive those that you respond to them promptly. Again, our thanks to you all.

Ms. FOSCARINIS. Thank you.

Mr. BAXA. Thank you.

Mr. FORD. Thank you. [Pause.]

Senator CARPER. I am going to go ahead and introduce our second panel of witnesses while some people make their way to the door and some people make their way into the room. But we welcome all of you.

Our first lead-off witness is the Honorable Daniel Werfel. It is a good thing we do not have to pay Mr. Werfel on an appearance basis, because if we did, it would drive up the deficit even more. But Mr. Werfel serves as the Controller of the Office of Federal Financial Management within the Office of Management and Budget. He is no stranger to our Subcommittee or to our Committee. As Controller, he is responsible for coordinating OMB's efforts to initiate governmentwide improvements in all areas of financial management, including real property. Mr. Werfel holds a Master's degree in public policy from Duke, a Juris Doctorate from the University of North Carolina at Chapel Hill—I do not know how you put those together when Duke plays Chapel Hill UNC—and a Bachelor's degree in industrial and labor relations from Cornell, three pretty good schools.

Robert Peck serves as Commissioner of Public Buildings for the U.S. General Services Administration. As Commissioner, he is re-

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sponsible for managing some 362 million square feet of government-owned and leased space. Prior to being the Commissioner, he served as Managing Director of Jones Lang LaSalle, where he advised corporations, governments, and nonprofit institutions on real estate portfolio strategies.

Mr. James Sullivan is the Director of the Office of Asset Enterprise Management at the U.S. Department of Veterans Affairs (VA). Nice to see you. He assumed this new leadership role in 2009 after serving as the Deputy Director since May 2002. Mr. Sullivan has over 25 years of experience in capital budgeting, in planning, and in asset management. Is that true?

Mr. SULLIVAN. Yes.

Senator CARPER. Just checking. He plays a pivotal role in managing some of the largest portfolios of property in the Federal Government.

Mr. David Wise is the Director for Physical Infrastructure Issues at the U.S. Government Accountability Office, also affectionately known as GAO. He specializes there in transportation and communications and Federal real property issues. His career at GAO dates back to 1951—or 1981. [Laughter.]

Mr. WERFEL. Thank you. [Laughter.]

Senator CARPER. Mr. Wise has a Bachelor of Arts (BA) in political science from the University of Pittsburgh—he is a Panther—and a Master's degree in public Administration from Pitt's Graduate School of Public and International Affairs—twice a Panther. All right. Good to see you.

Brian Lepore is the Director for Defense Capabilities and Management Issues at the U.S. Government Accountability Office, GAO. He directs audits and evaluation teams reviewing the Department of Defense's support infrastructure programs, including base realignment and closure. Mr. Lepore holds a Master's degree in public Administration from Suffolk University in Boston and a Bachelor's degree in communications studies from the University of Massachusetts in Amherst. Let me just guess, who do you root for when the Red Sox play the Yankees?

Mr. LEPORE. It is an easy call, Senator.

Senator CARPER. All right, thanks. [Laughter.]

Senator CARPER. Thank you and the rest of our panelists for being with us here today. Again, we normally ask our witnesses to take about 5 minutes to testify, and after that, if you get way over that, we will rein you in, but feel free to summarize. Your entire statements, believe it or not, will be made a part of the record. Mr. Werfel.

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STATEMENT OF DANIEL WERFEL,[1] CONTROLLER, OFFICE OF FEDERAL FINANCIAL MANAGEMENT, U.S. OFFICE OF MANAGEMENT AND BUDGET

Mr. WERFEL. Thank you, Chairman Carper and Senator Brown, for holding this hearing, and given, as you said, that our statements are entered into the record, I thought I would use my few minutes here to offer some thoughts and clarifications after having had the opportunity to listen to the first panel.

One of the things I want to emphasize about the President's proposal is it is not intended to overtake the entire process by which Federal real estate is dealt with and disposed in case of surplus assets. Instead, what has happened is over the course of time, as we have evaluated the real estate within the Federal Government, we have identified some more challenging and transformational opportunities that exist within our real estate portfolio that require a different approach.

Senator Coburn was discussing the fact that we often hit roadblocks. What we see emerging is a certain type of real estate opportunity that usually and typically has a much higher value proposition for the taxpayer in terms of savings where those road blocks are hit.

Now, for the 14,000 assets that current sit as surplus, we have not hit those types of very challenging roadblocks. The reality is, is that they have made it through the process. They are surplus. We need to get rid of them and we need to do a better job in getting rid of them, but we do not necessarily think we need a BRAC-like process to get rid of them.

Instead, as you start peeling back the onion layers of the Federal real estate inventory and as we look with Federal agencies at the start of the Administration, as President Obama directed us to do a better job on real estate, we started to see two types of opportunities emerge, more sure short-term opportunities that could take place under the current legal and regulatory environment that we have today, and we are pursuing those and that is the $3 billion goal that you referenced in your opening, and we are making good progress on that. Beyond that, and at a much higher savings level, are the more challenging opportunities that we believe we need a different process to go after, and there are really two types of opportunities that I will highlight and then I will turn it over to the other witnesses.

The first is throughout our inventory, and there are not, we do not think, thousands of these opportunities, but there are a number of them, there are very high-value assets that exist where we look at the situation and we say a couple of things are going on. First, it is most likely not the highest and best use for Federal Governments to be sitting in that property at this time. It might be utilized, it might be fully utilized, but it does not need to be fully utilized by the Federal Government in that space, and by transferring them or consolidating them to another location and exploring commercial opportunities for that asset, the taxpayer could win in a very significant way.

[1] The prepared statement of Mr. Werfel appears in the appendix on page 74.

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There might be high value assets that are no longer needed, but there is such a level of competing stakeholder interest in whether the Federal Government stays or goes or what happens to that property after the Federal Government leaves that those types of competing interests have created an inertia in moving those properties forward and we have not yet figured out how to overcome those inertia.

And so those opportunities represent just a few of those opportunities, in a single digit on one hand, could easily trump all the savings associated with the entire footprint of 14,000 surplus assets because these assets are so high value, and we really want to break through and make progress and the President's proposal represents our best foot forward on how to do that.

The other type of opportunity are the thousands of field offices that exist throughout the United States for several of our agencies. In some cases, agencies have an office in every county in America, which we believe right now no longer reflects the best way in which we deliver benefits in a post-Internet era. And as we have delved in and said, how do you downsize that footprint, how do you start thinking about no longer having an office in every county, in every region, to leverage more electronic delivery of benefits, we have seen some of those very same competing stakeholder interests emerge, a very complex array of challenges in terms of getting from point A to point B and downsizing. And again, when we talk to agencies about this and we have asked them, we often got response, you need a BRAC-like process to really make progress here, and that is how the idea was basically borne. And so we are looking forward to working with you on this.

I just wanted to clarify that we would continue to carry on in the same way Senator Begich mentioned in terms of those 14,000 assets, and I think he is right. We do not want to overcomplicate things with those assets. But for those higher value, more tougher opportunities that really end up being more transformational to our inventory and a higher savings amount for the taxpayer, that is where we think we need a new approach. We are open to ideas. What the President has put forward is our best foot forward on how to solve the problem.

Senator CARPER. Thanks very much for those comments.

Mr. Peck, welcome.

STATEMENT OF ROBERT PECK,[1] COMMISSIONER, PUBLIC BUILDINGS SERVICE, U.S. GENERAL SERVICES ADMINISTRATION

Mr. PECK. Thank you, Senator. I want to thank you and the Subcommittee for its interest on this issue and also that of members in the House of Representatives, who have also moved some proposals. And, of course, we are fully in support of the Administration's proposal.

At first, if I could, I would like to brag on GSA just a little bit because there is sometimes a sense that no one in the government is actually thinking about real property asset management, and I can tell you that in the GSA inventory, which does consist of——

[1] The prepared statement of Mr. Peck appears in the appendix on page 79.

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Senator CARPER. You do not know how pleasant it is to hear the Administrator of a major Federal agency say, "I like to brag." Good. This is good.

Mr. PECK. We do have—we do manage 370 million square feet, and you noted, by the way——

Senator CARPER. This will not count against your time.

Mr. PECK. Thank you. That would be great. [Laughter.]

That more than half of it is leased space, but less than 3 percent of our portfolio is vacant by almost any measure that you use.

We do take a look at the inventory that GSA controls. We modernize buildings where they make sense. We get rid of them where it does not make sense. Since 2002, we have disposed of more than 200 GSA properties valued at $467 million and covering 9.5 million square feet. But just as important, that has eliminated almost $484 million in future anticipated repair needs. So there is a cost avoidance, as well.

But one thing, just at the risk of making things a little complicated before I will come back and try to make them simple, also, some of the properties that in the real property inventory are listed as underutilized are actually undergoing renovation so they will be more intensively utilized.

So, for example, the GSA headquarters building, which is about 600,000 square feet, currently gets listed in the inventory as being underutilized because half of it has been emptied out to renovate it. When we are through renovating it, however, we will have at least three times as many Federal employees in it and we will avoid lease costs of $20 million a year. So that is a—it is just a significant thing to note.

GSA also has a role, aside from managing our own inventory on behalf of Federal agencies, we have the job of disposing of assets that other agencies do not need. It is important to note that while we do believe we have the expertise and the capacity to take a lot of properties through the disposal process, it is each individual land holding agency that is responsible for making their own asset management decision on whether the asset is excess to their needs or lot. At least that is the way things currently work. Even there, in the last 10 years, disposing of assets that other agencies control, we have disposed of 3,300 governmentwide assets valued at about $8.5 billion. So it is pretty good.

So the process works fairly well. We believe that there are still some improvements we could make to the real property inventory so we could give you better information about what is going on.

But to tell you, in our case—and I have worked with cities so I know what Senator Begich is talking about—in the cases he is talking about, it is pretty clear that a building is vacant. I just want to emphasize what Danny just talked about. We have some assets in which it is almost vacant but not quite, and so a couple of things have to happen. We have to take a look at an asset that is partially utilized or even mostly utilized, decide whether we should keep it in the inventory, and then we have to figure out a way to get it out. Sometimes, that requires an up-front cost to move things around so we can move out the last chunk of people or goods from a warehouse, if it is a warehouse, and make the property vacant and then we can move it.

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But there is this other issue, and Danny touched on this, too, and you have seen it in all the information we have given about the Administration's proposal. There are times when we are moving a property through the pipeline in which, although it looks like we have gone past the point where a building or an asset, according to the law, is eligible for a free disposal, a discounted conveyance, that politics rears its head—it is part of our system—and it holds up the process. That is one reason that we believe we need, at that point in the process, a BRAC-type proposal to move things alone.

I would just like to say, there are a couple of things that we think are needed to accelerate disposal. The Administration's proposal, as you might guess, includes all of these.

One is we need to incentivize disposals in other Federal agencies by enabling the agencies to realize the benefits of the proceeds. Our experience tells us that makes a big difference.

Second, we need to address the up-front costs, as I mentioned, in being able to move properties that we do not need to the disposal process.

And then obviating or eliminating the stakeholder interests that sometimes slow us up.

One other thing I would like to note, and it piggybacks, again, on comments in the other panel. With technology these days and the way work is done in the workplace, the ability of people to work from home, on the road, wherever they are, we believe that we can work with a lot of Federal agencies to reduce the amount of space they need. The constrained budgets these days are encouraging a lot of agencies to come talk to us about how that is done. We are moving out aggressively, and I would like to say that even with this legislation pending, under Danny's and the White House's leadership, we have a council of representatives from many Federal agencies already taking a look at how we can make some of those decisions that need to be made to reduce the overall Federal property inventory and move things to disposal. Thank you.

Senator CARPER. Thanks, Mr. Peck.

Mr. Sullivan, please.

STATEMENT OF JAMES SULLIVAN,[1] DIRECTOR, OFFICE OF ASSET ENTERPRISE MANAGEMENT, U.S. OFFICE OF VETERANS AFFAIRS

Mr. SULLIVAN. Good afternoon, Mr. Chairman, Members of the Subcommittee. Thank you for the opportunity to discuss the Department of Veterans Affairs management of its real property, in particular, our ongoing efforts to reduce or eliminate unneeded and vacant properties across the country.

It is a privilege for me to be here today representing the more than 300,000 employees of the Department of Veterans Affairs, who work tirelessly on behalf of our Nation's veterans and their families every day. Today, I would like to highlight VA's successes on repurposing and disposal of assets, especially when these efforts have resulted in providing housing for homeless veterans.

[1] The prepared statement of Mr. Sullivan appears in the appendix on page 86.

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Before I begin, I must emphasize that our primary mission at VA is to care for veterans in everything we do. Every day, we must put veterans first.

I would like to begin with a brief overview of our portfolio. VA is the owner of one of the largest health care-related portfolios in the country at over 160 million square feet and 7,100 owned buildings on more than 33,000 acres. VA is one of the first agencies, I believe, to develop a highly structured, data-driven methodology to assess proposed construction needs, most recently reflected in the issuance of VA's Strategic Capital Investment Planning Process (SCIP). SCIP involves a systematic evaluation of all of our capital investments based on how well they address performance gaps. One of these gaps is how well these investments address the disposal of unneeded assets.

All of our projects are considered in light of VA's aging infrastructure, which is more than 60 years old, on average. Through the SCIP process, we directly address the challenges posed by this aging infrastructure with a range of solutions, including the reuse, repurposing, and disposal of unneeded assets to reduce space and save the government costs. Similarly, I want to point out that the Civilian Property Realignment Act also introduces a very similar strategy to reduce space and save costs.

For the past several years, VA has aggressively pursued disposal or reuse opportunities. From 2006 to 2010, we completed disposal or reuse of approximately 381 assets. A hundred-and-eleven were disposed of or reused in 2010 alone. Since 2001, we have reduced our inventory of owned vacant space by 34 percent and we have done this despite a growing mission and additional pressure and workload on VA's infrastructure.

So where do we stand today? As of February 2011, VA has 313 vacant buildings across the country. VA——

Senator CARPER. Say that again. How many?

Mr. SULLIVAN. Three-hundred-and-thirteen.

Senator CARPER. Out of——

Mr. SULLIVAN. Out of about 6,500.

Senator CARPER. OK. Thanks.

Mr. SULLIVAN. VA has plans to dispose or reuse 250, or 80 percent, of these buildings. The remaining 63 are what we call our most challenging disposal actions because they involve many environmental and historic hurdles that we must overcome.

Just recently, VA has initiated what we call the Building Utilization Review and Repurposing (BURR) effort, which has enabled us to identify properties for housing for homeless veterans. This initiative is critical to help achieve Secretary Shinseki's goal to end veterans' homelessness by 2015. To this end, the Secretary announced yesterday and approved 34 BURR sites, which would include over 100 buildings and 600 acres of land for the conversion to homeless housing for veterans and their families. This will bring the total number of units to care for our homeless veterans to more than 5,000 units either in process or under development.

Once identified as candidates for BURR for housing or for other purposes, VA uses its Enhanced Use Leasing authority. This authority provides a variety of benefits, such as enhanced services to veterans, operations and maintenance savings, private investment,

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new long-term revenue for VA, and importantly for the local community, job creation and additional tax revenues for local and State sectors. Since the EU process has started 10 years ago, we have awarded 60 projects this way, 18 specifically for homeless units but also for other facilities. From 2006 to 2010, to give you an idea of the consideration that these properties have brought into VA and the government, $260 million in consideration was provided from these properties and efforts.

I would like to just cite two quick examples of this, of invoking the Enhanced Use Lease process. In Chicago, Illinois, and Cleveland, Ohio, we consolidated multi-campus medical facilities. As a result of these consolidations, VA was able to outlease more than four acres in downtown Chicago, which was not too hard, but also 100 acres in the suburban Cleveland area. VA received $50 million in payments from the sale proceeds of Chicago, and in Cleveland, VA received $12 million in consideration and $10 million in cost savings while we excessed over 110 acres with 35 buildings on them.

Currently, VA has 19 enhanced-use lease (EUL) projects underway, as I said earlier, to provide 2,200 units for housing for homeless. At this point in the process, VA's authority for this program expires at the end of the year and we will be seeking reauthorization for this authority.

We welcome the potential additional of a Civilian Property Realignment Act because we view this as just one more tool. As Danny said earlier, there is not one single thing that is going to solve this problem, but it is going to be different tools used in different cases and we believe this Act will help VA manage its properties in a much more efficient manner.

I would be happy to answer any questions you may have. Thank you.

Senator CARPER. Thanks, Mr. Sullivan. I have a couple questions I am looking forward to asking.

Mr. Wise, please proceed. Thank you.

STATEMENT OF DAVID WISE,[1] DIRECTOR, PHYSICAL INFRASTRUCTURE ISSUES, U.S. GOVERNMENT ACCOUNTABILITY OFFICE

Mr. WISE. Chairman Carper, Senator Brown, and Members of the Subcommittee, thank you for the opportunity to testify today on our work related to excess and underutilized Federal real property and the BRAC process. My testimony will focus on the civilian sector while my colleague, Brian Lepore's testimony, will focus on the military side.

My testimony today will discuss, (1) the progress the government has made toward addressing obstacles to Federal real property management, and (2) some of the challenges that remain and how the Administration's May 2011 proposed legislation, referred to as the Civilian Property Realignment Act, CPRA, may be responsive to those challenges.

The Federal Government occupies more owned and leased buildings than it needs. In Fiscal Year 2009, 24 landholding agencies,

[1] The prepared statement of Mr. Wise appears in the appendix on page 94.

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including DOD, reported 45,190 underutilized buildings with a total of 341 million square feet, or 1,830 more buildings than they reported the previous fiscal year. These underutilized buildings cost about $1.66 billion annually to operate and are potentially valuable.

In designating the management of Federal real property as a High-Risk Area, we found that there was no governmentwide strategic focus on real property issues and that the government's data were unreliable and outdated. Since that time, the government has made significant progress. For example, the Administration and Federal agencies have established the Interagency Federal Real Property Council, a body designed to enhance real property planning processes, and improved data reliability. Based on the government's progress in these areas, we removed the data element of real property management from this year's High-Risk List. Even with this progress, the government has not yet addressed other challenges to real property management, including legal and financial limitations and stakeholder influences, such as local governments, advocacy groups, and the private sector.

In 2007, we recommended that OMB assist agencies by developing an action plan to address the key problems associated with decisions related to unneeded Federal real property. OMB agreed with this recommendation but has yet to implement it. However, the Administration's recently proposed CPRA is somewhat responsive to that recommendation.

For example, CPRA proposes an independent board that would streamline the disposal process by selecting properties considered appropriate for public benefit uses. This streamlined process could reduce disposal time and costs. CPRA would also establish an asset proceeds and space management fund that could be used to reimburse agencies for necessary disposal costs. The proposed independent board would address stakeholder influences by recommending Federal properties for disposal or consolidation after receiving recommendations from civilian land holding agencies and independently reviewing those recommendations. While CPRA does not explicitly address the government's over-reliance on leasing, it could help through board recommendations for consolidating operations where appropriate.

Mr. Chairman, this concludes my statement. My colleague will describe the BRAC process and its potential applicability to Federal real property disposal. Following his testimony, we will be happy to answer the Subcommittee's questions.

Senator CARPER. Great. OK. Thanks, Mr. Wise. Mr. Lepore.

STATEMENT OF BRIAN LEPORE,[1] DIRECTOR, DEFENSE CAPABILITIES AND MANAGEMENT, U.S. GOVERNMENT ACCOUNTABILITY OFFICE

Mr. LEPORE. Thank you, Mr. Chairman. Mr. Chairman, Senator Brown, and Members of the Subcommittee, I am delighted to be here today to have an opportunity to present our observations on the Base Realignment and Closure, or BRAC, process. This may be helpful to you as you consider the Civilian Property Realignment

[1] The prepared statement of Mr. Lepore appears in the appendix on page 94.

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bill. I will address two points today, the 2005 BRAC process and the Department of Defense's, DOD's, key steps for developing its closure and realignment recommendations.

First, here is how the 2005 BRAC process worked. DOD requested the round. Congress authorized it in law. DOD proposed the selection criteria to be used to develop the candidate closure and realignment recommendations and published that in the Federal Register, so it gave everybody an opportunity to see this is what DOD thought was the way to do it. Congress then codified the criteria in law and required DOD to develop a 20-year force structure plan and an infrastructure inventory. So Congress essentially tightened it up and said, OK, here is the deal. Here is how we are going to do it.

DOD then developed the closure and realignment recommendations and sent them to the independent BRAC Commission. The commission could approve, modify, reject, or add to the recommendations based on the criteria and the force structure plan and DOD's compliance with both of those. The commission held hearings, voted on each recommendation, and reported to the President. The President could disapprove the commission's report and send it back for revision or send it in total to Congress. Congress then had 45 days to enact a joint resolution of disapproval or the recommendations become binding.

Now, to my second point, here are the key steps that DOD used to develop its recommendations. First, DOD developed three goals for the BRAC round: Promoting jointness and transformation, reducing excess infrastructure, and saving money. DOD used the Cost of Base Realignment Actions (COBRA) model, to estimate the costs and savings from the candidate recommendations and to have a consistent way to compare the candidate recommendations. DOD also developed a common analytical framework and organizational structure to better ensure consistent application of the criteria, and DOD involved the service audit agencies to help to try ensure data reliability so that there was an accurate set of data in which to look at.

This concludes my prepared remarks, Mr. Chairman. I would be happy to answer any questions that you or the other Members of the Subcommittee may have.

Senator CARPER. Thanks very, very much.

Sitting here listening to your testimony, there is a Bible study group that meets in the Capitol most Thursdays that we are in session with our Senate Chaplain, Barry Black, and he frequently talks with us about how our faith guides us in our work. He talks to us about moral imperatives. And sometimes he shares with us Matthew 25. Not many people know what Matthew 25 is, but maybe you are familiar with the term, the least of these. What are our obligations as human beings to people who are hungry or thirsty or naked, who are sick or in prison.

So the question I want to ask you is about moral imperatives. One, I think most of us feel a moral imperative to the least of these among us and we feel an obligation to reach out and to be helpful and responsive to them and their needs. We also as legislators and as those of us who serve the taxpayers of our country, we have an obligation to run our government in a fiscally responsible way. I

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think it is an imperative that goes beyond fiscal stewardship, fiduciary responsibility. I think it is almost like a moral imperative, as well.

In this case, what we need to do, I think, in part, is to be consistent in addressing—in being faithful to both of those moral imperatives, and we need to look to the needs of the least of these, but we need to do that in a cost effective way.

Senator Coburn and I have been working on this. He has been working this for longer than I have. I think he was working on it when he was a House member for a number of years. I have been here in the Senate now for 10 years and focused on this with him for about the last half-dozen. I am determined that we are going to make real progress and am happy to have an Administration that shares that conviction.

Talk to us about how we meet both moral imperatives, to the least of these and to the taxpayers of this country. Please, Mr. Werfel.

Mr. WERFEL. That is an excellent question. One of our objectives out of creating this board is to drive a decision, not necessarily to exclude viewpoints and exclude perspectives and stakeholder interests. We are not getting around the stakeholder interest problem by saying you shall deploy with one stakeholder's interest in mind and that would be savings or deficit reduction. I think that is a critically important one, and in particular for some of these objectives, I think deficit reduction will shine through as a primary objective.

But I also believe that there are a lot of legitimate stakeholder interests, homeless groups being one of them, other community interests when we vacate or rethink how we are going to use a property. And the goal here is to make sure that voices are heard, issues are surfaced and considered by a knowledgeable set of individuals, and that, ultimately, then make a decision that maybe not everyone is going to walk away fully happy with, but there will be a fair and open process and a decision will be made and will move forward for good or for bad.

And so in that way, I think our goal is to strike that balance that you described but do so in a much better way than what we have done today, because right now, the balance is being achieved in a way where a lot of voices are being heard, but the result in too many cases is inertia as those voices continue to tangle. And what we want to do is let those voices be heard, but drive to a decision and move forward, which is our perception of how the BRAC process has worked and one of its success points, is that those voices were heard, decisions were made, not everyone walked away from things happy, but savings have been realized and efficiencies have been gained.

Senator CARPER. Any thoughts, Mr. Peck?

Mr. PECK. Yes, sir. The record is that of the public benefit conveyances that we have done, which accounts for something like 13 to 15 percent of the disposals we have done, at least in the last number of years, fewer than something like 5 percent of those have actually gone to the homeless. So it is not a huge number. That is just to put—we should put that fact in our mind.

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Second, the Administration's proposal suggests that in the course of coming up with a list of properties to be disposed of, the board would consider those properties that are likely to be useful to the homeless. I suspect it would be done in consultation with homeless groups. So I think we have already—we have, at least, begun thinking about how we balance those two important issues that you are talking about.

Senator CARPER. All right. Thanks. Mr. Sullivan, any thoughts?

Mr. SULLIVAN. Sure. Mr. Chairman, I believe in terms of the VA, our moral imperative is to ensure that no matter what real property action that we take, that it has a positive direct benefit on veterans and their families, No. 1.

No. 2, that we fulfill our mission in terms of medical, cemetery, and benefit services to veterans, and that we are compatible with the local community that we live in and operate in with our VA medical centers and cemeteries. But throughout that process is the secondary factor of trying to do it in the most economical way, and I think there are cases where we can use current authorities to make sure we hit those three criteria and do it in an economical way and save money, which is then reinvested either back for veterans or back toward the debt.

And then we have cases where there are hard things to do, where I think a tool like a BRAC-like process would be helpful, where we cannot get that benefit for veterans because of the existing real property configurations we have.

Senator CARPER. OK. Thanks. Mr. Wise.

Mr. WISE. Senator Carper, at GAO, generally at the request of you and the other members of the Senate and the House of Representatives, we evaluate various programs. From a public policy perspective not necessarily representing GAO in I think most everyone, wants to do the right thing, although approaches may differ. I am quite confident that as we work through these issues and understand the different perspectives this will give the Congress the perspective it needs to move forward with an appropriate piece of legislation related to making the best use of Federal real property.

Senator CARPER. OK. Mr. Lepore.

Mr. LEPORE. Yes, Mr. Chairman. I think the BRAC statute may offer the model for you. The property disposal provisions of the 1990 BRAC statute are pretty detailed. What it says, essentially, is the military service that proposes to close an installation offers it within the Department of Defense to other installations or, pardon me, other military departments or other organizations. If they choose not to take it, it then is made available to other Federal agencies.

Should the other Federal agencies choose not to avail themselves of the installation, it then goes through a very detailed process where the Secretary of Defense works with local redevelopment authorities, to include representatives of the homeless, State and local governments participate in that process. There are potential for economic development conveyances, for public sales, for auctions, for negotiated sales.

So there is a whole laundry list, if you will, of what the Secretary of Defense is required to do as he goes through the process of dis-

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posing of installations closed under BRAC. That detail may offer a model for you as you think about the Civilian Property Realignment bill.

Senator CARPER. Yes. It occurs to me, though—I am going to go back to the example I used in Dover, Delaware, where on the one hand you have the Dover Air Force Base where 5,000 people work and 5 miles away, you have the Federal building in downtown Dover where maybe 100 people work, if that. Do we need for the Federal building in Dover a BRAC-like process to be able to dispose of, in a reasonable, common sense, practical way, humane way, we need the same kind of process? Anybody? Please, Mr. Werfel.

Mr. WERFEL. I am not familiar with the exact circumstances of Dover, but what I can tell you, Chairman Carper, is we have come across different real estate transformation opportunities where it is maybe not as complex as downsizing a military base because of, as I think it was mentioned in the first panel, it is like shutting down a major city or a minor city, but yet it is complex enough in terms of the various stakeholder interests that, historically, we have been unable to push through under the current frame.

So I do not know that it necessarily, as the BRAC-like board that we envisioned gets together and adjudicates and thinks about a particular building that fits the example that I provide, or going back to my earlier point about downsizing thousands of field offices across counties, both urban and rural across the United States. They might not have the same complex array of issues and immediate community impact, but I think they will get a healthy dose of very legitimate interests and concerns, whether the local residents are concerned about a giant office building being replaced where green space exists now, or whether there is concern that the local educational institution should get the property versus the mayor versus the homeless versus et cetera.

We see that and we see those types of interests even in a building potentially the same size, square footage, and impact or imprint of the Dover Federal Building. It is a case-by-case basis. And that is why I think the board that we are envisioning will be somewhat surgical and will hear back from the agencies and say, here is an opportunity that we are seeing this type of make-up of competing interests or lack of financial incentive. Here is where you might come in and be able to help. And we think for a relatively low up-front investment in this type of mechanism, the proceeds can be enormous.

Senator CARPER. Mr. Peck.

Mr. PECK. Mr. Chairman, the Dover Federal Building is, in fact, a GSA building. It is a multi-tenant building, and it is typically the kind of asset you want to hold on to. It is government owned. It is almost always in the best interest of the taxpayers to hold on to those. What we might want to look at Dover is whether there are other facilities that we do not need, and sometimes that takes a little bit of work and I will tell you why.

When we ask agencies, well, how about this property out there? It looks like you are not using it terribly intensively. Often, the answer is, well, but things will change. We might need it. And so, in essence, we have some Federal agencies, and GSA, I will have to admit, in some cases has done this, too, that the agencies are, in

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essence, land banking the property, and to be able to say to them, I do not really think you need that and it is time to move on and time to think differently about how you do your function and go someplace else, that is something that we could use a little bit more clout to do.

Senator CARPER. OK. Senator Brown.

Senator BROWN. Thank you, Mr. Chairman. I had to go down to the floor and pull an amendment and then deal with an FAA issue. I appreciate you——

Senator CARPER. Do you expect we are going to vote again?

Senator BROWN. No. There are no more votes.

Senator CARPER. All right. Thanks.

Senator BROWN. Not until Tuesday. I am shocked.

So, Mr. Peck, if we could start with you, I guess, GAO highlighted the lengthy disposal process as one of the issues hampering the GSA's ability to effectively dispose of unneeded property, and obviously contributing to a lengthy process is the housing use that you heard from the prior testimony. In the past 10 years, what percent of excess properties have actually become homeless housing, if you know?

Mr. PECK. I think while you were out, I gave one number. It is the best number, I think, that gets at your answer. Of the public benefit conveyances that we have done, which are those that go to—that we decide, it is not going——

Senator BROWN. Right.

Mr. PECK [continuing]. It is eligible for a State and local purpose, some—that is about 15 percent of the properties, and about 5 percent of those have gone to the homeless. So it is not a lot——

Senator BROWN. How many months or years, on the average, is that process to consider a property to become used for homeless?

Mr. PECK. The immediate screening process, which involves a referral to the Department of Housing and Urban Development, only takes about 60 days, and so it is not that—that aspect of it is not that long a process. However, to be candid, sometimes what happens is that the process stretches on after that as various entities, public and nonprofit, decide that maybe there is another way to get the property or maybe it would be useful. So it is hard to put a number on that.

Senator BROWN. And just for all of you, I have been running around. It has been one of those days. If you have answered something, I do apologize. I appreciate your consideration.

Mr. Werfel, it is good to see you again. I was very impressed by your testimony before us before. I have been kind of watching to see how you are doing and appreciate you coming back. How does the President's proposed board streamline the process if it still includes the time consuming process of considering historic property designation and homeless housing use?

Mr. WERFEL. Senator, thank you, and thank you for those kind remarks. The streamline comes from the ability to drive to a quick decision and to run the processes concurrently. So we have a lot of legitimate interests that are looking at the property and a lot of legitimate process steps that need to take place, and what we want to do and what we want the board to come in and do is for a given

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property or a set of properties, to take all those issues collectively and drive to a particular decision.

So rather than waiting a certain number of days while the local education institution has its take at the process, then the homeless, then the local correctional facility, then the local airport, then other local government entities, which can lengthen the overall process, the board would say, OK, everybody come in simultaneously. We will review the process. We will drive a decision that balances all and we will try to reach something that is optimal, that protects the taxpayer but also protects the local community.

Senator BROWN. Thank you. And Mr. Sullivan, is it true that there is a 387-acre property owned by the VA in West L.A. which is worth about $4 billion and that a Fiscal Year 2008 appropriations bill prohibits you from disposing or otherwise altering its ownership of the property? Is that true?

Mr. SULLIVAN. Yes, sir. We have a large medical center in West Los Angeles that has had historically significant restrictions on the use and disposal of that property dating back to the 1960's and 1970's.

Senator BROWN. And the VA has determined that the property is excess or underutilized, is that right?

Mr. SULLIVAN. At this point in time, since we have not had any authority to determine or to excess——

Senator BROWN. Well, prior to the land use restrictions, did they make that determination?

Mr. SULLIVAN. I would have to look. It goes back to the 1960's.

Senator BROWN. If they were not in place, would the VA submit the L.A. property to be considered through the process we are talking about?

Mr. SULLIVAN. I think at this point, as I said, I think, when you stepped out of the room, Senator, in terms of any property realignment, we would first look to see what is the direct impact on veterans. Does this have a positive impact on veterans to realign or excess any of our property? Does it still impact——

Senator BROWN. Well, what is the use now? Is it being—how is it being used right now?

Mr. SULLIVAN. There are portions of the land that are used as a medical center, a State home, a domiciliary nursing home. There are portions of the property that agreements are in place that are being used by parties outside of VA for purposes to raise revenue that comes back to VA at this point, to community partners, universities, and so forth.

Senator BROWN. So back to you, Mr. Werfel, would the President's proposal help to ensure that there are no so-called sacred cows that are exempt from the process?

Mr. WERFEL. That is the exact goal. I mean, the property that you are raising has a lot of particular sensitivities associated with it. We certainly would want that property to be closely looked at by the board to determine whether some or all of it could be better utilized, not only to the benefit to the taxpayer, but to work through some of the issues that are going on in the local community within that property. I think that is a good example of a property that an independent process will help us to drive to a quicker decision on the optimal use of the property, and I would look for-

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ward to having VA and the Administration work with the board to give them the information they needed to reach the right decisions.

Senator BROWN. And it is also, I believe, your intent in your—I do not want to say what your intent is. Is it fair to say that by going through this process, we can step back from our use of leasing properties and utilize our own ownership to reduce the amount of money we are spending on leasing? Is that one of the objectives?

Mr. WERFEL. It absolutely is. I mean, there are a couple of ways to skin that cat of reducing our leasing footprint, which absolutely has to be an objective, and one of them is by doing some tough, tough realignments. Let me give you a good example, is a lot of our county offices across the Nation that I think would be important to downsize and are very tough to downsize without this type of independent process that can drive through some of the competing stakeholder interests, that type of downsizing, whether it be 10 percent, 15 percent, 20 percent, you are going to see a significant drop in the leasing footprint because some of those facilities are leased.

Elsewhere, I think there are opportunities to downsize, realign, and consolidate in ways that can dramatically impact our leasing footprint. Mr. Peck mentioned earlier in response to a question from the Chairman the Dover building——

Senator BROWN. Right.

Mr. WERFEL [continuing]. And said maybe we should bring in other properties around into that building and build it up, and I think he would be referring to leases as well as owned.

Mr. PECK. I also mentioned that we are renovating the GSA headquarters building, which has heretofore housed about 2,600 people. With technology and other ways that we use space these days, we can get about 6,200 people in the building and avoid an annual lease cost of about $20 million, reduce about 500,000 square feet of leased space in the Washington area.

Senator BROWN. Now, back to you, Mr. Werfel, how much in savings do you think the taxpayers can expect from the sale of these excess properties and where do you think it will be coming from, for example, operational and maintenance savings versus the portion that could be derived from sale proceeds?

Mr. WERFEL. I think there is——

Senator BROWN. Approximately. I do not expect a hard number. I am not going to hold you to it.

Mr. WERFEL. Yes. Our estimate is that in the first 3 years that the board is operational and churning through their recommendations, that the opportunity is approximately $15 billion over those 3 years. That $15 billion is made up of two different types of savings, as you mentioned. One is the proceeds from sale, and we believe that there are numerous high-value assets throughout the inventory that we cannot sell today under the current legal and competing stakeholder interest climate that we can sell under this process. And the other is the elimination of operating costs. When you sell the building, you eliminate those operating costs and get proceeds. When you terminate a lease, you are ending that leasing cost. So it is a mixture of those two opportunities.

Senator BROWN. And one final question, Mr. Chairman? Thank you. So, Mr. Sullivan, based on everything you have heard so far,

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if the VA uses Enhanced Use Lease agreements as a way to maximize returns for the underutilized assets, is the civilian BRAC and if this civilian BRAC process that we are talking about were implemented, how would Enhanced Use agreements affect the process and your ability to dispose of excess property?

Mr. SULLIVAN. Senator, I think they work in complement of each other. Our Enhanced Use Leasing process works quite well when we can forge a win-win strategy between the local stakeholders, the local community, the veterans, and the government. And in cases, as Danny talked about, where we have major challenges, where we cannot reach that consensus, that decision, I think that process would be very helpful in helping us with those properties. So I think both can work together.

Senator BROWN. Great. Thank you, Mr. Chairman.

Senator CARPER. Thank you. I am going to go back just to followup on a question that Senator Brown asked, I think of Mr. Werfel. When we look at the potential source of savings, one, we can save money by getting properties off the books, and if we can sell them for a few dollars, so be it.

Second, we spend—for some of these properties, not all but some of them, we spend money for utilities. I do not know if you call these operating costs, or maybe you do. We can save some money for some of these buildings, money we spend for security. I remember Senator Coburn and I visited a large postal facility, postal processing facility, I think it was in Chicago, about 4, or 5, 6 years ago, and as I recall, they had a considerable security cost, as well, costs of maintenance that have to be covered. Are there others in terms of operating costs that are significant that we need to be mindful of?

Mr. PECK. There is one other thing. We mentioned in our testimony that there is the liability that the government holds which GAO has talked about any number of times of deferred liability costs. You are either holding the building and it is depreciating in value and it, in essence, it is deteriorating, or you keep it up, one of those two. So you both reduce operating costs, you reduce your liability, the need you have to rehab buildings at some point.

Senator CARPER. OK. Savings on lease versus purchase. Let us just talk about that a little bit, and we have talked about it already in a couple of the exchanges here. But I am going to go back to that Dover Federal Building. The Dover Federal Building has, I think, been made available—as Federal agencies have moved out, it has been made available to other potential use of stakeholders in the community. As I believe, I think one of our colleges or universities has said that they would like to use that facility for offering some of their coursework, and I think that is what is going to happen. I think that is what is going to happen. Meanwhile, Federal agencies, including our congressional delegation, have moved off into rented space, space that we are leasing.

There is an argument that maybe we should have gone off someplace else and built another building from scratch and all moved into that and we could have saved money, but I do not know that was ever seriously considered.

Mr. PECK. Without knowing the facts in Dover, but it sounds like situations we have all over the country, you can say pretty much

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without knowing the specifics that in most instances, it makes sense for the Federal Government for long-term government uses, and Congress is going to be here for a long time, to put the offices in federally owned rather than leased buildings.

I suspect what has happened in Dover is that someone took a look at the building and decided it is functionally obsolete. The cost of bringing it up to current day standards is prohibitive. And, then here is a key fact, that taking a look at how much capital investment we were likely to convince the Administration and the Congress to give us, it is not in the cards to build a building there any time soon. That leaves us with the option of going to modern private sector space.

We do not have the option in GSA that the VA has, to some extent, with Enhanced Use Leasing, which allows you to use private sector capital to build a facility, which at least at some point is owned by the Federal Government. There are all kinds of legitimate scoring issues that both CBO and OMB enforce that keep that from happening.

But in any event, it is a constraint on capital investment that has pushed us into a lot more lease space and less, as a percentage, of owned space, and it is not good asset management.

Senator CARPER. Mm-hmm. Did you want to say anything, Mr. Sullivan.

Mr. SULLIVAN. Yes, I think I do. As I talked earlier, one of the critical factors when we look at real property is what is the direct benefit and impact on veterans. VA is a huge believer and user of leasing and for the following reason. Most of our leases are medical leases and we need to get those services out into the community where the veterans are, and the demographics of veterans change as different conflicts happen. Veteran demographics will change and services will have to meet.

So for us to make a lot of our leases government-owned, I think, would not serve the veteran and in the long term not be able to provide benefits. I mean, I think there needs to be a balance. I agree, we do not want to substitute leasing for building our own, but in the medical field, there is a great need to have the flexibility to put leases in different places to meet veterans and have those medical clinics have the ability, as medical technology changes and demographic changes happen, to shift them to different locations or to different sizes. I just want to point that out.

Senator CARPER. OK, thanks. Mr. Peck.

Mr. PECK. That is absolutely right. As I said, when you have permanent needs, long-term needs, and corporate real estate executives do make the same kind of determination, for long-term needs, you want to be in owned space pretty much. For the areas where demographics are changing—Social Security offices have often been the example of this—you want leased space. And with medical facilities, you obviously have to have face-to-face consultation.

On the other hand, with Social Security, and we have been talking to Social Security about this, to a large extent, even the aging demographic now is computer literate and that is going to change where and how many Social Security field offices they need and that may allow us to reduce the leases in Social Security offices, as well.

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Senator CARPER. OK. Mr. Werfel, let me just ask, what other approaches, aside from this BRAC-like approach, what other approaches did the Administration consider in helping us deal with the problem of surplus or underutilized property? What other approaches did you consider and why did you settle on this BRAC-like approach as opposed to one of the others?

Mr. WERFEL. I think, as I mentioned earlier, as we pulled back the onion layer on agency inventories, we started to see some transformational opportunities that existed and they seemed to orient around areas that were going to be tough to address under the current legal and regulatory framework. The three basic issues are the process is long and can be tiresome and bureaucratic, the financial up-front money is not always in place, and then, obviously, the political or competing stakeholder interests.

One option that we have considered is more of a kind of a straight to legislation. So we do the work and we show you our cards in terms of what we have and you guys react to it. We say, here are the 10 best recommendations that we have. What I have learned and what I believe is that if you sent me off with my colleagues to try to do that, knowing what I know about how the government works and the back and forth, we will take a bite out of that apple and try to give you something, but it will be a smaller bite than if you sent off an independent board to do the same work, because I have in my position, and we all have, constraints about what we can reach for and how bold we can be. And so in many ways, that is an option, but I think we are going to come back with a smaller piece.

And I also believe that if we did submit to you an Administration-generated set of recommendations and put it on Congress's plate, that small bite would get even smaller by the time it got through the process. So it is really, from our vantage point, how big and bold do you want to be and aggressive, and in this budgetary climate and the more we got excited about these transformational opportunities I think the Social Security offices is a good example, USDA field offices, and then numerous high-value properties throughout the United States where the agencies have scratched their heads about how to even approach getting rid of it—we said, let us go for the larger chunk. The budget environment right now demands that we maximize our approach.

Senator CARPER. I think you were quoted, Mr. Werfel, in maybe it was before a House Committee, the House Transportation and Infrastructure Committee—I think it says you stated that a Civilian Property Realignment Board could save the Federal Government $15 billion in the first 3 years of its operation, is that correct?

Mr. WERFEL. Yes.

Senator CARPER. And when—how long do you think it would take to stand up the board and actually begin its operation?

Mr. WERFEL. I think it can be—I mean, I think we——

Senator CARPER. Will it be reasonable?

Mr. WERFEL. I think it can be done relatively quickly if we are focused on execution. One thing I learned during the Recovery Act is if you give us a deadline, no matter how complex, we will figure it out and plow through.

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I would probably look at an 18-month or so lead time, once the bill is up and running, for us to get the members together, get them positioned, get their staff. One of the things that we are doing right now to maybe diminish that 18-month lead time is we have reformed this Real Property Advisory Committee. Director Jack Lew signed out a memorandum on the same day we transmitted the Civilian Property Realignment Act for congressional consideration, on May 4, creating a Real Property Advisory Committee made up of CFOs and senior real property officers, and Mr. Peck and I both sit on the Committee, as well.

And one of the main objectives of that Committee is to provide the board with a set of analytics and a set of information that allows them to hit the ground running. Now, they do not have to take any of it because they are independent, but we did not want them showing up to an empty office. We wanted them showing up to as many months and as many blood, sweat, and tears that we can put into the analytics, if you approach it this way, if you approach it that way, and just a lot of slicing and dicing. I think that will help accelerate.

Senator CARPER. All right. Mr. Peck.

Mr. PECK. May I say that is probably right for setting up the board. I think that given all the things we are doing now, though, that if we knew that we were getting legislation or if the legislation were passed, ostensibly, we would be able to present that board at almost its first organizational meeting with a first cut at the property. So if it is 18 months to get them going like that, I think shortly after they meet, they would be able to start making the decisions that I think we would all like them to make so that we could start moving properties through the pipeline.

Senator CARPER. OK. The last question I will probably ask will be of Mr. Wise and Mr. Lepore. I am not going to ask it just yet, but I am going to telegraph my pitch, all right. And the question I ask after asking another one, maybe of Mr. Werfel, is if you were in our shoes—you are an independent watchdog agency. We have great respect for you and genuine affection, and here is my question. It is going to be, if you were in our shoes, if you were sitting on this side of this dais instead of at the witness table, what would you do? It is a pretty simple question. If you were sitting on our side—do not answer it yet, but if you were sitting up here, you were Senator Brown or Senator Coburn or Senator Begich or me, what would you do if you were part of this Committee? Thank you.

And to Mr. Werfel, my question to you is I understand that a month or so ago, the Administration released a list, I think it is about 14,000 properties, I think you said, that have been reported excess by the Federal agencies. To the average person, it sounds like a lot of properties. It sounds like a lot to me. And the sale of these proceeds could generate a substantial amount of revenue and costs that could be used to pay down the deficit. I think you mentioned as much as $15 billion over 3 years.

My staff has had the data, sort of drilled down on the data a little bit and found that of those 14,000 or so properties on the list, there are about, oh, about 1,800 that have maybe already been disposed of and that about roughly 5,500 were in the disposition process, and I do not know if the disposition process takes a month, a

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year, a decade, or whatever. But in other words, about 50 percent or a little bit more of these assets appear to be somewhere in the disposition process.

I would just like to ask today, how many excess properties are in the Federal inventory? Any idea how many excess properties are in the Federal inventory, I guess, keeping in mind those numbers?

Mr. WERFEL. I mean, a couple of thoughts on that. The 14,000 that we released is a snapshot in time. What we do is we collect the data on an annual basis and that provides us an annual snapshot. And what we will try to do on the Web site where we release the information is update it. So I think what that data represents is at the end of Fiscal Year 2009, our inventory had approximately 14,000 assets that were designated as excess. When we released the information a month or two ago, we tried to update and say, well, since that time, 1,800 have been disposed of. Our——

Senator CARPER. Is that 1,800 out of the 14,000——

Mr. WERFEL. Out of the 14,000.

Senator CARPER [continuing]. That were listed in—that really existed in 2009?

Mr. WERFEL. Yes. Yes.

Senator CARPER. OK.

Mr. WERFEL. Our main emphasis around the release of those 14,000 assets is a few things. It is, one, it is transparency to make sure that the public is holding us accountable to get rid of them and the public might be able to identify things that are not on that list that they think should be.

And, really, I would like you to think about it as clearing out the underbrush. We have to get a better handle on these excess assets and dispose of them more quickly and rapidly and we are working hard to do it.

But in terms of the $15 billion opportunity, it does not exist within those 14,000. The $15 billion opportunity exists in those tougher to reach places where we have been unable to push them into excess because we have been stopped in our tracks by a variety of different barriers, and the CPRA board is intended in many ways to increase the number of assets that are excess so that we can move them more quickly off our books. Right now, they are in our inventory and they are going to stay in our inventory even though they might not necessarily need to be in our inventory unless we come up with a game changing set of policies to advance them forward, and that is really what we are here to ask for your help to do.

Senator CARPER. OK. Thanks. All right. Mr. Wise, Mr. Lepore, two wise men. [Laughter.]

Mr. WISE. Well, I will do the best I can. We are working with the Committee to try to answer these questions. We are doing, in fact, two new engagements on excess property and leasing issues; we hope we will contribute to helping the Congress make these kinds of decisions. We have had experience at GAO studying pretty thoroughly the BRAC process and it seems to have worked relatively well. I will let Brian explain in detail in response to your question.

Mr. LEPORE. Yes, Mr. Chairman. I think in one sense, the BRAC process has been a reasonable process for making very difficult de-

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cisions among competing interests, many stakeholders that have a well understood and vested interest in these installations, and we can understand how that comes about. Those are, as you have heard and as you well know with places such as Dover, a very important C–5 base, these really are, in some cases, almost major cities or minor, medium-sized cities in a community.

On the other hand, the BRAC process has created a system whereby one can review candidate recommendations, hopefully in a consistent way using a consistent set of criteria and in a transparent way. You heard Senator Dixon, when he was here earlier, who chaired the 1995 Commission. He indicated that he thought transparency was important. The BRAC process and the BRAC Commission process generally has been pretty transparent, the exception being when classified information is being discussed.

So I think in some ways, the BRAC law may offer you a model. It may not be a perfect model since there clearly are significant differences. The Department of Defense is a department under a single secretary. In this case, you have multiple Federal agencies and departments under various agency heads. So it is not a perfect model, but I think there have been circumstances where—and are circumstances where you may be able to pull from that process.

The other point I will make is I think you had a lot of good ideas here today from the first panel and the second panel, and I think the advice we would always give is pick and choose the best ideas. I think you have heard a lot of good ideas today, some perhaps competing, but I think, nonetheless, BRAC, all of these other ideas combined, you may very well be able to find a process that is really going to get this done.

Senator CARPER. Does anyone have a closing thought? Yes, Mr. Peck.

Mr. PECK. At the risk of making people's eyes glaze over, but it makes an important point that Danny just tried—just was making the point, that of the 14,000 assets which are described as excess, each asset, each on a property is categorized separately as an asset. So everyone says 14,000 assets. There may be, if we get rid of a military depot, that may be 300 assets. So there are fewer discrete properties that can be sold on that list. And so taking a look at that list by itself does not get you to the $15 billion. We need this authority to get at some of the other properties.

And finally, an authority which you will not see in the legislation because we already have it is the authority to make use of private sector real estate consultants and brokers to help us do this. We do this as a routine in GSA anyway. We have the authority and have used the authority to bundle properties, as one of the panelists on the previous panel said.

So I want you to know that there are properties which we can use aggressively right now, but there is just a wall which we are going to hit unless we get this other side of it, the ability to go out to agencies, make sure we really can vacuum up all of the excess property in a more direct way and to make decisions faster.

Senator CARPER. Any other closing thoughts? I will add one last observation. I serve—one of the other Committees I serve on is the Finance Committee, and Senator Baucus, our Chairman, pulled together a—we have done it—actually, he has pulled together a se-

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ries of hearings this year where we have otherwise men and women who come and talk with us and share their ideas for deficit reduction, and a month or two ago, among the witnesses that we had was Alan Blinder, whom some of you may recall was Vice Chairman of the Federal Reserve for a number of years not that long ago. And in his comments on deficit reduction, among the things that he said in his testimony was that the 800-pound gorilla in the room for deficit reduction is health care costs, and unless we got our arms around health care costs, we are—not exactly, these are not his words—but pretty much doomed. And he said everything else is not superfluous, but it is smaller change.

When he finished his testimony, the other witnesses testified and then a number of us, we had an opportunity, as we have done here today, to ask questions. And it came my turn to ask a question and I said, "Dr. Blinder, you have mentioned that unless we address how to get better health care results for less money, that we are still going to have a huge problem with the deficit." And I said, "What advice would you have for us?"

And he said in his response, he said, "I am not an expert on health care, but let me just say as a layperson, let me just offer you this advice. Here is my advice," he said. "Find out what works. Do more of that." That is all he said. Find out what works and do more of that.

We need to find out what works and do more of that, and part of it could be our experience with BRAC and to do more of that. Part of it could be to learn from the VA and the work that you have done. It is sort of—I am reminded of the fact that those two moral imperatives that I talked about, to meet the needs of the least of these and also to do it in a fiscally responsible way? That is really your charge at VA, and you are oftentimes held out as an agency that does a pretty good job in these areas.

Senator Coburn and I and our other colleagues are not going away on this issue. This is one I want us to resolve in this Congress and am determined to do that. I am grateful to my colleagues and I am grateful to our staffs for the work that they have done in preparing for this and grateful to you for the work that is being done, has been done, and is being done on this front. Let us just work together. We are all in this together, and we have to figure out how to deal with this, realize the savings that Mr. Werfel has spoken of here and previously in his House testimony. We need to stop spending that kind of money, to save it instead.

All right. Thank you very much, and with that, this hearing is concluded.

Again, my colleagues will have 2 weeks to submit their questions and we would ask that you respond to those in a timely manner. Thank you so much.

We are adjourned.

[Whereupon, at 4:24 p.m., the Subcommittee was adjourned.]

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APPENDIX

U.S. SENATE COMMITTEE ON HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS

SUBCOMMITTEE ON FEDERAL FINANCIAL MANAGEMENT, GOVERNMENT INFORMATION, FEDERAL SERVICES, AND INTERNATIONAL SECURITY

HEARING: "Federal Asset Management: Eliminating Waste by Disposing of Unneeded Federal Real Property"

WASHINGTON – Today, Sen. Tom Carper (D-Del.), Chairman of the Senate Subcommittee on Federal Financial Management, convened the hearing, "Federal Asset Management: Eliminating Waste by Disposing of Unneeded Federal Real Property."

For more information or to watch a webcast of the hearing, please click here.

A copy of Sen. Carper's opening remarks, as prepared for delivery, follows:

"Today, we will examine the challenges the federal government faces in managing its property. We will also discuss the President's proposal to address at least some of those challenges through the creation of a Civilian Property Realignment Board to assist agencies in rightsizing our federal real estate inventory.

"There is a general consensus that the federal government has to 'get smarter' about the way it manages buildings and land. With concerns over the implications of our deficit and national debt mounting, eliminating waste and achieving cost savings in this other area must remain a priority.

"Between 2001 and 2009, we ran up as much debt as we did in the first 208 years of our nation's history. Last year, we ran up what may be the largest budget deficit in our nation's history. While most of us here in Washington are united in our desire to find a solution to our country's fiscal problems, we're still facing an ocean of red ink for as far at the eye can see.

"A wide variety of ideas have been put forth on how to reduce our budget deficit and begin whittling down our debt. Last fall, a majority of the bipartisan deficit commission appointed by President Obama provided us with a roadmap to reduce the cumulative federal deficit over the next decade by some $4 trillion. A number of the steps we would need to take to accomplish this goal will likely be painful.

"Many Americans believe that those of us here in Washington aren't capable of taking these steps. They don't think we can do the hard work we were hired to do – that is to effectively manage the tax dollars with which they entrust us.

"Citizens look at the spending decisions we've made in recent years and the poor management across government and question whether the culture here is broken. They question whether we're capable of making the kinds of tough decisions they and their families make with their own budgets. I don't blame them for being skeptical.

"We need to establish a different kind of culture in Washington when it comes to spending. We need to establish a culture of thrift. That involves looking in every nook and cranny of federal

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spending – domestic, defense and entitlements, along with tax expenditures – and asking the question, 'Is it possible to get better results for less money?'

"When it comes to federal property management, it's clear to me and others that we can get better results and save money. Federal property management has been on the Government Accountability Office's high-risk list since January 2003, in part due to the overwhelming number of unneeded, underutilized and even vacant facilities held by federal agencies.

"The most recent comprehensive data available showed that federal agencies apparently possess more than 45,000 underutilized buildings, totaling more than 340 million square feet in space. These buildings cost nearly $1.7 billion annually to secure and maintain. Just last month, the Administration released a list of 14,000 real property assets that have been identified as excess, meaning they no longer meet a federal need and should be disposed of.

"In addition, we're also likely over-leasing. Since 2008, General Services Administration has leased more property than it owns even though owning a federal building is often a more cost-effective way of meeting an agency's long-term needs.

"Fortunately, both Congress and the Obama Administration are united in their commitment to address the issue. In June 2010, President Obama issued a memorandum urging agencies to move more swiftly to dispose of unneeded property. He also put into place a goal of achieving $3 billion in savings through property sales and other disposal actions by the end of fiscal year 2012.

"In addition, the President's latest budget included a recommendation to form a Civilian Property Realignment Board to review the government's property portfolio and dispose of those deemed excess in an expedited manner.

"This is a proposal that my colleagues and I on the Homeland Security and Governmental Affairs Committee still need to spend some time examining, but I'm pleased that the President has put something aggressive on the table.

"Clearly, the momentum is building to address a widely recognized problem. Yet, in all our zeal to save, we must be intelligent in our approach. Rome was not built in a day. The federal government's bloated property portfolio cannot be 'unbuilt' in a day. We have an opportunity to do this the right way and change the way the government manages its hundreds of billions of dollars worth of assets.

"The President's proposal may be the right approach. It may not be. It does, however, hold some promise. That said, agencies shouldn't be waiting for a civilian BRAC to solve their property management problems.

"In an era of shrinking budgets and scarce resources, it's critical that agencies come up with innovative property management tools to expeditiously dispose of assets they no longer need and to take better care of those that they do need. In sum, the government has many underutilized and vacant properties that cost billions of dollars each year to maintain.

"Despite efforts to reduce this inventory, multiple obstacles remain that preclude quick and easy solutions. I look forward to hearing from our witnesses as they share their thoughts on the Administration's plan and sitting down with my committee colleagues who are interested in this issue so that we can move forward with the more difficult work ahead."

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Opening Statement by Senator Scott P. Brown

June 9th, 2011

Subcommittee on Federal Financial Management, Government Information, Federal Services, and International Security

U.S. Senate Homeland Security & Governmental Affairs Committee

"Federal Asset Management: Eliminating Waste by Disposing of Unneeded Federal Real Property"

Thank you, Chairman Carper, for holding this important hearing. At a time when our nation is in a perilous financial position, the role of this Subcommittee in maximizing our valuable tax dollars is crucial, and I appreciate your partnership in this pursuit.

The Government Accountability Office (GAO) estimates that the Federal Government owns over 45,000 underutilized and excess properties which cost the government approximately $1.7 billion dollars annually to operate and maintain. Now more than ever we simply cannot afford to waste precious taxpayer dollars keeping the lights on in these underutilized properties. Just as a business would, we must ensure that we strategically manage our assets to ensure that we maximize our return on investment and operate the government in an efficient manner. The current property disposal process, like many government programs, is mired with conflicting priorities that complicate what should be a simple goal of maximizing the return on the selling of excess properties. I am interested in hearing how the President specfically intends to streamline the current process to enable the government to meet its overarching goal of reducing its enormous debt. The President's proposal for a Civilian Property Realignment Commission (CPRC), based on the military BRAC process, has promise, but I am concerned that any process that does not focus on the goal of making the

tough decisions needed to maximizing taxpayer dollars in an efficient process, is simply a waste of time. There can be no "sacred cows", or carve-outs, and any reforms to the process should encourage the strategic management of government assets.

I came to Washington to address our nation's fiscal challenges. We have to stop avoiding making these difficult decisions, so I welcome the opportunity to talk with the witnesses about the President's initiative and other proposals.

Testimony of Senator Alan J. Dixon
Chairman, 1995 Base Realignment and Closure Commission
before the Subcommittee on Federal Financial Management, Government Information, Federal Services, and International Security
Committee on Homeland Security and Governmental Affairs
United States Senate
June 9, 2011

Good afternoon, Mr. Chairman and Members of the Subcommittee. I am Alan Dixon. In late 1994, President Clinton appointed me Chairman of the 1995 Base Realignment and Closure, or BRAC, Commission on the recommendation of my good friend Senator Sam Nunn, who was Chairman of the Armed Services Committee at the time.

I also had a lot of experience with the local impact of the military base closure process during my service in the United States Senate. Several major installations in my home state of Illinois were closed by previous BRAC Commissions, including Chanute Air Force Base and Fort Sheridan in 1988 and Glenview Naval Air Station in 1993. I worked very closely with all of the communities in my state that were affected by base closures.

I would like to make a few general observations about the base closure process, and then point to some aspects of the process which I think were important in making it successful.

In the late 1980s and early 1990s, closing military bases was essential. We were reducing the size of our military in the aftermath of the Cold War, but it was almost impossible for the military services to reduce their infrastructure because of the restrictions that Congress had placed over the years on closing military bases in the United States.

The result was that we were wasting scarce defense dollars maintaining bases that we didn't need.

Everyone agreed we needed to do something. Congress created the Base Realignment and Closure Commission to operate a limited number of times to bypass the restrictions that remain in current law today that effectively prevent the Defense Department from closing domestic military installations.

The BRAC process worked.

According to the GAO, the first 4 rounds of the BRAC process closed 97 major military bases, realigned another 55, and approved another 235 minor closures and realignments, all in the United States. The annual recurring savings were $7.2 billion once all the actions were completed.

The 2005 BRAC round closed 33 major bases, realigned another 30, and approved another 774 minor closures and realignments. GAO and DOD are still debating the annual recurring savings, but they lie somewhere between $2 and $4 billion.

Let me offer a few observations on the BRAC process for you to consider as you work on the proposal for a Civilian Property Realignment proposal.

First, the Defense Department had a strong incentive to make the BRAC process a success because it got to keep the annual recurring savings and apply them to other areas of the defense budget.

Second, the BRAC law set up clear criteria for evaluating bases that everyone concerned – the military services, the local communities, the Commission and the Congress – knew would be used. While military value criteria were understandably the most important, Congress decided that the economic impact of a closure or realignment on a community could be used to offset the military value. This was an important criterion in some cases where the closure of an installation would have a devastating impact on a particular community.

Another important point about these criteria concerns the environmental impact of closing bases. DOD determined that while environmental compliance costs could be a factor in a base closure or realignment decision, environmental cleanup costs were not to be considered in the cost of closure calculations because DOD was legally obligated for these costs regardless of whether the base was closed. Including environmental cleanup costs in a closure decision could have skewed the process to close only bases with little or no environmental cleanup costs.

Third, the BRAC process was widely accepted because the Commission was perceived as independent and objective. The Defense Department came up with its closure recommendations to the Commission in a closed process. In contrast,

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everything the Commission did was open and transparent to the public – our hearings, our visits to bases, our deliberations, all the information we received from the Defense Department to support their recommendations and from the communities and others to support their positions. The commissioners were subject to all conflict of interest laws, and several members of the 1995 Commission which I chaired recused themselves from participating in certain decisions.

Communities and Members of Congress might have disagreed with the BRAC Commission's ultimate decisions, but I think they felt they were listened to and treated fairly.

I noticed that under the Administration's proposal, the Civilian Property Realignment Board's meetings are not open to the public, and the Chair and Ranking Member of the Congressional oversight committees can sit in on all meetings of the Board. I respectfully suggest that the Subcommittee might want to look closely at these two aspects of the Administration's proposal in light of the BRAC experience.

Finally, the BRAC experience showed that some form of government assistance to communities affected by major closures or realignments was essential both for losing communities to overcome the economic impact and in some cases for gaining communities to prepare local infrastructure to receive new activities.

Closing a military base was almost always a painful decision for the BRAC Commission and a wrenching experience for the communities involved, many of which had a long history of support for the installation.

And it was painful for Members of Congress to be put in a position where Congress could only accept or reject, but not modify, the Commission's recommendations.

But the BRAC experience shows that military base closures can be done in a fair, open and compassionate manner, and the communities affected can recover economically.

I congratulate this Subcommittee and the Administration for turning to the problem of getting rid of excess federal civilian infrastructure. I hope my testimony this afternoon will contribute to the success of this effort.

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Statement for the Record

David B. Baxa

President & CEO

VISTA Technology Services, Inc.

"Federal Asset Management: Eliminating Waste by Disposing of Unneeded Federal Real Property"

Hearing Before the

Subcommittee on Federal Financial Management, Government Information, Federal Services, and International Security

U.S. Senate Homeland Security and Governmental Affairs Committee

Thursday, June 9, 2011

Chairman Carper, Ranking Member Brown, Members of the Subcommittee:

On behalf of the employees of VISTA TSI, I commend your efforts to shine a spotlight on the challenge of federal real property asset management, and to take meaningful and necessary steps to turn the challenge into clear opportunities that will benefit the taxpayer. We sincerely appreciate your invitation to share our views.

My statement outlines suggestions for consideration of the establishment of a Civilian Property Realignment Commission (CPRC). These concepts would positively impact excess property disposal and lead to significant re-thinking of the size and scope of facilities needed to support essential government functions, along with important changes in how federal agencies manage their substantial real property asset portfolios. Because of our organization's unique experience with every Defense Department Base Realignment and Closure (BRAC) round since 1988, and our long-standing work with civilian Federal agencies on their real property asset management challenges, we feel we can offer a useful perspective to Congress as it considers the mechanics of how an effective CPRC process can – and should – be developed and executed.

Summary

Perspective is important. The Office of Management and Budget (OMB) recently published a listing of 14,000 real property assets that have been deemed "excess." To the average American that sounds like a huge number of properties, the sale of which should yield substantial, short-term proceeds to the government. However, deeper analysis shows that many of these 14,000 assets likely have little value in the marketplace. In fact, the government should expect to *incur* costs in the near term to properly dispose of certain excess properties.

That understanding, however, should *not* discourage us from taking decisive action to right-size our federal asset portfolio. Most of these properties are incurring energy, operations, maintenance, and environment management costs every year. Regardless of what value the properties might realize in the market and any near-term net gain or expenditure for the government, the ultimate fiscal impact of real property realignment—and the most substantial benefit to the taxpayer—will come in the form of long-term cost avoidances resulting from reduced year-over-year sustainment costs. There is also the real potential for public or private reuse to benefit the local economy. This might not be as immediately satisfying to taxpayers, but successive rounds of DOD BRAC have clearly shown that the long-term fiscal benefits can be substantial. This is why the current Congressional and Administration focus on tackling this challenge is timely, appropriate, and necessary.

Specifically, Congress should establish a commission with Senate-confirmed members and a charter that lasts long enough to cause real property asset management reforms to become ingrained across the Federal government. I believe the commission should operate for no less than 8 years with official recommendations issued every 2 years during that period. I estimate it will take 2 or 3 "rounds" to achieve the maximum benefits where:

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- Agencies, OMB, and the General Services Administration (GSA) truly get in sync with the process prescribed by the commission;
- Improvements in agencies' real property asset management business practices start becoming institutionalized; and
- Asset sale proceeds, property management cost avoidances, and other savings are realized to a degree consistent with Congress and taxpayer expectations.

Of critical importance is the development of standards—more appropriately termed "best practices"—and criteria against which the commission will evaluate agency recommendations on real property realignment. These best practices and criteria—if faithfully adhered to—will be key to creating lasting improvements to the framework of federal real property asset management.

Federal asset managers are doing respectable work within the existing rules and processes governing their portfolio and should not be singled out for creating the long-term build-up of excess properties. Improving and streamlining the *system* for identification, realignment and disposal of excess properties will greatly assist those managers—and their agency executives—in accomplishing desired outcomes.

Further, we do not collectively need "one size fits all" mandates established by law. For example, the real property assets needed by the Internal Revenue Service to process tax returns and collect revenues are very different from what the National Nuclear Security Administration needs to manage weapon modernization programs. Agencies must have the latitude to configure and manage their facilities to achieve the missions Congress entrusts to them, with the understanding that their actions should lead to better stewardship of publicly-funded resources in the process.

The commission's development of best practices and criteria can lead to the integration of performance improvements as part of regular business processes across all agencies to ensure "realignment" is not simply a one-time event. "Realignment" should be a constant process that causes agencies to match their real property holdings and configurations to their ever-evolving mission profiles and changing workplace realities.

This should not be viewed as a "fire sale" or an opportunity for a short-term windfall profit for the government. While near-term proceeds are very possible, this action should be treated as an opportunity to reconsider and change the way the federal government manages civilian real property assets.

A Challenge That Must Be Addressed

The federal government is our country's largest property owner with over 420,000 buildings containing nearly 3.4 billion square feet of space. Many of these properties have been accumulated without adequate consideration of what the Government already owns or what it actually needs—and can afford—to support legitimate government functions. In addition to capital costs spent to acquire all these properties in the first place, it now costs taxpayers billions of dollars every year to heat and cool,

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operate, and maintain this vast inventory. Yet many voices confirm that the federal government maintains more real property assets than are needed to effectively—and efficiently—deliver its services and programs.

While many of these properties have already been identified as excess, there are many more that might be added to this list that are currently under-utilized or are in such bad shape that the cost to renovate exceeds the cost to replace. Further, creative thinking about alternative workplace configurations and consolidation of functions—both within and across agencies—has the potential to create significant additional portfolio reductions. Ultimately, the government-wide task is to manage spending while minimizing unnecessary future obligations for operating and maintaining unneeded federal real property assets.

VISTA TSI's Hands-On Experience

Our organization has had a series of contracts with and has been providing continuous support to the DOD since the mid-1980s that directly relate to right-sizing their real property inventory. Because of this experience and expertise, we were engaged to help with up-front facilities analysis processes as a prelude to every Defense BRAC round starting in 1988 and continuing through BRAC '91, '93, '95, and '05, along with implementation support subsequent to each of these rounds.

Our work was focused on helping to create critical decision support processes and systems that defined future workforce demographics (both military and civilian). We supported the calculation of facility needs for virtually every type of facility, compared those calculated requirements to existing building inventories, and achieved determinations of building excesses and deficits by specific type and location.

After each of the five BRAC rounds, we subsequently assisted with development of financial and implementation plan tracking systems for the execution of sequential BRAC decisions. We also were engaged to provide independent validations of BRAC military construction programs that had been created by various military commands responsible for BRAC implementation. In addition, we provided analytical support to the BRAC Commission during its deliberations. Accordingly, our organization has deep expertise with issues related both to the development of closure and realignment recommendations for each BRAC round and to the eventual implementation of the resulting BRAC decisions, once the Commission's work was done and approved by the President and Congress.

In addition to our DOD experience, we have considerable experience working with federal civilian agencies to develop and implement their Real Property Asset Management Plans. Further, we have assisted with agencies' 3-year rolling timeline reporting requirements to OMB, and have enabled annual real property data feeds to the Federal Real Property Profile (FRPP).

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Recommendations and Observations

The following recommendations and observations are offered from an expert, informed perspective with the intent of maximizing the success of legislation that Congress ultimately approves.

- The 1990 Defense BRAC law, as amended, provides a sound framework around which to model a Civilian Property Realignment Commission (CPRC). A commission with Senate-confirmed commissioners that operates for at least 8 years is most likely to achieve Congressional intent. The CPRC concept should involve Presidential appointees who can devote significant time and energy to the work of the commission, including carefully weighing recommendations and conducting independent analyses, making site visits as necessary, holding public hearings, and deliberating on their final recommendations. Considering the scope of the commission's work, these duties require a significant time commitment.

- The CPRC should use proven methodologies to identify what real property assets agencies have in their inventory, what real property they need to perform their missions, and what they can do without. In approaching this problem, an essential starting point is the clarification of agencies' missions in the context of the real property assets they occupy, so we know what they truly do and do not need. First, the commission must have a current and accurate picture of the inventory and condition of the civilian facilities portfolio. Next, creative strategies should be adopted to address leading edge workplace practices and configurations that achieve increased levels of productivity while decreasing the need for real property assets. Generally accepted best practices and benchmarks should be used to guide how an agency might reconfigure their space to maximize utilization efficiencies. The ultimate goal would be to determine investment priorities for restoration, maintenance, co-location, construction, consolidation, remediation, and disposal.

- Similar to the DOD BRAC process, civilian property realignment activities should involve validating agencies' real property inventories, defining current and projected workforce demographics, establishing space standards, developing facility planning and facility condition standards, and implementing technology tools that enhance the ability to analyze facility requirements and support critical decision-making. Facility consolidation studies should be conducted and civilian department real property asset management plans should be updated consistent with Executive Order 13327 (Federal Real Property Asset Management). In addition, departments' input to the FRPP should be actively managed and updated to reflect changes in real property portfolios. One example of our assistance to DOD involved the development of tools to determine space requirements against workforce demographics and organizational structures and missions. These proven methodologies have yielded major savings and cost avoidances for DOD and should be applied to other federal agencies with relatively modest modifications to the methodology required.

- Recommendations from departments and agencies should be funneled through OMB to the commission, rather than directly to the commission. This would allow for quality control among Federal departments so that the commission is comparing a set of recommended closures and consolidations that has been normalized. It also permits the Executive Branch to review and provide guidance on real property investment and management based on an analytical evaluation across executive departments and agencies. As such, OMB would serve as a proxy for the same role that the Office of the Secretary of Defense performed for each of the Defense

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BRAC rounds. However, OMB must be appropriately staffed to handle this type of activity, and it is not clear that qualified in-house capabilities exist at the moment.

- Doing this right requires time. Proposals currently on the table (H.R. 1734 and the OMB proposal) suggest relatively short timelines for analysis. At least in the first round, agencies should have a minimum of 240 days to submit recommendations to OMB. To comply with the intent of the legislation, innovative re-thinking of space requirements needs to occur across multiple civilian agencies. Based on years of practical experience—including with DOD BRAC—this is a time-consuming undertaking, and appropriate time should be allowed.

- At least in the first round, OMB should be given a *minimum* of 180 days after receiving agency recommendations to develop standards and criteria against which these recommendations will be reviewed. These benchmarks and criteria are central to the effectiveness of the commission, and are critical in the implementation of improved business processes which will yield the greatest benefits downstream. Sufficient time will be needed to sort out competing viewpoints on these benchmarks and criteria.

- Congress should consider mandating through OMB that civilian departments and agencies prepare workforce projections and planning criteria and publish them in the Federal Register. This is similar to the Defense BRAC law that required DOD to prepare and publish force structure plans and criteria for determining asset closure or realignment candidacy. This would help provide a consistent baseline for analysis and decision-making. It represents a good first step in establishing consistency in the way recommendations are developed among the many civilian departments and agencies.

- The commission should ensure that collaborative solutions are promulgated which cut across departments and agencies to realize space efficiencies and reduce overall space needs. This would be very similar to the "joint basing" evaluations that the military services conducted as part of Defense BRAC 2005. For joint basing, DOD developed common standards to provide uniform measures for joint facilities operations and maintenance support. This was not an easy task as each service had its own standards and numerous joint committees spent many months of effort resolving base support and facility issues to mutual satisfaction. However, results are showing that the joint basing initiative was worth the effort in terms of evolving synergies, efficiencies and cost savings/avoidance.

- I agree with the intent of provisions in Rep. Denham's proposed legislation (H.R. 1734) and the OMB legislative proposal that waivers or streamlining of certain legal mandates are necessary to accelerate property disposal once excess assets are identified. Examples include requirements to screen property for use by other Federal agencies, by homeless providers, and by certain other public interests, as well as more efficient environmental and historic site processes. Many of the sequential process requirements associated with these mandates have contributed to the inability of agencies to move expeditiously when disposing of excess properties.

- Congress should consider the establishment of a "Resolution Trust Corporation (RTC)-type" entity to take possession of all designated properties so that disposal can be conducted in a manner that maximizes return where high-value properties help pay for properties that may

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incur costs in order to effect disposal.[1] This would put the property disposal process under a single organization which could hire top professional talent, potentially pay for itself out of proceeds, and avoid disposal issues among departments and agencies that may not have sufficient skilled resources to implement large-scale disposal programs. An RTC-type entity could achieve positive, timely results if unencumbered by bureaucratic processes that can often delay property disposals as it would work outside the competing demands and parochial issues sometimes associated with federal agencies. It would also avoid the potential higher costs and longer timelines of having each executive department set up its own distinct CPRC disposal function. While GSA is very skilled as a customer-focused landlord and in providing real property services to multiple government agencies, its experience in bundling assets in creative ways to maximize returns on disposals is much more limited. Further, taking on such a role could place a substantial new and potentially conflicting requirement on GSA, detracting the organization from its primary mission. Accordingly, the RTC-like entity should be separate and distinct.

- Among the techniques pioneered by the RTC was the use of equity partnerships involving private-sector partners who acquired a partial interest in a pool of assets, subsequently controlling management and sale of the assets in the pool, and making distributions to the RTC based on the RTC's retained interest in a given asset pool. This technique permitted the RTC to benefit from management and liquidation efforts by their private sector partners, often realizing higher returns than when the RTC engaged in outright individual and bulk sales of these asset portfolios.

- The Federal Judiciary faces similar challenges with real property asset management. Addressing these challenges could be beneficial in reducing the Judiciary's demands on the Federal budget. To the extent practicable, the Judiciary should be encouraged to consider its real property holdings and configurations in the context of achieving maximum efficiency from its building infrastructure while still supporting its essential missions.

Conclusion

In the end, federal departments, agencies, and activities must ensure that they have accurate data to account for *what they own or lease, where it is, what its condition is, how it is being utilized, and how it compares to what is actually needed* to support essential agency missions and programs. If decision makers lack these data points—accurate and up-to-date—their ability to effectively manage real property assets is diminished.

Congress and the administration should be commended for tackling the real property management challenge. I would emphasize that we have an opportunity to engage stakeholders from across the spectrum to get federal real property management on the right track with lasting changes

[1] The RTC was set up in 1989 as a US Government-owned asset management company and essentially completed its work in just over five years. Although it resolved $394 billion in assets (both real property and mortgage assets) from 747 insolvent thrift institutions, it had the ability to de-couple individual assets from their source institution and recombine them in ways that helped to maximize the return from their disposal.

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and significant savings for the taxpayer. We appreciate the invitation to participate in this dialogue and to offer testimony at today's hearing.

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TESTIMONY

OF

TIM FORD

CHIEF EXECUTIVE OFFICER, ASSOCIATION OF DEFENSE COMMUNITIES

BEFORE THE

SENATE HOMELAND SECURITY AND GOVERNMENT AFFAIRS COMMITTEE, SUBCOMMITTEE ON FEDERAL FINANCIAL MANAGEMENT, GOVERNMENT INFORMATION, FEDERAL SERVICES, AND INTERNATIONAL SECURITY

DIRKSEN SENATE OFFICE BUILDING, ROOM 342

THURSDAY, JUNE 9, 2011

Chairman Carper, Ranking Member Brown, and distinguished members of the subcommittee, thank you for the opportunity to appear before you today. My name is Tim Ford, and I am Chief Executive Officer of the Association of Defense Communities, or ADC.

For more than 35 years, ADC has been the leading non-governmental organization involved in the Base Realignment and Closure (BRAC) process. ADC is a national non-profit organization representing more than 250 communities and states that are currently dealing with, or have dealt with the impacts of BRAC. ADC unites the diverse interests of communities, state governments, the military services, and the private sector on issues of base closure and realignment, property transfer, community redevelopment, public-private partnerships, and community-military partnerships. Through our involvement in the past five rounds of BRAC and the Defense Department property disposal process, ADC has vast experience working with local/state governments, the federal government, and the private sector on the local impacts of changes to federal property and the lessons learned.

As this subcommittee considers legislation to dispose of excess federal property, the lessons learned from the BRAC process, and in particular, the impact and role of communities/states, should be given consideration. Communities and states have been central to the BRAC process since its inception in the late 1980s. In fact, one of the major reasons that Congress created the first independent BRAC Commission was to mitigate the concerns of communities/states and enhance the overall transparency of the process.

A brief summary of the history of the BRAC process demonstrates the importance of community input. Throughout the 1960s, hundreds of military installations were closed, including dozens of large bases. All of these installations were closed unilaterally, without Congressional or community input. In the 1970s, feeling the pressure from constituents, Congress added a provision to the 1976 Military Construction Authorization Bill prohibiting any base closure or reduction involving more than 250 civilian jobs. Unfortunately, President Ford vetoed the bill. It wasn't until 1977 that Congress effectively put a halt to base closure in spite of DoD efforts to do so over the next ten years.

Beginning in 1988, to ensure that scarce DoD resources would be devoted to more pressing operational missions and investment needs rather than maintaining unneeded facilities, the Secretary of Defense chartered the "Defense Secretary's Commission on BRAC" that Congress enacted into law (PL 100-526) in 1988 which provided a statutory basis for a one-time round of base closures. While more inclusive than previous base closures, this Commission was still not completely transparent as the Commission reported only to the Secretary, most hearings and votes were closed, and there was little public information about how the Commission arrived at its recommendations.

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While BRAC 1988 saved an estimated $694 million, there were many critics. They decried the lack of transparency and absence of Commission independence. Moreover, critics felt that without community/state involvement, the closure list unfairly targeted facilities located in Congressional districts of members out of favor with the administration. Due to these criticisms, Congress passed the Defense Base Closure and Realignment Act (PL 101-510) in 1990 after Secretary of Defense Dick Cheney unilaterally proposed closing 35 bases and realigning 20 more. That act brought transparency to the process, independence to the Commission, and involved communities/states in the process from the beginning. There have been four rounds of base closure under the current law - 1991, 1993, 1995 and 2005.

While BRAC's impact on communities/states has been significant, the process has remained politically viable because of the independence of the process, a commitment to transparency, and a process that has engaged communities/states from the beginning through implementation of decisions. As currently written, the administration's proposal risks making similar mistakes that were made in the first BRAC round and we believe the following recommendations would improve the approach:

Understand Community Impacts

On the surface, the impact of federal property decisions on communities and states may not be apparent or a primary focus. However, there are significant negative impacts that will create substantial challenges for communities and states and could affect the success of the process:

- Jobs – These actions could have an impact on federal jobs, including elimination and relocation within or outside of a region.
- Services – These actions may produce changes in the manner and location of government service delivery which may create challenges with constituents.
- Property – These actions will create properties that will need to be redeveloped. This creates challenges such as addressing environmental cleanup and local battles over the direction of redevelopment.

BRAC has taught us that this type of process can be a win-win for communities/states and the federal government. A collaborative process with communities and states could create the following outcomes:

- Partnerships – These actions will generate unique opportunities to partner with local/state governments and the private sector to maximize the efficiency of the federal footprint in a way that achieves state and local goals.
- Tax Base – These actions may create opportunities to move valuable property back to the local tax rolls and eventually lead to job creation.

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Involving communities and states in the entire process may add complexity, but it is essential to the success of this proposal. Key factors that will enhance community engagement include:

Commit to Transparency

The administration's proposal to establish a Board rather than a Commission will impede the overall independence of the process and allow politics to influence the process. The administration's proposal rests too much accountability and authority with the Director of OMB. The independent nature of decisions in the BRAC process has been critical to maintaining the support and involvement of communities.

Any legislation needs to require that all Board hearings, notwithstanding those where classified information is discussed, be open to the public with an adequate notification period. In addition, any proposed criteria that would govern the deliberations of the Board should be posted in the Federal Register for comment and be included in the legislation.

Institutionalize Community Involvement

Given the length of the proposed process and its broad national impacts, mechanisms for institutionalizing community/state involvement need to be a part of the legislation. First, to facilitate coordination with communities and states, the Board should be required to establish regional or state liaisons that would manage interaction with all affected areas.

Second, in those areas where significant actions are taking place, it will be critical that local and state governments are involved in the implementation of recommendations, property disposal actions, and property reuse planning. The Board should have the option to create a joint federal/local agency, chaired by the community/state and comprised of federal and local members in the impact areas. These entities can be established on a regional or state level to encompass multiple communities if necessary. The entities will provide a mechanism for ensuring that local tools such as zoning and land use entitlements are in place to maximize the return to the government. The Board should have the ability to grant funding to these entities to support planning and disposal activities. This entity may be necessary in regions with a significant federal presence or those with numerous federal properties being transferred.

A similar model has been very important to the successful transfer and redevelopment of closing military bases. Communities are required to set up a local redevelopment authority, or LRA, in order to facilitate community involvement in the redevelopment process and to ensure that the community is speaking with one voice. An LRA is the one voice for a community that creates the plan to redevelop the closing military installation and is the primary entity that interacts with the military services on property disposal issues.

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Focus Policies on Expediting Property Disposal

Given the ongoing budget discussion, there is high interest in selling unneeded federal property as a way to generate revenue. While a noble goal, our experience disposing of federal property in BRAC – which is the largest federal property disposal process of its kind – has shown that cost avoidance, rather than generating revenue through land sales, is a more realistic goal.

Attempts to focus BRAC property transfer on attaining fair market value and sales revenue have not been successful. In many instances, the value of the property decreased because of the extra carrying costs to the government and the unpredictability of real estate market values.

A disposal process where fair market value is the primary driver for disposal decisions will likely create delays and challenges with communities/states. Agencies should be allowed to accept participation in projects over time, accept in-kind services in lieu of cash, or possibly even swap property in order to satisfy their disposal goals.

Another issue for property disposal involves transferring parcels of federal property to state and local entities for public benefit. Public benefit conveyances provide important support for community needs such as schools, hospitals, or parks. Communities must have a strong voice in this process and be allowed to petition, and in some cases, receive properties at no, or little cost, to satisfy local needs. Community involvement must also be extended to the screening of property for homeless needs. In most instances, community/state leaders, not a federal Board, will understand their community's needs, and can best accommodate the needs of the homeless. For both public benefit conveyances and homeless transfers, any decisions must be aligned with local plans and certified by the community/state.

Finally, while there is value in using the existing disposal authorities of various federal agencies, most agencies are not set up to manage significant property disposal actions. Centralizing the disposal authority into one agency with real estate and property disposal expertise is critical to success. This centralized authority will facilitate the process and permit the bundling of properties, allowing for a greater return to the federal government.

Conclusion

Communities/state can play an important role in the success of any federal property disposal efforts. Creating a process that maintains independence and transparency, while engaging communities, will be key for implementing this process. After decisions are made, the property disposal process must focus on partnering with local entities to expedite the process. BRAC has taught us that while complex, this process can create mutual benefits for all involved.

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Introduction

Chairman Carper, Ranking Member Brown, members of the Subcommittee - thank you for the opportunity to submit a statement for the record of this important hearing.

The mission of the National Law Center on Homelessness & Poverty is to serve as the legal arm of the nationwide movement to end homelessness. We do this through policy advocacy, public education, and impact litigation. Our Executive Director, Maria Foscarinis, played an instrumental role in drafting the original McKinney-Vento Homeless Assistance Act in 1987 ("McKinney Act"). Since that time we have worked to strengthen the McKinney Act, most recently through passage of the HEARTH Act of 2009.

In 1987, Title V of the McKinney Act put in place a set of important rights for homeless persons. Under the law, homeless service providers have a right of first refusal to acquire federal property no longer needed by the government, for use to provide housing and services to people who are homeless. More than 2.4 million Americans each year benefit from assistance provided through these programs. As Congress reviews efforts by federal agencies to dispose of property that they no longer use or need, reforms must focus on improving the process by which those agencies work, not on curtailing the ability of homeless persons to obtain housing. Homeless Americans should not suffer for the failings of government agencies.

The legislative process typically requires the careful balancing of competing interests, in order to achieve important policy goals. In the case of federal property disposal reform, however, we think that the needs of homeless Americans are in alignment - not conflict - with the goal of making government more efficient. Consequently, while we believe that homelessness interests are of paramount importance, the Law Center feels strongly that we can protect the ability of homeless service providers to access surplus government property while still increasing government efficiency. Our statement will focus on how best to accomplish this goal.

The Federal Government Has A Strong Interest In Ending Homelessness

Each year, more than three million Americans experience homelessness, including 1.3 million children. According to the U.S. Conference of Mayors 2010 "Hunger and Homelessness Survey," family homelessness has skyrocketed during the recession, with unemployment and a lack of affordable housing driving a 9% increase in the last year. Over 70% of officials surveyed for the report expect family and individual homelessness to increase further during 2011.

The U.S. government has committed itself to ending homelessness. In June, 2010, the U.S. Interagency Council on Homelessness released "Opening Doors: Federal Strategic Plan to Prevent and End Homelessness." Drafted largely by HUD Secretary Shaun Donovan, HHS Secretary Kathleen Sebelius, VA Secretary Eric K. Shinseki, and Labor Secretary Hilda Solis, the plan's central belief is that "no one should experience

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homelessness—no one should be without a safe, stable place to call home."[1] Congress has made a similar pledge – the HEARTH Act of 2009 established "a Federal goal of ensuring that individuals and families who become homeless return to permanent housing within 30 days."[2]

This is a wise policy. In the wealthiest country in the world, homelessness is a moral disgrace. And ending homelessness saves money – it costs far less to provide an individual or a family with housing than it does to leave them sleeping on the street or even to provide them with temporary shelter.

The Title V Process Is Working Well In Support of Ending Homelessness

Since 1987, Title V of the McKinney-Vento Homeless Assistance Act has given qualified homeless service providers the legal right to receive suitable vacant, underused, and surplus federal real property at no cost. Title V links non-profits and state and local governments in need of land or buildings with federal agencies seeking to divest themselves of excess property. In order to receive surplus property through Title V, homeless service providers must complete an extensive application and work with HUD, Health and Human Services, and the General Services Administration to prove their programmatic and financial capacity to provide services in the available property.

Successful Title V applicants have used surplus federal properties to provide services to millions of homeless people throughout the country each year, including shelter, transitional and permanent housing, case management, food pantries, job training, mental health and substance abuse treatment, and childcare. In 2011, we estimate that programs based in Title V properties will provide services to 2.4 million homeless people from Alaska to Alabama.

- In 1991, Our House Shelter in Little Rock, Arkansas applied for and received property on the site of a former VA hospital that the group converted into a family shelter. According to Executive Director Georgia Mjartan: "In the 20 years since Our House began operating on the VA Hospital site, over 6000 homeless people have lived on the campus of the former hospital. Of these 6000, approximately 2000 were homeless children. Of the adults served, over 70% found full time jobs while living at Our House and left the program with jobs and money in savings and most importantly with the ability to move out into their own place – out of homelessness once and for all."

[1] Opening Doors: Federal Strategic Plan to Prevent and End Homelessness, United States Interagency Council on Homelessness, (June 2010).
[2] Homeless Emergency Assistance and Rapid Transition to Housing (HEARTH) Act of 2009.

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- The Emmaus Homeless Shelter was founded in 1992 on the site of a long-vacant post office in rural Ellsworth, Maine. Says its Director, Sister Lucille Macdonald, "I cannot imagine what life would be like for the homeless and those individuals and families struggling to survive if the Emmaus Homeless Shelter never existed. In the first four months of 2011, this wonderful building acquired through Title V of the McKinney-Vento Act has given 2,313 bed nights to homeless individuals [and] families. The shelter has been full to capacity since last October and with a lengthy waiting list. We have also been the catalyst for 6,711 individuals/families to receive non-residential services – food, clothing, furniture, linens, help with electric, fuel, medications, etc." According to Sister Macdonald, "[o]ne big advantage of ... Title V... is the fact that we do not have to pay rent for the use of the building...[U]pkeep of the building and surrounding area is financially difficult enough and if we had rent responsibilities, we would not be able to support the many needed components of caring for those in need."

- In the words of Trevor Storrs, Executive Director of the Alaskan AIDS Assistance Association in Anchorage: "Title V – truly a life saver! The Alaskan AIDS Assistance Association (Four A's) received two surplus federal duplexes in 1991 during the height of HIV/AIDS related deaths. Thousands of volunteer hours went into renovating the properties to transfer it into a hospice for Alaskans living with HIV/AIDS. Many lost their housing and family when diagnosed. As the deaths began to decrease due to medical/medication advancements, the property was transformed into permanent housing. The quality of life for many individuals was greatly improved because of Title V."

- A former U.S. Army training center and armory in Kalispell, Montana is now Samaritan House, a multi-dimensional housing and services community for homeless individuals, veterans, and families in northwest Montana. The acquisition of the property in July 2008 more than doubled Samaritan's property holdings and permitted them to vastly expand their emergency shelter and transitional housing programs. Today, Samaritan House houses more than 1500 men, women, and children every year, and serves over 21,000 meals annually.

In these troubling economic times, we need to encourage additional homeless service providers to use surplus federal property wisely and efficiently. We must not take these opportunities away.

The Federal Real Property Disposal Process Is Not Being Delayed By Title V

The Law Center understands the concerns of this Subcommittee, and the Office of Management and Budget (OMB), that the federal government may not be disposing of surplus federal real property in the most efficient manner possible. In order to maintain the faith of citizens in the federal government's ability to accomplish important policy goals such as ending homelessness, our government must manage its resources prudently.

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However, agreement on the problem can only be step one. In order to propose responsible solutions, this Subcommittee must also determine what is causing the problem. Because the Title V process is not the cause of delays in the federal property disposal process, it should not be drastically altered or eliminated in the name of procedural reform.

The Law Center has reviewed documents recently released by OMB, indicating that more than 14,000 federal properties are available for sale or other methods of disposal including demolition, but are instead simply sitting unused, costing the government money to maintain as well as the potential proceeds from any sale. We do not disagree with the OMB estimate of how many properties are available. However, we reject any conclusion that Title V is responsible for the inability of government to dispose of these properties. Indeed, OMB itself does not reach that conclusion, saying only that properties cannot be disposed of due to "competing stakeholder interests as well as the cumbersome nature of the process for disposing of Federal real estate."

The first part of that sentence could be considered as an allusion to Title V. However, the conclusion that Title V is unreasonably delaying federal surplus property sales is not supported by fact. Title V requires agencies to provide HUD, on a quarterly basis, with a list of all properties no longer being used. If HUD finds the property to be suitable for homeless use, there is a 60 day period in which homeless service providers are able to apply for property without the risk that it can be sold or otherwise disposed of. If no application is received during this time, the federal government is free to dispose of surplus property as it sees fit. The process takes a matter of months, and once complete the federal government may move forward with any alternative means of property disposal.

Based on a review of HUD data on existing properties that have entered the Title V process, we know that nearly all of the 14,000 properties have long since completed the Title V process and are freely available for sale. Homeless service providers declined to pursue the properties during the statutory Title V period after determining that they were not viable locations for providing homeless services, and they do not claim any ongoing right to access that pool of properties If they continue to languish unsold, it is because the properties themselves are not attracting any commercial interest or because federal agencies do not have a strong system in place for conducting property sales after Title V review.

In the first case, there is little that can be done to make properties more attractive for sale. Many of them are old buildings, often containing asbestos, lead paint, or other environmental hazards requiring abatement or remediation. In the second case, the proper remedy would be to make improvements to the subsequent steps of the federal surplus property disposal process that occur after homeless service providers have the opportunity to acquire property through Title V.

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Effectively Reforming Title V While Improving The Federal Property Disposal Process

Although we reject the contention that the Title V process is responsible for delays in the federal surplus property disposal process, the Law Center has consistently worked with Congress, HUD, and other federal agencies to promote legislative proposals that would improve Title V. As we have indicated to the Subcommittee, we welcome the inclusion of these proposals in any property disposal legislation under consideration.

The following are some of our key proposals. We look forward to a continuing dialogue with the Subcommittee around these recommendations.

- Significantly reduce the total number of properties required to go through the Title V process by excluding properties that homeless service providers will not want to use (e.g. properties that cannot be accessed due to national security, properties inside military facilities, contaminated properties).
- Require HUD, HHS, and GSA to develop an outreach plan and engage in ongoing and meaningful public outreach.
- Ensure that recipients will be able to use properties for all forms of permanent housing.
- Publish available properties online rather than in the Federal Register, and ensure that HUD, HHS, and GSA develop a "one-stop" electronic database and listserv to publicize available properties.
- Mandate that GSA establish uniform requirements for property transfers as opposed to the current practice of negotiating responsibility on a case-by-case basis. Examples of potential issues to be included are environmental cleanup or lead abatement.
- Require HUD to develop a grant program for construction and rehabilitation of Title V properties, funded from 5% of the net proceeds of federal property sales.
- Make additional HUD-owned properties available through Title V. Examples of such properties are the "HUD Homes" once insured by FHA and now the property of HUD following foreclosure.

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Preserving Rights For Homeless Persons Under Proposals To Eliminate Title V

We believe that the case to preserve and strengthen Title V is strong. That said, we understand that the Subcommittee is considering the legislative proposal recently put forth by OMB, a proposal that would eliminate Title V rights and instead create a "BRAC-like" board that would consider whether to have each surplus property either sold / demolished / otherwise disposed of or sent to HUD for a determination of whether it is suitable for homeless use and whether a homeless service provider wishes to acquire it. We cannot support this proposal in its current form. We will outline our primary concerns below, along with our recommendations for improvements.

- We are concerned that the proposed Board would have no representatives of homeless persons, service providers, or advocates. We recommend the addition of language providing that at least two members of the Board must be people with experience in advocacy on behalf of homeless persons or in providing housing or services to homeless persons.

- We are concerned that the proposed Board would result in the elimination of Title V's most critical statutory right – the requirement that all federal surplus properties be considered for use to provide homeless assistance. Instead, the proposal would require (at minimum) a majority vote (4 out of 7 members) to agree to allow a property to be evaluated. A majority vote is too high of a burden for homeless service providers to meet. We recommend that a property must be offered to homeless service providers if a single member of the Board requests it. Consistent with their roles and responsibilities as Board members, is it highly unlikely that any presidential appointee to the Board would make a frivolous or dilatory request. Instead, it is anticipated that Board members would only act in response to a reasonable request from a homeless service provider in the community where the property is located.

- We are concerned that the deadlines governing the proposed Board do not offer enough notice of the Board's planned actions to permit the development of well-informed public comment. We are also concerned by other deadlines, including the amount of time that homeless service providers would have to apply for properties. We recommend that 30 days notice be required when the proposed Board publishes information about which properties it is evaluating, in advance of a public hearing to receive comments about those properties. We also recommend that the proposed Board be required to preserve Title V's 60 day period for homeless service providers to submit a notice of interest to apply for property.

While we do not favor the proposed BRAC-like approach, we have already presented these recommendations to Subcommittee staff, in an effort to preserve minimal procedural guarantees for homeless service providers seeking to obtain surplus federal property to provide housing and services. We look forward to discussing them in more detail.

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Conclusion

Congress has recognized that the federal government has a "clear responsibility and...existing capacity to meet the basic needs of all the homeless."[3] For nearly 25 years, Title V has granted homeless service providers the right to access unwanted property at no cost to landholding federal agencies. As the Subcommittee takes a broad look at reforming the federal real property disposal process, there is no reason to retreat from this commitment – particularly when it is not necessary in order to meet the reasonable goal of increasing government efficiency.

We welcome the opportunity to continue working with this Subcommittee on legislation that would preserve the ability of homeless service agencies to provide additional affordable housing and supportive services, while increasing efficiency in the federal property disposal process. Such legislation would benefit all homeless persons and all other key stakeholders.

Thank you for allowing us to submit this statement. Should you wish to discuss it further, please contact our Policy Director, Jeremy Rosen, at (202) 638-2535 or jrosen@nlchp.org.

[3] McKinney-Vento Homeless Assistance Act, 42 U.S.C. §11301(a)(6).

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Testimony of Daniel I. Werfel
Controller, Office of Management and Budget
before the
Subcommittee on Federal Financial Management, Government Information, Federal Services, and International Security
Senate Committee on Homeland Security and Governmental Affairs
June 9, 2011

Thank you, Chairman Carper, Ranking Member Brown, and members of the Subcommittee, for the invitation to discuss with you today how the government can improve its management of Federal real estate.

In this year's State of the Union address, the President acknowledged that we cannot win the future with the government of the past. Stated differently, significant improvements in government performance will require significant changes in how we conduct our business. For too long, the American people's hard-earned tax dollars have been wasted on maintaining empty buildings and holding on to valuable properties the government no longer needs. For this reason the President submitted the Civilian Property Realignment Act to Congress on May 4, 2011. This is a bold new proposal, to significantly reduce and realign the Federal real estate inventory by leveraging the model successfully used in the past for defense properties.

The Administration is pleased that this subcommittee recognizes the importance of our efforts to cut waste and save taxpayer dollars in the government's real estate holdings. We believe there is significant potential with the President's proposal, and look forward to working with the members of this committee and building on the progress and positive feedback gained thus far. Congressman Denham introduced a draft bill to the House that is similar in its core values to the President's bill, and we welcome working with you and members of the Senate to develop a bill that will achieve billions in savings for the American people.

As described in greater detail throughout my testimony, the President's proposal would empower an independent Board to break through longstanding barriers created by red tape, financial disincentives, and competing stakeholder interests in a manner that would accomplish:

- Quicker disposal of surplus properties;
- Conversion of unneeded real estate into reductions in the Federal deficit;
- Consolidation of more workers and programs into less space;
- Reduction of costly leases;
- Realignment of the real estate inventory for 21st century service delivery; and
- Reductions in energy consumption and operating costs.

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Background

Each year, the Federal government wastes taxpayer dollars on government properties that it no longer needs. These properties include roughly 14,000 buildings and structures currently designated as excess and about 76,000 properties identified as underutilized. There are also significant opportunities for realigning our real estate that Federal agencies have yet to identify due to competing stakeholder interests, financial disincentives, and other constraints. We need to take immediate steps to take advantage of the many opportunities that have already been identified to date and simultaneously move forward on additional and more transformational possibilities.

Inefficiency associated with the management of Federal real estate is a longstanding problem. In the 1960's, President Nixon tried to address the problem by creating a Real Property Management Program.[1] Almost two decades later, President Reagan issued two separate executive orders to try to fix real property management.[2] In 2004, President Bush issued Executive Order 13327 to create the Federal Real Property Council and order the creation of a Federal inventory (the Federal Real Property Profile) to be maintained by the General Services Administration (GSA).

Accomplishments

Last year, the President issued a memorandum titled "Disposing of Unneeded Federal Real Estate" and ordered agency leaders to take aggressive action to reduce their real estate footprint. The President also set a goal of $3 billion in savings, which agencies are on track to meet by the end of FY 2012. However, our work with agencies on their real estate plans has made it apparent that major savings opportunities, that could yield significantly more than the $3 billion savings goal, lie within our grasp, but cannot be implemented with the traditional tools available for managing our real property assets. The proposal I am here today to speak to you about represents a significant expansion of the Administration's efforts.

Building on Past Success

The Department of Defense's Base Realignment and Closure (BRAC) program has been a model for rationalizing infrastructure with mission requirement. In this process, the Secretary of Defense, recommends to an independent commission those installations that the Department of Defense believes should be closed or realigned. The Commission reviews the Secretary's recommendations, and then sends its recommendations to the President who could either accept or reject the Commission's recommendations in their entirety, but he could not make any modifications. If accepted, the President forwards the recommendations to Congress. If Congress does not enact a joint resolution of disapproval within the statutory timeframe, the

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[1] Richard Nixon: Statement About a Report of the Property Review Board, July 25, 1972, *available at:* http://www.presidency.ucsb.edu/ws/index.php?pid=3503&st=&st1=#ixzz1IBqsBude

[2] Ronald Reagan: Executive Orders 12348 and 12512, *available at:* http://www.presidency.ucsb.edu/ws/index.php?pid=42208#axzz1I0qF68zN; http://www.reagan.utexas.edu/archives/speeches/1985/42985h.htm

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BRAC Act requires the Department to carry out all the closures or realignments. This approach helped overcome the roadblocks that had previously made base closure and realignment nearly impossible. BRAC efforts are expected to result in $80 billion in net savings over the next 20 years (or $4 billion annually).

The President's Civilian Property Realignment Act (CPRA) proposal builds on the best practices of BRAC: an independent Commission and consideration by Congress on an all or none basis. The proposal would establish an independent board of experts to expedite disposal of a selection of unneeded properties and identify opportunities to consolidate, reduce, and realign Federal real estate. The CPRA Board would present recommendations to Congress on bundles of identified properties in the greater Federal inventory to be voted on in an up or down manner. The process also streamlines the current authorities that are involved in any disposal or consolidation of properties identified by the Board.

Most importantly, the CPRA process will be successful because it is a comprehensive solution to the three primary obstacles standing in the way of efficient real property management: red tape, financial disincentives, and competing stakeholder interests.

Red Tape

There are more than 20 steps in the process required to sell or otherwise dispose of any given federal property. There are good reasons why these steps exist (e.g. assuring good title to land); however, it may not make sense to apply the steps uniformly – it is inefficient to use the same process to sell a small warehouse in a rural location as is used to sell an office building in a downtown urban setting. Frequently, these steps involved can slow down the disposal or consolidation process and acts as a disincentive for agencies to better manage their inventory.

The CPRA proposal cuts through the red tape in two ways: by accelerating the process through which the government chooses what to do with a property, and then by expediting the implementation of recommended disposals or consolidations for those properties identified by the Board. This approach eliminates the one-size-fits-all process that exists today.

The CPRA Board speeds up the decision of what to do with the properties that it identifies by applying a rational approach to existing review requirements and balancing the equities of competing stakeholders in real property issues. After conducting a review of agency real estate plans, the Board would conduct its own independent analysis of agency inventories.

The Board will issue a report with a list of recommended actions. This report will include directions to send some of its selected properties directly to sale without going through certain steps that otherwise would be required in the disposal process, such as review by certain preferred parties outside of the Federal government. Other selected properties on the list will be set aside and directed immediately to a public benefit conveyance, such as to one of sixteen sponsored programs (e.g. parks, schools, historical preservation, etc.).

While formulating its recommendations, the board will take into account, among other criteria, the community in which the property is located; the highest and best use of the property;

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the potential uses of the properties for homeless assistance, parks and recreation, or other public benefits; the historical nature of the facility; the environmental effects of a proposed action; whether the action would create an "inholding;" and whether major environmental remediation must be done to the property. The Board will also be charged with reviewing whether past actions by agencies have adequately addressed real estate management and with assuring that CPRA transfers will be made in an environmentally conscious manner, consistent with the law and protective of public health.

The CPRA proposal also speeds up the implementation of sales and conveyances for the properties recommended by the Board for realignment. Instead of undergoing the current step-by-step process that can take up to a year, properties on the CPRA list of recommendations that are chosen for public benefit conveyance will go through reviews concurrent with one another to avoid wasting time. This improved process will accelerate implementation while preserving the core mission of the public benefit conveyance program.

Financial Disincentives

There are many upfront costs agencies incur when disposing of properties or realigning space, such as for moving expenses and reconfiguration costs. However, in many cases, agencies do not benefit financially from the sale of property by retaining some of the proceeds. Therefore, it can end up costing more money to sell a property than to maintain it in a vacant state from year-to-year, even when there are obvious long-term savings that could be achieved. On top of this disincentive, often an agency does not have the upfront capital to cover the short-term costs.

To address this issue, the CPRA Board would utilize a revolving fund and would structure the division of proceeds to provide agencies with funding and incentives for disposals and consolidations. The proposal creates an Asset Proceeds and Space Management Fund to provide discretionary logistical and financial support to agencies to ready properties for disposal, consolidation, or reconfiguration, as a result of a Board recommendation. The Board will retain up to 40 percent of net proceeds from any disposal that results from a Board recommendation, in order to pay for the Board's continued operations, replenish the Asset Proceeds and Space Management Fund, and provide funding for agencies' capital improvement accounts. The Board will also send at least 60 percent of the net proceeds from any Board-recommended disposal to the Treasury General Fund for deficit reduction.

Competing Stakeholder Interests

Proposals by the Federal government to vacate, transfer, or sell real estate affect numerous, competing, and legitimate stakeholder interests, each with a different perspective on whether the Federal government should vacate the property and what will become of the property once the Federal government interest ends. For civilian assets today, the inability to resolve these competing interests not only slows or stymies identified opportunities for realignment but also creates a powerful disincentive for Federal agencies to initiate or consider new and bold opportunities for realignment.

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The CPRA proposal helps overcome this challenge by tasking the independent CPRA Board to balance all views and determine the optimal overall outcome for the taxpayer. Further, the Board will not recommend disposals or consolidations on an individual basis; rather, it will bundle a package of recommendations that succeed or fail together. Following an OMB review, Congress will have 45 days to consider the recommendations, and only a "no" vote can prevent the recommendation from moving forward. Congress, like OMB, cannot veto individual recommendations. Its sole options are either to endorse or reject the whole package. The BRAC process proved that this approach can overcome the challenge posed by competing stakeholders that makes the typical one-by-one property disposal or realignment difficult.

Conclusion

The Federal government has tens of thousands of government properties that it no longer needs to fulfill its mission for the American people. This would be an unacceptable waste of taxpayer dollars at any time; but it's particularly unacceptable today, when we have a pressing need to rein in our spending and reduce our deficits. When families are watching every penny, and making tough choices, they have a right to expect their government to do the same and operate as efficiently as possible. We can no longer continue to operate using the costly real property inventory of 60 years ago. By using the BRAC model to address this issue, we can leverage our portfolio to improve the delivery of government services to the taxpayer, reduce the government's energy footprint, and send proceeds from the sale of unneeded Federal properties back to the Treasury to reduce the deficit. We cannot achieve these important goals using the same techniques that have been failing us since the 1960's. It is time for a bold new step – we look forward to working together to help pass the President's Civilian Property Realignment Act and bring about a transformation of real property management. We believe the President's proposal provides tools and approaches for achieving significant savings and efficiencies in our Federal real estate portfolio, and we look forward to working with this Subcommittee to introduce the legislation in the Senate and begin our important work ahead.

Thank you for inviting me to testify today. I look forward to answering your questions.

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U.S. General Services Administration

Robert A. Peck
Commissioner
Public Building Service

Homeland Security and Governmental Affairs
Subcommittee on Federal Financial Management, Government Information, Federal Services and International Security
"Federal Asset Management: Eliminating Waste by Disposing of Unneeded Federal Real Property"
June 9, 2011

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Good afternoon Chairman Carper, Ranking Member Brown, and members of the Subcommittee. My name is Robert A. Peck and I am the Commissioner of the U.S. General Services Administration's Public Building Service.

I am honored to join you today to discuss GSA's asset management strategies, our role in disposition government-wide, the unique challenges of Federal real property disposals, and how a civilian property realignment initiative can help address those challenges and meet our obligation to taxpayers to spend every dollar as effectively as possible.

GSA's Asset Management –

First, I would like to discuss our role with respect to assets that GSA directly controls. GSA is one of the largest and most diversified public real estate organizations in the world. Our inventory consists of over 9,600 owned and leased assets with approximately 370 million square feet of space across all 50 states, 6 territories, and the District of Columbia.

As the Federal government's landlord, we have a robust asset management program to track utilization of our inventory, strategically invest in our assets, and aggressively dispose of unneeded assets. GSA leads the market with low vacancy rates and high utilization; less than 3 percent of our portfolio is classified as an under- or non-utilized asset.

When we find underutilized space, we evaluate whether the asset is worth reinvestment or should be disposed of, looking at the cost to reinvest and to maintain, and whether or not there is a long-term Federal need.

Where there is a continuing Federal need, GSA works aggressively to renovate and reuse the asset to achieve greater utilization and avoid costly leasing. Since we began a restructuring initiative in 2002, GSA has led a number of critical consolidation projects and completed more than 140 major modernization projects. These facilities provide more efficient workspace for tenant agencies, and these consolidations reduce space and operational costs for the Federal government.

GSA's Real Property Disposition -

When we determine that a GSA property, which could be composed of one or more assets, is not worthy of reinvestment and no longer meets a long-term

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Federal need, GSA initiates the disposal process. We aggressively work to identify and target unneeded assets for disposal.

An underutilized asset must be distinguished from an unneeded asset. An asset could be underutilized for a variety of reasons, while still being in the taxpayers' best interest to retain in the Federal inventory. For instance, of the 1.9 million square feet of underutilized space in GSA's inventory in the nation's capital, 1.7 million square feet is currently categorized as underutilized because it is undergoing modernization and will provide renovated, highly utilized, and cost-efficient space upon completion of these projects.

Since 2002, we have disposed of more than 200 GSA properties valued at $467 million and covering more than 9.5 million square feet. These dispositions represent 5.3 percent of GSA's owned portfolio and eliminate almost $484 million in future anticipated repair needs.

Since GSA gained the authority to retain sales proceeds in 2005, GSA's disposal actions have returned almost $227 million in receipts to PBS's Federal Buildings Fund.[1] The Thaddeus J. Dulski Federal Office Building in Buffalo, NY is a case study for effective disposition of Federal property. In 2005, GSA excessed this building, which had a high vacancy rate and a need for costly renovations. This underperforming asset was sold to a private developer in 2006 and generated $6 million for the Federal Buildings Fund. The building was renovated as a mixed-use hotel, commercial and residential property that has helped keep jobs in downtown Buffalo, while adding to the tax base for the city. The funds received from the sale have been reinvested into our portfolio to help maintain well functioning and welcoming buildings. A similar incentive, which allows for agency reinvestments into their real property portfolio, is contemplated in the Administration's proposal.

GSA's Role as the Disposal and Repositioning Agency of the Government –

In addition to managing our own inventory, GSA has authority to dispose of most properties that other Federal agencies control. In this capacity, GSA provides strategic direction and oversees the development of programs related to the utilization and disposal of Federal excess and surplus real property.

[1] This figure includes revenue generated through use of all GSA disposal authorities. GSA has generated approximately $140 million for the Federal Buildings Fund using Section 412 authority alone.

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GSA develops tailored disposal strategies specific to an asset's characteristics, environmental issues, community interests, political concerns, and market conditions. Similarly, when preparing a property for public sale, GSA develops marketing plans that optimize the public offering. We use tools and techniques designed to reach very broad audiences and we target specific niche interests.

While GSA has the expertise to navigate properties through this disposal process, each individual landholding agency is responsible for making their own asset management decisions on whether that asset is excess to their needs.

In the last 10 years, GSA has disposed of over 3,300 government-wide assets (206 GSA owned assets), valued at $8.5 billion.

The Disposal Process –

Knowledge of the Property Act disposal process and of the guiding environmental and historic statutory requirements that must be followed during the disposal process is critical to understanding some of the unique challenges of this system. For each disposition we manage, GSA has to meet certain requirements in the existing framework of authorities. These requirements include evaluating the property for Federal and public benefit use, identifying and addressing any environmental issues with the property, and special consideration for historic properties.

The disposal process begins when a Federal agency determines that it no longer has a mission need for an asset, or assets, and reports a property as "excess" to its needs. In this instance, a property could be composed of multiple assets. We should draw a distinction here between property reported excess in the disposal process and property that is designated as excess in GSA's Federal Real Property Profile (FRPP) database. Not all of the properties listed in the FRPP will turn into Reports of Excess and be disposed of since some may be demolished or have cleanup requirements that are too costly or timely.

When we accept a Report of Excess, GSA surveys other Federal agencies to determine if there could be another Federal need for the property. After a 30 day period, if we identify no valid need for the property within the Federal government, it is considered "surplus" and offered to other public organizations primarily state, county, and city entities. These entities can acquire the property through a negotiated sale at fair market value or through a public benefit conveyance for specific uses including homeless assistance, parks and

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recreational purposes, historic monuments, public health needs, educational purposes, correctional institutions, and law enforcement needs.

Public benefit conveyances may be discounted up to 100 percent of the fair market value. Determining if a property meets the criteria for public benefit conveyance, as well as working with state or local community through this phase often adds time to the process. Local political interests also can delay this process when various stakeholders try to advocate for a particular use of the property. GSA, however, works with the applicable Federal agencies to conduct public benefit assessments, where appropriate, and works with the local community while proceeding through the disposal process, trying to minimize any delays.

If there is no viable public benefit interest or negotiated sale interest in the property, GSA is then required to conduct a public sale of the property. Through aggressive marketing and public outreach, sometimes employing the services of private sector brokers, GSA conducts the sale through an online auction, public outcry auction, or sealed bid. The market exposure for each asset will vary based on the asset's condition, amenities, limitations, location, and other factors. Typically, GSA and its brokers develop marketing plans which include the appropriate sales method. Once we determine which sales method to use, we begin the marketing through local print media, and a variety of electronic notices. For all sales methods, the marketing continues up to the point of award. This process can be sixty to one-hundred and eighty days.

In addition to these process requirements, dispositions must comply with a variety of environmental and historic preservation requirements. For example, the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 imposes requirements on transfers of Federal real property to non-federal entities, including, when necessary, characterization and remediation of the asset's hazardous substances. The National Environmental Policy Act (NEPA) requires landholding agencies to identify and analyze environmental impacts associated with deeming a property as excess and disposing of the asset, and to consider possible mitigation measures for such impacts. The NEPA review is often used as the process that provides a framework to fully address, or assist in addressing, the other environmental and historic preservation requirements. The process for the disposition of properties also must be in compliance with Section 106 of the National Historic Preservation Act, which requires GSA to consider the effects of its proposed disposal undertakings on historic properties. Even when GSA receives special legislation to dispose of a property directly to sale, appropriate historic and environmental issues must be addressed.

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The Federal civilian disposition process is an iterative and deliberate process with a number of statutory requirements that seek to strike a balance between social and economic policy objectives.

While these requirements were designed to ensure properties are disposed of consistently and in the best interest of the American taxpayer, GSA develops disposal strategies specific to the asset's characteristics, within existing statutes. The Administration's proposal also seeks to find the appropriate balance while stressing further flexibility.

Although the disposal process can be time consuming, this process is often delayed further with the associated political interests and community expectations. These variables often manifest themselves into competing interests that create inefficiencies and drive increased time and costs. The Administration's civilian property realignment initiative would streamline the process, while minimizing external stakeholder influences that could delay or interfere with effective, strategic asset management.

Federal Real Property Disposition Reform -

GSA supports the Administration's goals and those of this committee and other members of Congress to dispose of unneeded Federal real property and streamline the current disposal process. While GSA works hard to mitigate time and cost delays of disposing of unneeded properties, the Administration's proposal addresses the key challenges that exist with the current process which should streamline and accelerate the disposal process. GSA supports the Administration's proposal.

Based on our experience, we believe that a reform to real property asset management must address these central challenges:

1) Incentivizing disposals by enabling agencies to realize the benefits of proceeds
2) Addressing the upfront costs associated with disposals and consolidations
3) Resolving competing stakeholder interests that can slow down or prevent good asset management decisions

The Administration recently proposed legislation for a Civilian Property Realignment Act designed to accelerate the disposal and consolidation of the Federal government's civilian properties and optimize the utilization of the

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Federal inventory. This initiative will create an independent Board that aims to increase the number of properties available for disposal, streamline the disposal process and seek new disposal opportunities to help the Government realize financial savings, and look for opportunities to consolidate and co-locate similar functions within the government. It will take these actions in an environmentally conscious manner, consistent with the law and protective of public health and the environment. The initiative expands upon the June 2010 Presidential Memorandum that directed Federal civilian agencies to increase efforts to dispose of unneeded Federal real estate and to maximize the utilization of the current inventory to achieve billions in savings.

The Administration's efforts anticipate working with Congress to create a successful initiative, and we welcome the efforts of OMB, this committee, and other Members of Congress to successfully reform and improve Federal real property management.

Given GSA's expertise in asset management and our statutory authority over government-wide property disposal, we welcome the opportunity to be a part of the ongoing dialogue on how to improve utilization and disposal of real property. GSA's experiences in working with partner Federal agencies to dispose of real property, as well as challenges we have identified in the domestic Federal disposition process, can help inform the ongoing process of establishing a successful civilian property initiative that accomplishes what we are all hoping to achieve: meeting our responsibility to taxpayers to spend every dollar effectively and find ways to do more with less.

Thank you for the opportunity to appear before you today, and I welcome any questions you have.

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Statement of James M. Sullivan, Director, Asset Enterprise Management
U.S. Department of Veterans Affairs
before the
Subcommittee on Federal Financial Management, Government Information, Federal Services, and International Security
Senate Homeland Security and Government Affairs Committee

Federal Asset Management: Eliminating Waste by Disposing of Unneeded Federal Real Property

June 9, 2011

Chairman Carper, Ranking Member Brown and members of the Subcommittee, thank you for the opportunity to appear today to discuss the Department of Veterans Affairs (VA) management of its real property portfolio, particularly its ongoing effort to reduce or eliminate unneeded or underutilized property. I will also take the opportunity to articulate VA's support for the Civilian Property Realignment Act (CPRA) proposed by the President in the FY 2012 budget.

It is a privilege for me to represent Secretary Shinseki and the many dedicated, hard-working professionals of the Department who support our mission to serve Veterans and their families by providing benefits and world class medical services.

I would like to begin by providing you with a summary of VA's real estate portfolio. VA owns and leases real property in hundreds of communities across the U.S. and overseas. Currently, VA maintains more than 160 million square feet in 7,150 owned and leased buildings and more than 33,000 acres of land. This is a very large footprint, and unlike many federal agencies, VA owns the large majority of its portfolio – 88 percent of its square footage which means real estate plays an important role in our overall asset management.

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VA strives to maintain the optimal mix of investments needed to achieve strategic goals and ensure a high level of performance for our assets, while minimizing risk and maximizing cost effectiveness. VA has developed and continues to look for sound capital asset management strategies to assist in maximizing the value of its portfolio by disposing of or reusing underutilized properties. This aligns with the goals of the CPRA bill – to recommend properties for disposal, transfer, or other realignments in order to achieve savings, reduce costs, and increase efficiencies.

VA has been a leader in capital asset management planning. VA was the first agency to develop a highly structured, data-driven methodology by which to assess proposed major construction projects. Beginning with the FY 2012 budget formulation process, VA introduced the Strategic Capital Investment Process (SCIP) to prioritize all capital investments based on today and future-identified mission needs.

SCIP, incorporating the best features of VA's initial methodology, involves a systematic evaluation of all proposed capital investments across the Department, based on how well they address identified performance gaps (e.g., safety, security, workload-driven capacity shortage, right-sizing, and access for Veterans – including providing housing for homeless Veterans).

These gaps specify where current infrastructure or services need to be enhanced to meet the location and demand of current and future Veteran demographics or when VA may have excess capacity from the past. Only those capital investment projects that have addressed identified performance gaps are proposed for funding in VA's budget. CPRA, as a disposal process, thereby compliments SCIP.

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All projects are considered in light of VA's aging infrastructure. On average, VA-owned assets are more than 60 years old. The SCIP process directly addresses the challenges posed by an aging infrastructure with a range of solutions, including reuse, repurposing, or disposing of unneeded assets. These efforts reduce inefficiencies and decrease the government spatial footprint. Similarly, the CPRA bill also introduces a strategy by which to reduce inefficiencies and decrease the government's footprint. The bill seeks to address the agencies' challenges related to unneeded property.

Similar to other Federal agencies, VA faces challenges related to underutilized and/or vacant property. VA defines underutilized as any property that may be occupied or in use where the current usage does not require the full amount of space that the property affords.

The historic nature of VA's inventory also limits its ability to dispose of assets. In some instances, underutilized buildings become suitable candidates for consolidation. However, given rising demand and the associated increased space requirements, asset consolidation plans are continually evaluated.

VA has made significant progress in its efforts to reduce its vacant and underutilized building footprint. In the last 5 years (2006-2010), VA completed disposals or reuse of approximately 381 assets – 111 asset disposals or reuses were completed in 2010 alone. Nearly 4 million square feet and over 400 acres were disposed of during this 5-year span. In each of these last five years, completed disposals have increased each year reflecting VA's aggressive pursuit of disposal or reuse opportunities to reduce unneeded assets.

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Since 2001, VA has reduced its inventory of owned vacant space by 34 percent, from 8.6 million square feet in 2001 to 5.7 million square feet in 2010. Moreover, despite a growing mission and greater workload, VA's overall gross square footage has grown less than 1 percent since 2005.

VA's success to-date has been accomplished through the use of several tools by which to dispose of and reuse underutilized or vacant property including repurposing, demolition, or asset sales. A common element for the successful use of these tools is the development of a working partnership between VA, Veteran Service Organizations, local and state governments, and the community in which our facility is located. This "win-win" partnership between VA, all of its stakeholders, and its partners is the single most important ingredient for successful disposal/reuse strategy of unneeded or underutilized properties.

This is a similar process envisioned for the CPRA Board, in which the Board will work with the Federal agencies and key stakeholders to develop the Board's recommendations for the realignment of Federal properties.

As of February 2011, VA had 313 vacant buildings and 597 underutilized buildings. These 910 buildings accounted for 10.7 million square feet of both vacant and underutilized space. With regards to 313 vacant buildings, VA has plans to dispose or reuse 250 or 80 percent of these. The remaining 63 vacant buildings are mostly historic (48/63 or 76 percent) which pose greater disposal challenges. VA classifies properties as "historic" if they are listed on National Historical Register or are eligible to be listed on the Register.

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At the forefront of VA's disposal and reuse efforts is the need to identify housing for at-risk Veterans, such as homeless Veterans. In this context, VA's Building Utilization Review and Repurposing (BURR) process is a critical tool.

BURR is a program that enables VA to identify properties that are underutilized or vacant and that can be repurposed for a variety of uses including Veteran housing. Most recently, through the BURR, VA has made a concerted effort to identify vacant or underutilized buildings that have potential to provide housing opportunities for our nation's homeless Veterans and their families. BURR is critical in not only reducing VA's unused and underutilized real estate inventory, but also to achieve Secretary Shinseki's goal to end homelessness among Veterans.

On May 19, 2011, the Secretary approved 34 BURR projects – including 98 buildings and 617 acres of land identified for conversion to housing for homeless or at-risk Veterans and their families. These 34 BURR projects are part of VA's ongoing effort to repurpose underutilized and vacant property to provide housing opportunities to Veterans, bringing our total BURR projects to 58. VA will schedule an industry forum with housing developers and service providers to formulate best strategies for these sites. This forum is scheduled to take place later this month. We are working with sister agencies—the Departments of Housing and Urban Development, and Agriculture, and others—to ensure we take full advantage of all means to develop housing for our homeless Veterans.

Once vacant or underutilized buildings are identified as candidates for repurposing via BURR or other means, VA can employ its enhanced-use lease authority (EUL), when applicable, to help reduce and eliminate underutilized and vacant assets.

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The EUL authority was enacted in 1991, and is codified in sections 8161 through 8169 of title 38, U.S. Code (38 U.S.C. §§ 8161 – 8169). In 2001, the authority was renewed for an additional 10 years through the end of 2011.

The EUL authority allows VA to outlease land and improvements under the Department's jurisdiction or control, to public or private sector entities for up to 75 years. In return, VA receives negotiated monetary and/or in-kind consideration. The leased property is developed, used, and maintained for agreed-upon uses that directly or indirectly support VA's mission. For example, in return for a long-term EUL arrangement, a selected lessee may be required to provide housing units to Veterans who are homeless or at-risk for homelessness on a priority basis. To date, executed EULs have included transitional, assisted living, and senior housing (benefiting Veterans), as well as power plants, office buildings, parking facilities, and childcare centers.

EULs have provided a variety of benefits such as enhanced services to Veterans, operations and maintenance cost savings, private investment, new long-term revenue for VA, job creation, and additional tax revenues for local, state and federal sectors. In some instances, EULs have helped VA meet its environmental goals by creating on-site renewable energy facilities enabling VA to reduce its greenhouse gas emissions.

Since the original EUL legislation passed in August 1991, more than 60 projects have been awarded – 18 of these for housing providing 1,066 housing units benefiting Veterans. From FY 2006 to 2010, EULs have generated approximately $266 in total consideration.

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Two recent examples of EUL successes were the consolidation of multi-campus (i.e., dispersed) medical facilities in Chicago, Illinois, and Cleveland, Ohio. Through EUL, VA was able to outlease more than 3.8 urban acres in Chicago and 100 acres in Cleveland. VA received $50 million in lease payments and sale proceeds from the Chicago EUL. Through the Cleveland EUL, VA is projected to realize $12 million in annual cost savings and $10 million in consideration/cost avoidance.

In summary, the Department's EUL authority is a multi-purpose tool that allows VA to leverage its underutilized and vacant buildings through public/private ventures through third-party development, financing, and supportive services. EULs allow VA to reuse properties in various ways to meet mission-related needs such as Veteran housing needs.

In terms of Veterans housing, EUL provides multiple benefits: helping to reduce homelessness among our Veterans while leveraging an underutilized asset, reducing the inventory of underutilized real estate, and transferring the operation and maintenance costs to a developer – while maintaining VA control of the underlying asset.

The Department's authority to enter into additional EUL agreements will expire on December 31, 2011. VA is developing an improved request to address the imminent expiration of its EUL authority. Currently, VA has 19 EUL projects underway to provide nearly 2,200 units of housing for homeless Veterans and their families. Additionally, another 34 BURR- identified housing projects with an estimated 1,700 units of housing for homeless Veterans and 900 units of housing for senior and non-senior independent living and assisted living have been approved by the Secretary.

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Going forward, eliminating waste through efficient use of our buildings is critical. In the Veterans Health Administration, overall space utilization is 21 percent over designed capacity. Outpatient workload is projected to increase by approximately 20 percent by 2018, requiring additional space. As a result, identifying and repurposing underutilized space will become critical.

Space utilization, disposal, and reuse planning will be critical factors as projects are evaluated through VA's new capital planning process, SCIP. In addition, the CPRA bill provides another strategy to update our planning process as we manage the disposal or realignment of Federal assets that would seek savings, reduce costs, and increase efficiency. Each will provide VA a rigorous capital planning process that quantifies and prioritizes the need to repair, upgrade, dispose of, or replace VA's aging infrastructure and address the current and future needs of America's Veterans within the context of prudent capital investment decision making.

To conclude, VA welcomes the potential addition of the Civilian Property Realignment Act (CPRA) to its toolkit for reducing unneeded assets. CPRA will enable agencies, including VA, to cut waste and save taxpayer dollars by disposing of properties through a streamlined approach, and break through longstanding barriers created by red tape, financial disincentives, and competing stakeholder interests. The President's CPRA proposal, in combination with EUL and other strategies, will help VA continue to reduce operations and maintenance costs for its most challenging assets.

I appreciate the opportunity to testify on these important topics. Thank you.

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United States Government Accountability Office

GAO

Testimony

Before the Subcommittee on Federal Financial Management, Government Information, Federal Services, and International Security, Committee on Homeland Security and Governmental Affairs, U.S. Senate

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FEDERAL REAL PROPERTY

Proposed Civilian Board Could Address Disposal of Unneeded Facilities

Statement of David J. Wise, Director
Physical Infrastructure Issues

Brian J. Lepore, Director
Defense Capabilities and Management Issues

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GAO-11-704T

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June 9, 2011

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Highlights

Highlights of GAO-11-704T, a testimony before the Subcommittee on Federal Financial Management, Government Information, Federal Services, and International Security, Committee on Homeland Security and Governmental Affairs, U.S. Senate

FEDERAL REAL PROPERTY

Proposed Civilian Board Could Address Disposal of Unneeded Facilities

Why GAO Did This Study

The federal government holds more than 45,000 underutilized properties that cost nearly $1.7 billion annually to operate, yet significant obstacles impede efforts to close, consolidate, or find other uses for these properties. GAO has designated federal real property management as a high-risk area, in part because of the number and cost of these properties. The Office of Management and Budget (OMB) is responsible for reviewing federal agencies' progress in real property management. In 2007, GAO recommended that OMB assist agencies by developing an action plan to address key obstacles associated with decisions related to unneeded real property, including stakeholder influences. In May 2011, the administration proposed legislation, referred to as the Civilian Property Realignment Act (CPRA), to, among other things, establish a legislative framework for disposing of and consolidating civilian real property and that could help limit stakeholder influences in real property decision making.

This statement identifies (1) progress the government has made toward addressing obstacles to federal real property management, (2) some of the challenges that remain and how CPRA may be responsive to those challenges, and (3) key elements of the Department of Defense's (DOD) base realignment and closure (BRAC) process that could expedite the disposal of unneeded civilian properties. To do this work, GAO relied on its prior work, and reviewed CPRA and other relevant reports.

View GAO-11-704T or key components. For more information, contact David Wise at (202) 512-2834 or wised@gao.gov or Brian Lepore at (202) 512-4523 or leporeb@gao.gov.

What GAO Found

In designating federal real property management as a high-risk area, GAO reported that despite the magnitude and complexity of real-property-related problems, there was no governmentwide strategic focus on real property issues and governmentwide data were unreliable and outdated. The administration and real-property-holding agencies have subsequently improved their strategic management of real property by establishing an interagency Federal Real Property Council designed to enhance real property planning processes and implementing controls to improve the reliability of federal real property data.

Even with this progress, problems related to unneeded property and leasing persist because the government has not yet addressed other challenges to effective real property management, such as legal and financial limitations and stakeholder influences. CPRA is somewhat responsive to these challenges. For example, CPRA proposes an independent board that would streamline the disposal process by selecting properties it considers appropriate for public benefit uses. This streamlined process could reduce disposal time and costs. CPRA would also establish an Asset Proceeds and Space Management Fund that could be used to reimburse agencies for necessary disposal costs. The proposed independent board would address stakeholder influences by recommending federal properties for disposal or consolidation after receiving recommendations from civilian landholding agencies and independently reviewing the agencies' recommendations. CPRA does not explicitly address the government's overreliance on leasing, but could help do so through board recommendations for consolidating operations where appropriate. GAO is currently examining issues related to leasing costs and excess property.

Certain key elements of DOD's BRAC process—which, like CPRA, was designed to address obstacles to closures or realignments—may be applicable to the disposal and realignment of real property governmentwide. These elements include establishing goals, developing criteria for evaluating closures and realignments, estimating the costs and savings anticipated from implementing recommendations, and involving the audit community. A key similarity between BRAC and CPRA is that both establish an independent board to review agency recommendations. A key difference is that while the BRAC process places the Secretary of Defense in a central role to review and submit candidate recommendations to the independent board, CPRA does not provide for any similar central role for civilian agencies.

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Chairman Carper, Ranking Member Brown, and Members of the Subcommittee:

Thank you for the opportunity to testify today on our work related to excess and underutilized federal real property held by civilian federal agencies, as well as our work on the military Base Realignment and Closure (BRAC) process. The federal government occupies more owned and leased buildings than it needs. In fiscal year 2009, 24 landholding agencies, including the Department of Defense (DOD), reported 45,190 underutilized buildings with a total of 341 million square feet, or 1,830 more such buildings than they reported the previous fiscal year. These underutilized buildings cost $1.66 billion annually to operate and are potentially valuable. The federal government also leases more property than is cost-efficient, resulting in millions of dollars of additional costs to the federal government. Since 2008, the General Services Administration (GSA) has leased more property than it owns[1]—more than 8,000 buildings—even though owning a federal building is often a more cost-effective way of meeting an agency's long-term space needs.[2] Because of these and other issues, we have designated the management of federal real property as a high-risk area.[3] On May 4, 2011, the administration proposed legislation, referred to as the Civilian Property Realignment Act (CPRA).[4] CPRA legislation has also been introduced in the House of Representatives.[5] Differences exist between the House bill and the administration's proposal. Throughout this statement, any reference to CPRA is the administration's proposed legislation.

At the request of this subcommittee, we have recently begun two new engagements related to federal real property management. The first will examine how federal agencies designate excess federal real property and

[1]In this testimony, we refer to property that is owned by the federal government and under the control and custody of GSA as GSA-owned property.

[2]GAO, *Federal Real Property: Strategy Needed to Address Agencies' Long-standing Reliance on Leasing*, GAO-08-197 (Washington, D.C.: Jan. 24, 2008).

[3]*High-Risk Series: An Update*, GAO-11-278 (Washington, D.C.: February 2011).

[4]Letter from Jacob J. Lew, Director, Office of Management and Budget, to The Honorable Joseph R. Biden, President of the Senate (May 4, 2011) (available at www.whitehouse.gov/omb/financial_fia_asset (last visited June 1, 2011)).

[5]H.R. 1734, 112th Cong. (2011).

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what actions they are taking to better use remaining property. The second will examine the leasing costs incurred by the federal government.

Like GSA, DOD has faced long-term challenges in managing its portfolio of facilities, halting degradation of facilities, and reducing unneeded infrastructure to free up funds to better maintain the facilities that it still uses and to meet other needs. DOD's management of its support infrastructure is also on our high-risk list, in part because of challenges DOD faces in reducing excess and obsolete infrastructure.[8] As you know, DOD has been working through the BRAC process as one way to reduce the amount of unneeded property that it owns and leases. This process, which is designed to address the obstacles to matching needed infrastructure to the needed workforce and missions, may also be applicable to civilian real property management.

This statement discusses (1) progress the government has made toward addressing obstacles to federal real property management; (2) some of the challenges that remain for effective federal real property management and how the administration's proposed CPRA could be responsive to those challenges; and (3) key elements of the BRAC process that could be applied to expedite the disposal of unneeded civilian properties.

To address these objectives, we reviewed our previous work, reports by the interagency Federal Real Property Council (FRPC), and CPRA. We also visited an office and warehouse complex currently in the disposal process that included multiple types of real property at one address. This complex was judgmentally selected on the basis of its characteristics and its geographic proximity to our field office in Dallas, Texas. In addition, we reviewed the BRAC legislation and our reports on DOD's BRAC process and are currently monitoring BRAC 2005 implementation. We shared the relevant information in this statement with the Office of Management and Budget (OMB), GSA, and DOD officials. OMB and GSA did not provide comment. DOD provided technical comments which we incorporated as appropriate. We performed this work from May 2011 to June 2011 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

[8]GAO-11-278.

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that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

The federal real property portfolio is vast and diverse, totaling more than 900,000 buildings and structures—including office buildings, warehouses, laboratories, hospitals, and family housing—and worth hundreds of billions of dollars. The six largest federal real property holding agencies—DOD; GSA; the U.S. Postal Service; and the Departments of Veterans Affairs (VA), Energy, and the Interior—occupy 87.6 percent of the total square footage in federal buildings. Overall, the federal government owns approximately 83 percent of this space and leases or otherwise manages the rest; however, these proportions vary by agency. For example GSA, the central leasing agent for most agencies, now leases more space than it owns.

The federal real property portfolio includes many properties the federal government no longer needs. In May 2011, the White House posted an interactive map of excess federal properties on its Web site,[7] noting that the map illustrates a sampling of over 7,000 buildings and structures currently designated as excess. These properties range from sheds to underutilized office buildings and empty warehouses. We visited an office and warehouse complex in Fort Worth, Texas that was listed on the Web site. Ten of the properties listed on the Web site as part of the Fort Worth complex were parceled together and auctioned in May 2011, but the sale is not yet final. The structures ranged from large warehouses to a concrete slab. (See fig. 1.) Work we are currently doing for this subcommittee on how federal agencies designate excess federal real property will include visits to other properties from around the country that are considered excess.

[7]See http://www.whitehouse.gov/issues/fiscal/excess-property-map (last visited June 1, 2011).

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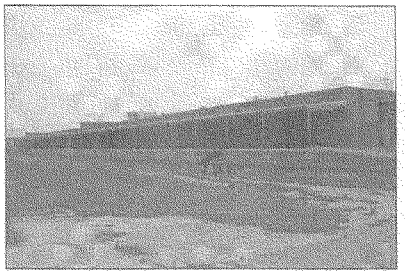
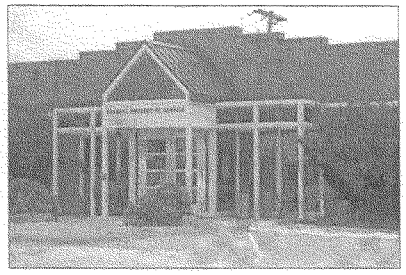
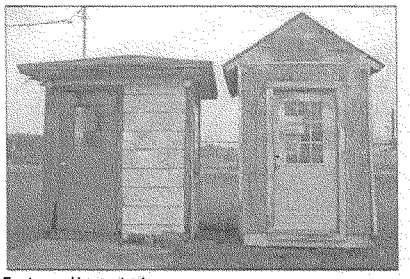
Figure 1: Several Structures Auctioned by GSA in May 2011 in Ft. Worth, Texas



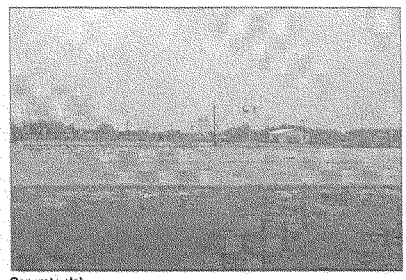
One of four large warehouses



Office building



Empty guard house structures



Concrete slab

Source: GAO.

After we first designated federal real property as a high-risk area in 2003, the President issued Executive Order 13327 in February 2004, which established new federal property guidelines for 24 executive branch departments and agencies. Among other things, the executive order called for creating the interagency FRPC to develop guidance, collect best practices, and help agencies improve the management of their real property assets.

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DOD has undergone four BRAC rounds since 1988 and is currently implementing its fifth round.[8] Generally, the purpose of prior BRAC rounds was to generate savings to apply to other priorities, reduce property deemed excess to needs, and realign DOD's workload and workforce to achieve efficiencies in property management. As a result of the prior BRAC rounds in 1988, 1991, 1993, and 1995, DOD reported that it had reduced its domestic infrastructure, and transferred hundreds of thousands of acres of unneeded property to other federal and nonfederal entities. DOD data show that the department had generated an estimated $28.9 billion in net savings or cost avoidances from the prior four BRAC rounds through fiscal year 2003 and expects to save about $7 billion each year thereafter, which could be applied to other higher priority defense needs. These savings reflect money that DOD has estimated it would likely have spent to operate military bases had they remained open. However, we found that DOD's savings estimates are imprecise because the military services have not updated them regularly despite our prior reported concerns on this issue.[9] The 2005 BRAC round affected hundreds of locations across the country through 24 major closures, 24 major realignments, and 765 lesser actions, which also included terminating leases and consolidating various activities.[10] Legislation authorizing the 2005 BRAC round maintained requirements established for the three previous BRAC rounds that GAO provide a detailed analysis of DOD's recommendations and of the BRAC selection process. We submitted the results of our analysis in a 2005 report and testified before the BRAC

[8]The first round in 1988 was authorized by the Defense Authorization Amendments and Base Closure and Realignment Act, Pub. L. No. 100-526, Title II (1988) (as amended). Subsequently, additional BRAC rounds were completed in 1991, 1993, and 1995 as authorized by the Defense Base Closure and Realignment Act of 1990, Pub. L. No. 101-510, Title XXIX (1990) (as amended). The latest round—BRAC 2005—was authorized by the National Defense Authorization Act for Fiscal Year 2002, Pub. L. No. 107-107, Title XXX (2001) (as amended).

[9]In addition, we have also reported that we believe that DOD's net annual recurring savings estimates are overstated because they include savings from eliminating military personnel positions without corresponding decreases in personnel end-strength. DOD disagrees with our position. GAO, *Military Bases: Analysis of DOD's 1995 Process and Recommendations for Closure and Realignment*, GAO/NSIAD-95-133 (Washington, D.C.: Apr. 14, 1995) and *Military Base Realignments and Closures: Estimated Costs Have Increased and Estimated Savings Have Decreased*, GAO-08-314T (Washington, D.C.: Dec. 12, 2007).

[10]DOD defines a major closure as a closure where plant replacement values exceed $100 million and major realignments as actions with net losses of 400 or more military and civilian personnel.

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Commission soon thereafter.[11] Since that time, we have published annual reports on the progress, challenges, and costs and savings of the 2005 round, in addition to numerous reports on other aspects of implementing the 2005 BRAC round.[12]

The Government Has Adopted a More Strategic Focus to Improve Real Property Management and Has Taken Steps to Increase Data Reliability

The administration and real-property-holding agencies have made progress in a number of areas since we designated federal real property as high risk in 2003. In 2003, we reported that despite the magnitude and complexity of real-property-related problems, there had been no governmentwide strategic focus on real property issues.[13] Not having a strategic focus can lead to ineffective decision making. As part of the government's efforts to strategically manage its real property, the administration established FRPC—a group composed of the OMB Controller and senior real property officers of landholding agencies—to support real property reform efforts. Through FRPC, the landholding agencies have also established asset management plans, standardized real property data reporting, and adopted various performance measures to track progress. The asset management plans are updated annually and help agencies take a more strategic approach to real property management by indicating how real property moves the agency's mission forward; outlining the agency's capital management plans; and describing how the agency plans to operate its facilities and dispose of unneeded real property, including listing current and future disposal plans. According to several member agencies, FRPC no longer meets regularly but remains a forum for agency coordination on real property issues and could serve a larger role in future real property management.

[11]GAO, *Military Bases: Analysis of DOD's 2005 Selection Process and Recommendations for Base Closures and Realignments*, GAO-05-785 (Washington: D.C.: July 1, 2005) and *Military Bases: Observations on the 2005 Base Realignment and Closure Selection Process and Recommendations*, GAO-05-905 (Washington, DC: July 18, 2005).

[12]See, for example, GAO, *Military Base Realignments and Closures: DOD Is Taking Steps to Mitigate Challenges, but Is Not Fully Reporting Some Additional Costs*, GAO-10-725R (Washington, D.C.: July 21, 2010) and *Military Base Realignments and Closures: Estimated Costs Have Increased While Savings Estimates Have Decreased Since Fiscal Year 2009*, GAO-10-98R (Washington, D.C.: Nov. 13, 2009).

[13]GAO, *High-Risk Series: Federal Real Property*, GAO-03-122 (Washington, D.C.: January 2003).

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We also earlier reported that a lack of reliable real property data compounded real property management problems.[14] The governmentwide data maintained at that time were unreliable, out of date, and of limited value. In addition, certain key data that would be useful for budgeting and strategic management were not being maintained, such as data on space utilization, facility condition, historical significance, security, and age. We found that some of the major real-property-holding agencies faced challenges developing reliable data on their real property assets. We noted that reliable governmentwide and agency-specific real property data are critical for addressing real property management challenges. For example, better data would help the government determine whether assets are being used efficiently, make investment decisions, and identify unneeded properties.

In our February 2011 high-risk update, we reported that the federal government has taken numerous steps since 2003 to improve the completeness and reliability of its real property data.[15] FRPC, in conjunction with GSA, established the Federal Real Property Profile (FRPP) to meet a requirement in Executive Order 13327 for a single real property database that includes all real property under the control of executive branch agencies.[16] FRPP contains asset-level information submitted annually by agencies on 25 high-level data elements, including four performance measures that enable agencies to track progress in achieving property management objectives. In response to our 2007 recommendation to improve the reliability of FRPP data, OMB required, and agencies implemented, data validation plans that include procedures to verify that the data are accurate and complete.[17] Furthermore, GSA's Office of Governmentwide Policy (OGP), which administers the FRPP database, instituted a data validation process that precludes FRPP from accepting an agency's data until the data pass all established business rules and data checks. In our most recent analysis of the reliability of FRPP data, we found none of the previous basic problems, such as missing

[14]GAO-03-122.

[15]GAO-11-278.

[16]40 U.S.C. § 524.

[17]GAO, *Federal Real Property: Progress Made Toward Addressing Problems, but Underlying Obstacles Continue to Hamper Reform*, GAO-07-349 (Washington, D.C.: Apr. 13, 2007).

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data or inexplicably large changes between years.[18] In addition, agencies continue to improve their real property data for their own purposes. From a governmentwide perspective, OGP has sufficient standards and processes in place for us to consider the 25 elements in FRPP as a database that is sufficiently reliable to describe the real property holdings of the federal government. Consequently, we removed the data element of real property management from our high-risk list this year.

CPRA Could Help Agencies Address Underlying Challenges to Disposing of Unneeded Property

The government now has a more strategic focus on real property issues and more reliable real property data, but problems related to unneeded property and leasing persist because the government has not addressed underlying legal and financial limitations and stakeholder influences. In our February 2011 high-risk update, we noted that the legal requirements agencies must adhere to before disposing of a property, such as requirements for screening and environmental cleanup, present a challenge to consolidating federal properties.[19] Currently, before GSA can dispose of a property that a federal agency no longer needs, it must offer the property to other federal agencies. If other federal agencies do not need the property, GSA must then make the property available to state and local governments and certain nonprofit organizations and institutions for public benefit uses, such as homeless shelters, educational facilities, or fire or police training centers.[20] As a result of this lengthy process, GSA's underutilized or excess properties may remain in an agency's possession for years and continue to accumulate maintenance and operations costs. We have also noted that the National Historic Preservation Act, as amended, requires agencies to manage historic properties under their control and jurisdiction and to consider the effects of their actions on historic preservation.[21] The average age of properties in GSA's portfolio is 46 years, and since properties more than 50 years old are eligible for historic designation, this issue will soon become critically important to GSA.

The costs of disposing of federal property further hamper some agencies' efforts to address their excess and underutilized real property problems. For example, federal agencies are required by law to assess and pay for

[18] GAO-11-278.

[19] GAO-11-278.

[20] 42 U.S.C. § 11411; 40 U.S.C. §§ 550, 553.

[21] 16 U.S.C. §§ 470f, 470h-2.

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any environmental cleanup that may be needed before disposing of a property[22]—a process that may require years of study and result in significant costs. In some cases, the cost of the environmental cleanup may exceed the costs of continuing to maintain the excess property in a shut-down status. The associated costs of complying with these legal requirements create disincentives to dispose of excess property.

Moreover, local stakeholders—including local governments, business interests, private real estate interests, private-sector construction and leasing firms, historic preservation organizations, various advocacy groups for citizens that benefit from federal programs, and the public in general—often view federal facilities as the physical face of the federal government in their communities. The interests of these multiple, and often competing stakeholders, may not always align with the most efficient use of government resources and can complicate real property decisions. For example, as we first reported in 2007, VA officials noted that stakeholders and constituencies, such as historic building advocates or local communities that want to maintain their relationship with VA, often prevent the agency from disposing of properties.[23] In 2003, we indicated that an independent commission or governmentwide task force might be necessary to help overcome stakeholder influences in real property decision making.

In 2007, we recommended that OMB, which is responsible for reviewing agencies' progress on federal real property management, assist agencies by developing an action plan to address the key problems associated with decisions related to unneeded real property, including stakeholder influences. OMB agreed with the recommendation. The administration's recently proposed legislative framework, CPRA, is somewhat responsive to our recommendation in that it addresses legal and financial limitations, as well as stakeholder influences in real property decision making.

- With the goal of streamlining the disposal process, CPRA provides for an independent board to determine which properties it considers would be the most appropriate for public benefit uses.[24] This streamlined process

[22]42 U.S.C. § 9620.

[23]GAO-07-349.

[24]The board would be composed of seven members appointed by the President. At least two members must have experience in the private sector and at least two members must have experience in the public sector.

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could reduce both the time it takes for the government to dispose of property and the amount the government pays to maintain property.

- To provide financial assistance to the agencies, CPRA establishes an Asset Proceeds and Space Management Fund from which funds could be transferred to reimburse an agency for necessary costs associated with disposing of property.[25] Reimbursing agencies for the costs they incur would potentially facilitate the disposal process.

- To address stakeholder influences, the independent board established under CPRA would, among other things, recommend federal properties for disposal or consolidation after receiving recommendations from civilian landholding agencies and would independently review the agencies' recommendations. Grouping all disposal and consolidation decisions into one set of proposals that Congress would consider in its entirety could help to limit local stakeholder influences at any individual site.

CPRA does not explicitly address the government's overreliance on leasing. In 2008, we found that decisions to lease selected federal properties were not always driven by cost-effectiveness considerations.[26] For example, we estimated that the decision to lease the Federal Bureau of Investigation's field office in Chicago, Illinois, instead of constructing a building the government would own, cost about $40 million more over 30 years. GSA officials noted that the limited availability of upfront capital was one of the reasons that prevented ownership at that time. Federal budget scorekeeping rules require the full cost of construction to be recorded up front in the budget, whereas only the annual lease payments plus cancellation costs need to be recorded for operating leases. In April 2007 and January 2008, we recommended that OMB develop a strategy to reduce agencies' reliance on costly leasing where ownership would result in long-term savings.[27] We noted that such a strategy could identify the conditions under which leasing is an acceptable alternative, include an analysis of real property budget scoring issues, and provide an assessment

[25]The Asset Management Proceeds and Space Management Fund, established by CPRA, is funded with appropriations, gross proceeds received from the disposal of civilian real property pursuant to recommendations by the Board, as well as certain net proceeds received from the disposal of civilian real properties pursuant to recommendations by the Board.

[26]GAO-08-197.

[27]GAO-07-349 and GAO-08-197.

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of viable alternatives. OMB concurred with this recommendation but has not yet developed a strategy to reduce agencies' reliance on leasing. One of CPRA's purposes—to realign civilian real property by consolidating, colocating, and reconfiguring space to increase efficiency—could help to reduce the government's overreliance on leasing. Our current work examines the efficiency of the federal government's real property lease management in more detail.

Key Elements of DOD's BRAC Process That Could Expedite the Disposal of Unneeded Civilian Properties

DOD has undergone five BRAC rounds to realign DOD's workload to achieve efficiencies and savings in property management, including reducing excess properties. The BRAC process, much like CPRA, was designed to address obstacles to closures or realignments, thus permitting DOD to close or realign installations and its missions to better use its facilities and generate savings. Certain key elements of DOD's process for closing and realigning its installations may be applicable to the realignment of real property governmentwide. Some of these key elements include establishing goals, developing criteria for evaluating closures and realignments, developing a structural plan for applying selection criteria, estimating the costs and savings anticipated from implementing recommendations, establishing a structured process for obtaining and analyzing data, and involving the audit community.

DOD's 2005 BRAC Process

DOD's BRAC process was designed to address certain challenges to base closures or realignments, including stakeholder interests, thereby permitting the department to realign its missions to better use its facilities, generate savings, and sometimes also resulting in the disposal of property. The most recent defense base closure and realignment round followed a historical analytical framework, carrying many elements of the process forward or building upon lessons learned from the department's four previous rounds. DOD used a logical, reasoned, and well-documented process.[28] In addition, we have identified lessons learned from DOD's 1988, 1991, 1993, and 1995 rounds,[29] and we have begun an effort to assess lessons learned from the 2005 BRAC round.

[28]GAO-05-785.

[29]GAO, *Military Bases: Lessons Learned From Prior Base Closure Rounds*, NSIAD-97-151 (Washington, D.C.: July 25, 1997).

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DOD's 2005 BRAC process consisted of activities that followed a series of statutorily prescribed steps,[30] including:

- Congress established clear time frames for implementation;
- DOD developed options for closure or realignment recommendations;
- BRAC Commission independently reviewed DOD's proposed recommendations;
- President reviewed and approved the BRAC recommendations; and
- Congress did not disapprove of the recommendations and thus they became binding.

Key Elements That DOD Used to Develop Its 2005 BRAC Recommendations That Could Benefit a Civilian Real Property Closure or Realignment Process

In developing its recommendations for the BRAC Commission, DOD relied on certain elements in its process that Congress may wish to consider as it evaluates the administration's proposed legislation for disposing of or realigning civilian real property, as follows:

Establish goals for the process. The Secretary of Defense emphasized the importance of transforming the military to make it more efficient as part of the 2005 BRAC round. Other goals for the 2005 BRAC process included fostering jointness among the four military services, reducing excess infrastructure, and producing savings. Prior rounds were more about reducing excess infrastructure and producing savings.

Develop criteria for evaluating closures and realignments. DOD initially proposed eight selection criteria, which were made available for public comments via the Federal Register. Ultimately, Congress enacted the eight final BRAC selection criteria in law [31] and specified that four selection criteria, known as the "military value criteria," were to be given priority in developing closure and realignment recommendations. The primary military value criteria include such considerations as an installation's current and future mission capabilities and the impact on

[30]See, GAO, *Federal Real Property: Progress Made on Planning and Data, but Unneeded Owned and Leased Facilities Remain,* GAO-11-520T (Washington, D.C.: Apr. 6, 2011).

[31]Section 2832 of the Ronald W. Reagan National Defense Authorization Act for Fiscal Year 2005 (Pub. L. No. 108-375 (2004)).

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operational readiness of the total force; the availability and condition of land, facilities, and associated airspace at both existing and potentially receiving locations; the ability to accommodate a surge in the force and future total force requirements at both existing and potentially receiving locations; and costs of operations and personnel implications. In addition, Congress specified that in developing its recommendations, DOD was to apply "other criteria," such as the costs and savings associated with a recommendation; the economic impact on existing communities near the installations; the ability of the infrastructure in existing and potential communities to support forces, missions, and personnel; and environmental impact. Further, Congress required that the Secretary of Defense develop and submit to Congress a force structure plan that described the probable size of major military units—for example, divisions, ships, and air wings—needed to address probable threats to national security based on the Secretary's assessment of those threats for the 20-year period beginning in 2005, along with a comprehensive inventory of global military installations.[32] In authorizing the 2005 BRAC round, Congress specified that the Secretary of Defense publish a list of recommendations for the closure and realignment of military installations inside the United States based on the statutorily-required 20-year force-structure plan and infrastructure inventory, and on the selection criteria.

Estimate costs and savings to implement closure and realignment recommendations. To address the cost and savings criteria, DOD developed and used the Cost of Base Realignment Actions model (COBRA) a quantitative tool that DOD has used since the 1988 BRAC round to provide consistency in potential cost, savings, and return-on-investment estimates for closure and realignment options. We reviewed the COBRA model as part of our review of the 2005 and prior BRAC rounds and found it to be a generally reasonable estimator for comparing potential costs and savings among alternatives. As with any model, the quality of the output is a direct function of the input data. Also, DOD's COBRA model relies to a large extent on standard factors and averages and does not represent budget quality estimates that are developed once BRAC decisions are made and detailed implementation plans are

[32]Section 3001 of the National Defense Authorization Act for Fiscal Year 2002 (Pub. L. No. 107-107 (2001)), amended the Defense Base Closure and Realignment Act of 1990 (Pub. L. No. 101-510 (1990)) to, among other things, require DOD to develop a 20-year force structure plan as the basis for its 2005 BRAC analysis to include the probable end strength levels and major military force units needed to meet the probable threats identified by the Secretary of Defense.

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developed. Nonetheless, the financial information provides important input into the selection process as decision makers weigh the financial implications—along with military value criteria and other considerations—in arriving at final decisions about the suitability of various closure and realignment options. However, according to our assessment of the 2005 BRAC round, actual costs and savings were different from estimates.[33]

Establish an organizational structure. The Office of the Secretary of Defense emphasized the need for joint cross-service groups to analyze common business-oriented functions. For the 2005 BRAC round, as for the 1993 and 1995 rounds, these joint cross-service groups performed analyses and developed closure and realignment options in addition to those developed by the military services. In contrast, our evaluation of DOD's 1995 BRAC round indicated that few cross-service recommendations were made, in part because of the lack of high-level leadership to encourage consolidations across the services' functions.[34] In the 1995 BRAC round, the joint cross-service groups submitted options through the military services for approval, but few were approved. The number of approved recommendations that the joint cross-service groups developed significantly increased in the 2005 BRAC round. This was in part, because high-level leadership ensured that the options were approved not by the military services but rather by a DOD senior-level group.

Establish a common analytical framework. To ensure that the selection criteria were consistently applied, the Office of the Secretary of Defense, the military services, and the seven joint cross-service groups first performed a capacity analysis of facilities and functions in which all installations received some basic capacity questions according to DOD. Before developing the candidate recommendations, DOD's capacity analysis relied on data calls to hundreds of locations to obtain certified data to assess such factors as maximum potential capacity, current capacity, current usage, and excess capacity. Then, the military services and joint cross-service groups performed a military value analysis for the facilities and functions based on primary military value criteria, which

[33]As we reported in November 2009 (GAO-10-98R), BRAC one-time implementation costs rose to almost $35 billion in fiscal year 2010 compared with DOD's initial estimate of $21 billion in 2005. Similarly, net annual recurring savings dropped to $3.9 billion in fiscal year 2010 compared with the $4.2 billion DOD estimated in 2005.

[34]NSIAD-97-151.

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included a facility's or function's current and future mission capabilities, physical condition, ability to accommodate future needs, and cost of operations.

Involve the audit community to better ensure data accuracy. The DOD Inspector General and military service audit agencies played key roles in identifying data limitations, pointing out needed corrections, and improving the accuracy of the data used in the process. In their oversight roles, the audit organizations, who had access to relevant information and officials as the process evolved, helped to improve the accuracy of the data used in the BRAC process and thus strengthened the quality and integrity of the data used to develop closure and realignment recommendations. For example, the auditors worked to ensure certified information was used for BRAC analysis, and reviewed other facets of the process, including the various internal control plans, the COBRA model, and other modeling and analytical tools that were used in the development of recommendations.

There are a number of important similarities between BRAC and a civilian process as proposed in the administration's CPRA. As a similarity, both BRAC and CPRA employ the all-or-nothing approach to disposals and consolidations, meaning that once the final list is approved by the independent commission or board, it must be accepted or rejected as a whole. Another important similarity is that both the BRAC and proposed CPRA processes call for an independent board or commission to review recommendations.

A key difference between BRAC and the administration's proposed CPRA is that while the BRAC process placed the Secretary of Defense in a central role to review and submit candidate recommendations to the independent board, CPRA does not provide for any similar central role for civilian agencies. The BRAC process required the Secretary of Defense to develop and submit recommendations to the BRAC Commission for review. In this role, the Office of the Secretary of Defense reviewed and revised the various candidate recommendations developed by the four military services and the seven separate joint cross service groups. In contrast, the administration's proposed CPRA does not place any official or organization in such a central role to review and submit the recommendations proposed by various federal agencies to the independent board for assessment and approval. Another key difference between BRAC and CPRA is the time period in which the commission will be in existence. CPRA, as proposed by the administration, is a continuing commission which will provide recommendations twice a year for 12

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years, whereas, the BRAC Commission convened only for those years in which it was authorized. For example, after the most recent 2005 BRAC round, the Commission terminated by law in April 2006. However, we believe the need for a phased approach involving multiple rounds of civilian property realignments is warranted given it may take several BRAC-like rounds to complete the disposals and consolidations of civilian real property owned and leased by many disparate agencies including GSA, VA, Department of the Interior, Department of Energy, and others.

In closing, the government has made strides toward strategically managing its real property and improving its real property planning and data over the last 10 years, but those efforts have not yet led to sufficient reductions in excess property and overreliance on leasing. DOD's experience with BRAC could help the process move forward to dispose of unneeded civilian real property and generate savings for the taxpayer.

Chairman Carper, Ranking Member Brown, and Members of the Subcommittee, this concludes our prepared statement. We will be pleased to answer any questions that you may have at this time.

GAO Contacts and Staff Acknowledgments

For further information on this testimony, please contact David Wise at (202) 512-2834 or wised@gao.gov regarding federal real property, or Brian Lepore at (202) 512-4523 or leporeb@gao.gov regarding the BRAC process. Contact points for our Congressional Relations and Public Affairs offices may be found on the last page of this statement. In addition to the contacts named above, Keith Cunningham, Assistant Director; Laura Talbott, Assistant Director; Vijay Barnabas; Elizabeth Eisenstadt; Amy Higgins; Susan Michal-Smith; Crystal Wesco; and Michael Willems made important contributions to this statement.

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Post-Hearing Questions for the Record
Submitted to the Honorable Alan Dixon
From Senator Mark L. Pryor

"Federal Asset Management: Eliminating Waste by Disposing of Unneeded Federal Real Property"
June 9, 2011

1. Given your extensive experience with the BRAC process, you are well aware of the tough decisions involved with this important work. One unfortunate outcome of some of these decisions is a negative impact on communities. CPRA deals with a different set of issues, but the risk for community impact still exists. How can we create a framework to make the right choices?

Senator Dixon: My experience as Chairman of the 1995 Defense Base Closure and Realignment Commission indicated that some form of federal government assistance to communities affected by major military base closures or realignments was often essential for losing communities to overcome the economic dislocation of the action. In some instances, federal government assistance was also necessary for gaining communities to prepare the local infrastructure to receive and support new activities.

I suspect that the same could be true from the realignment or closure of large federal civilian activities.

As part of the 1995 Defense Base Closure and Realignment Commission's Report to the President, we included a brief summary of the resources available from the federal government to assist communities affected by military base closures and realignments, as well as a list of recommendations to the Congress, to Executive Branch agencies, and to communities to improve the process of assisting affected communities. I have attached this discussion from the Commission's 1995 Report because I think many of the suggestions could be helpful to the Subcommittee as you move forward with this important legislation, as well as to communities who might be affected by major federal civilian realignments or closures in the future.

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Post-Hearing Questions for the Record
Submitted to the Honorable Daniel I. Werfel

"Federal Asset Management: Eliminating Waste By Disposing Of Unneeded Federal Real Property"

June 9, 2011

From Senator Claire McCaskill

1. *Based upon your written and oral testimony, it appears the three basic issues facing agencies with excess or underutilized property are: 1) the current process is too cumbersome, 2) there is a lack of financial support up front and 3) there are often competing stakeholder interests. During a House committee hearing on this subject you stated that a civilian property realignment board could save the federal government $15 billion in the first three years of operation. You explained that the President's Civilian Property Realignment Act (CPRA) would establish an independent board of experts to expedite, dispose, consolidate, reduce and realign Federal real estate. This board would be a comprehensive solution to the three obstacles stated above.*

   a) *How will the board be structured? Will the board member positions be comprised of government personnel, to include Congressional members, as well as the private sector? Once a recommendation to Congress is made, how long does Congress have to give a recommendation to the board?*

      ANSWER: The Board will be composed of seven members. The Board will include membership that has experience in the private and public sectors. As envisioned, no member will concurrently have another position in the government or the private sector. Once a recommendation is made to Congress, via the OMB Director, the recommendations will be considered accepted and have the force of law, unless Congress affirmatively disapproves within 45 days of receipt of those recommendations.

   b) *Explain how you determined that the civilian property realignment report board could save the federal government $15 billion dollars in the first three year of operation? In order to fund the CPRA what will be the initial cost to tax payers and how long until the CPRA becomes a self-sustaining financial project?*

      ANSWER: This process would save the Federal Government at least $4 billion over ten years from sales proceeds. In addition, the Administration believes there would be additional savings from decreased operating costs and efficiencies through better space management, which could bring the overall total savings to $15 billion. The proceeds, as well as the additional savings from decreased costs, are driven by:

- Estimates of proceeds (Fair Market Value) from "high valued" properties within inventory (not from the current excess list of properties)
- Estimates of reduced costs related to the operations and maintenance (O&M) associated with the sale of the above properties.
- Estimates of reduced costs related to the O&M associated with reductions in overall leased space through consolidations and co-locations, cost-effective lease terminations and expirations, and other efficiencies.
- Estimates of reduced costs related to the O&M associated with the realignment, co-location, sale, or disposition of field office facilities.
- Estimates of reduced costs related to the O&M associated with owned space through energy and other efficiencies.

To fund the CPRA Board, the initial request in the President's FY 2012 Budget was $23 million for salaries and expenses, and $65 million for the Board's revolving fund (the Asset Proceeds and Space Management fund) that would initially be the source for investments in space management and readying properties for disposal. We anticipate that the Board will become self-sustaining within two years.

c) *There are many upfront costs agencies will incur during the infancy of the process. To address this issue, you've suggested that the board would utilize a revolving fund for disposals and consolidations. The board will retain 40% of net proceeds from any disposal made and the Department of the Treasury will acquire 60% of the net proceeds for deficit reduction. Has the administration requested appropriations for the Asset Proceeds and Space Management Fund? If so, how much is the request for? Is this a one-time request or would additional appropriations be needed?*

ANSWER: To fund the CPRA Board's Asset Proceeds and Space Management Fund, the initial appropriations request in the President's FY 2012 Budget was $65 million (as discussed above). We anticipate that the Board will become self-sustaining within two years.

2. *The CPRA Board speeds up the decision of what to do with properties it has identified by applying a "rational approach to existing review requirements" and balancing the equities of competing stakeholders. I am glad to hear that this is not a one size fits all approach and that we consider those less fortunate than us, including those in small towns and rural areas who depend on governmental facilities for their local economy.*

a) *According to your testimony, after the initial review the board would conduct its own independent analysis of agency inventories. Does this mean that the board could decide that there are additional agency properties that should be included on the list of recommended actions? If so, does the agency have any input into this decision or is it a unilateral matter for the board?*

ANSWER: After receiving agency recommendations, the Board may determine that there are additional properties that should be included on the list of recommended actions. The Administration has worked to encourage transparency in this process by requiring the Board to hold public hearings for stakeholders, including agencies, to discuss properties under consideration. In addition, Board reports will be published both in the Federal Register and on a website that will be created to disseminate information about the Civilian Property Realign Act Board. This allows multiple opportunities for stakeholders to comment either to the Board, the OMB Director, or Congress during the process.

b) *While the board will also report how properties will be addressed, unlike the Base Realignment and Closure Act (BRAC), the administration's proposed CPRA does not place any official organization in a central role to review and submit the recommendations proposed by the agencies to the independent board for assessment and approval. What processes are in place that will ensure the decisions of the board are fair and equitable?*

ANSWER: As detailed above, there are multiple ways in which transparency and accountability are ensured in the CPRA process. The proposal also establishes criteria that should guide the Board's consideration of recommendations, such as how any recommendation would reduce the operating costs of the Federal government or affect the environment, the community's economic development, parks and recreation, and historic preservation. In addition, the OMB Director will be an intermediary between the Board and Congress. The OMB Director will have up to 45 total days to review the Board's report, coordinate with relevant agencies, request revisions if appropriate, and, similar to DOD authorities in BRAC, cancel the transmission of the report to Congress if necessary. And, Congress will have the ability to reject the Board's approved recommendations. When combined with the responsibilities of the Board to consult with non-Federal stakeholders, the Administration believes the envisioned framework helps to ensure that the Board's decisions will be fair and equitable.

3. *When DOD began the BRAC process they developed and used the Cost of Base Realignment Actions model (COBRA) a quantitative tool which was used by auditors to*

ensure certified information was used for analysis, and reviewed other facets of the process, including the various internal control plans and other modeling and analytical tools used in the development of recommendations.

a) *Has the administration developed its own cost savings model to use for determining whether a piece of land or property should be kept or disposed of? Please explain. Will it be based on the location of the property or the individual agency or the assumed value of the property?*

ANSWER: The Board will develop the cost valuation model – based on its private and public sector expertise.

b) *Different factors seem to exist before a property is classified as either disposable or excess. Can you expand on how you differentiate between the two? Are performance measures in place to assist with making decisions regarding the elimination or disposal of excess property?*

ANSWER: Within the Federal Real Property Profile (FRPP), the central inventory of government property, a property is deemed "excess" when the agency declares that it no longer needs the property for the mission of the agency. To initiate a disposal of an "excess" asset, the agency then requests the General Services Administration (GSA) to dispose of the property by submitting a Report of Excess. This report includes information about the property, including the agency's title to the property, the proximity to floodplains or endangered species, whether there are any known environmental hazards, and whether there has been any interest in the property from certain public entities. After performing the necessary due diligence, GSA accepts the Report of Excess. In some cases, GSA can conditionally accept the Report of Excess pending receipt of supplemental documentation from the landholding agency. If no other Federal entities want to acquire the property, the property is considered "surplus" and is made available through a public benefit conveyance, transfer, or sale. Only "surplus" property can leave the Federal inventory through a public benefit conveyance, transfer, or sale.

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From Senator Mark L. Pryor

1. A concern raised at the hearing about the CPRA is the need for transparency. The administration's proposal would establish a Board, rather than a Commission like the successful BRAC program. Additionally, the CPRA's meetings would not be open to the public. How do you respond to the statement that this gives too much accountability to the Director of OMB?

a) Do you think this distinction would impede the ability of this work to be independent and transparent?

ANSWER: The Board's meetings are closed to the public, but the Administration's Civilian Property Realignment Act proposal does require public hearings for stakeholders as part of the deliberative process. In addition, Board reports will be published both in the Federal Register and on a website that will be created to disseminate information about the Civilian Property Realign Act Board. This allows multiple opportunities for stakeholders to comment either to the Board or to the OMB Director during the review process. The Act provides the CPRA Board and the OMB Director many chances to consult with stakeholders. The Administration believes that the process under the Act will ensure both independence and transparency.

2. From your study of these issues, do agencies currently have a strong grasp on their inventories of property? What are some things we can do to help?

ANSWER: Yes, agencies have a strong grasp on their real property inventories. Furthermore, data validation performed by GSA, with OMB's support, on the FRPP has been effective at improving the quality of data in this central government-wide inventory. In fact, GAO acknowledged in its February 2011 high-risk update that the data in the FRPP is sufficiently reliable and moved real property data management off the high risk list (a link to the report is provided here: http://www.gao.gov/new.items/d11278.pdf).

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Post-Hearing Questions for the Record
Submitted to Robert A. Peck
From Senator Claire McCaskill

"Federal Asset Management: Eliminating Waste by Disposing Of Unneeded Federal Read Property"

June 8, 2011

1) There was much debate during the hearing about Title V, The Federal Property Disposal Process, and its role in the asset management disposal process. Concerns have been raised that Title V has previously created roadblocks to asset disposal.

   a) Advocates for non-profit groups are passionate that the homeless and other groups are not overlooked with the implementation of any new legislation that would eliminate or dispose of surplus real estate. Do you feel that Title V is a road block to the efficient disposal of federal property? Is the administration's proposal consistent with Title V? If not, how are they inconsistent and how could the two be reconciled?

   Title V of the McKinney-Vento Homeless Assistance Act was enacted to make suitable Federal surplus real property available to representatives of the homeless. Since the legislation authorizing the program was established in 1987 GSA, HUD, and HHS have worked together to create a process that ensures that the necessary components of implementation are each handled by the agency with the necessary subject matter expertise. This two step process can take up to 105 days. HUD has 45 days to publish a determination of suitability. If HUD deems the property suitable to meet the needs of the homeless, GSA will screen the property for up to 60 days.

   If a property is assigned to HHS for conveyance to the homeless provider, it is necessary that HHS deed or lease the property as expeditiously as possible to ensure that it is removed from federal ownership, and the grantee may begin putting the property to use. As with other public benefit conveyance programs, Title V of the McKinney-Vento Homeless Assistance Act provides additional avenues for the disposal of surplus real property and removes the property from federal ownership, thereby eliminating all of the associated carrying costs to the government, while providing a public benefit to the community.

   The Administration's current proposal differs with the process established in the Property Act for Title V in the eligibility determination. The Administration's proposal would require that the Board first determine which properties should be conveyed under any of the public benefit conveyance programs. Out of these properties directed for public benefit conveyance, the Secretary of HUD will determine which could be suitable for use by homeless assistance. This structure is designed to streamline the process, without affecting the eventual number of properties that are actually transferred to homeless assistance under current procedures. In fact, from Fiscal Year 2006 to Fiscal Year 2010, 13 of the 1,244 properties GSA conveyed went to homeless providers.

Post-Hearing Questions for the Record
Submitted to James M. Sullivan
From Senator Claire McCaskill

"Federal Asset Management: Eliminating Waste by Disposing of Unneeded Federal Real Property"

June 9, 2011

1) Through the Veteran's Administration's (VA) Building Utilization Review and Repurposing (BURR) program, the VA can employ its enhanced-use lease authority (EUL) to vacant or underutilized buildings, thereby, helping to reduce and eliminate underutilized and vacant leases. The EUL allows the VA to lease out land and improvements under their jurisdiction to public and private entities for up to 75 years. In return, VA receives negotiated monetary and/or in-kind consideration.

   a) During your testimony, you stated that since 1991, more than 60 projects have been awarded with approximately $174.5 million in total monetary and in-kind consideration and approximately $266 million in cost savings. The EUL process is allowing the VA to leverage its underutilized property for the benefit of veterans to include housing, financing and supportive services. However, this authority is unique and I would imagine very interesting to other Departments. Do you know of any other departments/agencies with this unique authority?

   b) Is the money received pursuant to the EUL deposited in full or in part into the Department of the Treasury? Can you explain where the $266 million dollars cost savings was applied?

   c) Do you believe that other government entities should also have this authority? If not, why?

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