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FAILURES IN MANAGING FEDERAL REAL PROPERTY: BILLIONS IN LOSSES

HEARING

BEFORE THE

SUBCOMMITTEE ON GOVERNMENT OPERATIONS
OF THE

COMMITTEE ON OVERSIGHT
AND GOVERNMENT REFORM

HOUSE OF REPRESENTATIVES

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FAILURES IN MANAGING FEDERAL REAL PROPERTY: BILLIONS IN LOSSES

Wednesday, February 27, 2013

HOUSE OF REPRESENTATIVES
SUBCOMMITTEE ON GOVERNMENT OPERATIONS,
COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM,
Washington, D.C.

The subcommittee met, pursuant to call, at 2:00 p.m., in Room 2154, Rayburn House Office Building, Hon. John Mica [chairman of the subcommittee] presiding.

Present: Representatives Mica, Connolly, Cooper and Pocan.

Also Present: Representative Norton.

Staff Present: Robert Borden, Majority General Counsel; Molly Boyl, Majority Parliamentarian; Caitlin Carroll, Majority Deputy Press Secretary; Gwen D Luzansky, Majority Research Analyst; Adam P. Fromm, Majority Director of Member Services and Committee Operations; Linda Good, Majority Chief Clerk; Michael R. Kiko, Majority Staff Assistant; Mark D. Marin, Majority Director of Oversight; Scott Schmidt, Majority Deputy Director of Digital Strategy; Peter Warren, Majority Legislative Policy Director; Jaron Bourke, Minority Director of Administration; Beverly Britton Fraser, Minority Counsel; and Devon Hill, Minority Research Assistant.

Mr. MICA. Good afternoon. I would like to call the Subcommittee on Government Operations to order. Pleased to have everyone join us in this subcommittee hearing of the Government Reform and Oversight Committee.

This is our first Government Operations Subcommittee hearing. Delighted to have the opportunity to chair. This is my third subcommittee to chair in Government Reform and Oversight, formerly Government Operations Committee. I had the honor of serving as chairman of the Civil Service Subcommittee for four years, Criminal Justice and Drug Policy for two years, and now have an opportunity during this period.

I think our most important responsibility during this period of time in the next couple of years, particularly when our Nation faces some challenges with finance, with financing government. Tomorrow we face sequestration and fiscal crisis that we can be in a position to examine some of the areas in which we can save taxpayer dollars, do a better job, and also hopefully help towards that bottom line when we are approaching a $17 trillion national deficit.

So I am pleased to call the subcommittee hearing to order today. Mr. Connolly, hopefully, will be here in a few minutes. I want to thank the staff on both sides of the aisle for working in a coopera-

tive, bipartisan manner to launch our effort, and I look forward to continuing that effort. Exercise uncovering government waste, abuse, and fraud is not a partisan issue, it is something that we have a solemn responsibility to pursue, particularly under the charter of this important committee.

With that being said, too, I try not to offer any surprises. I told Mr. Connolly, and I will recite publicly, we will do our first field hearing is tentatively scheduled next Friday in Miami, Florida. It will be at Miami Dade Community College. It will also be on the subject that we will cover some of today here, and that is the subject of failures in managing federal real property, billions in losses is the title of today's hearing. But we will continue that with our hearing.

I come here today also having chaired the transportation committee. Just for the record, began work in transportation we have a very limited focus over some of GSA s federal property activities and we began some hearings, as you may recall, both looking at GSA operations, the guy in the hot tub who everyone remembers waving at us while he was wasting extreme amounts of taxpayer money on expensive conferences.

But we also uncovered federal assets that were not utilized, including looking in the Washington area at the Old Post Office, which I am pleased we have a plan for; it is moving forward. Instead of losing $10 million a year, it has the potential for income for the taxpayers. Instead of being a pit where folks don't work and we pour money into it, as many as 1,000 workers will work there, possibly as much as a 400-room hotel.

So we can take these assets that are costing taxpayers money and convert them into performing assets and reduce, again, our deficit spending.

We also looked at the Cotton Building, which is between the interstate and the mall, a huge property, smaller building, but it sat idle. The power station, two acres right behind, I believe it is, the Ritz-Carlton in Georgetown, a vacant power plant on very valuable property sitting idle. And our hearing next week in Miami is a continuation of the hearing, because we did one in an empty federal courthouse, which has been vacant, I believe, since 2007.

After we did the hearing we found out that that federal property sitting idle across the street from the community college, in fact, the community college had been seeking for some six years access to either rent or utilize that space; they needed additional classrooms, particularly in a judicial setting, for some of their programs, and it is exactly across the street. So next Friday one of our key witnesses will be the president of that college, and he will detail some of his efforts to acquire over many years an idle federal asset. So we are trying to pick up from where we have been and where we are going, we intend to go.

Today s hearing will focus primarily—I am stalling for a minute, as you can tell, trying to give Mr. Connolly time to get here. But in today s hearing we are going to focus on high risk property issues that have been identified by GAO as high-risk and, unfortunately, the category of high-risk activities of the Federal Government was submitted again, I believe, last month and again, and I guess this is the tenth anniversary of appearing high on the high-

risk category list, is the issue of real federal property and problems with management losses and risk involved there.

So this is the tenth anniversary appearing on that list, and what we thought we would do is start out with reviewing some of the problems that have been identified, and I think the GAO has done a good job of identifying some of the problem areas. And we will review some cases to expand what we did in the capital area. We looked at a couple properties in the last 30 days since we acquired this responsibility, but we wanted to look in the neighborhood first, then we will look across the Country, and we looked particularly at two properties I will talk about in a few minutes.

But, again, I am pleased to have Mr. Connolly as a ranking member and look forward to working with him. We have had a good starting discussion and, again, I appreciate the cooperation of his staff and the ranking member personally in helping us launch this.

So as we begin this hearing today, again, Mr. Connolly and staff, I have to reiterate our very basic, fundamental principles of our activity, and it is, first, that Americans have a right to know how their money in Washington is taken from them and how it is spent, and making certain that it is well spent; and, secondly, that Americans deserve an efficient, effective government that works for them. And I know Mr. Connolly joins me in trying to uphold those principles.

Our duty on this committee, the Government Reform and Oversight Committee and this specific subcommittee, is to protect these rights of the citizens. They are out working hard, sending their hard-earned tax dollars to Washington. They send us here to represent them and that is what we need to do. So we have to hold government accountable for the taxpayers and we also have to find out what is going on, make that public. The public has a right to know what the government is doing and what they get from their hard-earned dollars coming here. We will work tirelessly in partnership with our citizen watchdogs to deliver the facts to the American people and bring them genuine reform to the bureaucracy.

Now, just having this hearing or just talking about some of the problems gets us absolutely nowhere, so it is my hope this can be an action-oriented subcommittee. Work with Mr. Connolly, again, in a bipartisan effort to find solutions, either legislative or working sometimes with agencies to get things moving.

And then let me just cover for a moment, again, the continuation of the work I started before and we are entering into. We picked up here in the Washington area. And I am not just picking on the Nation's capital, Virginia, or Maryland; we will go to Florida. We can go anywhere in the United States and see these abuses. But real property management that the Federal Government has responsibility over is 77,000 buildings that have been identified as vacant or underutilized. Fourteen thousand of these buildings and structures have been declared excess property and the Federal Government spends $1.67 billion annually to operate and maintain vacant or underutilized properties.

Here in our backyard, again, we looked at two examples and we have some illustrations here. Agricultural Research Center. We went out to that facility in Beltsville, Maryland. These photographs

on the side were taken by our staff. If you look, the Federal Drug Administration Building is the first building; it looks sort of barnish. That has its title on the door. Next to it you only see building 262 and 263. There is a line of these office buildings totally vacant, vines growing over them. You see some of the interior.

This is part of a nearly 7,000 acre Department of Agricultural Research Services Center, covers nearly 7,000 acres. It is just an enormous swath of land. In fact, it is bigger than the city territory in my State of Key West. That is how big it is. And some of the most valuable real estate in the United States of America; it is part of the capital district. So there are over 500 buildings here, and over 200 of them are vacant or underutilized. In all fairness, most of, well, I would say more than half, probably 150, are small, outdated, some of them even shed buildings, but there are 40 buildings that are of significant size. You see these here sitting there idle.

The interesting thing was I asked when they had seen a member of Congress, and I think it is in Mr. Hoyer s district or one of the Maryland members, and they said they had seen him and maybe a senator, but they had never seen another member of Congress, at least in recent memory, come there. So my concern is this asset, which is incredibly valuable, this valuable piece of real estate that could be better utilized.

I am not trying to do away with the Agricultural Research Services, but a lot of this facility was built in the 1930s and their mission has changed. But we have no plan, we have no plan. We have no one looking at coming forward with utilization or maximizing these assets.

Then one of the other things we found, well, actually, the GAO found in this high-risk report is some of the reports, we keep an inventory of reports of property, and they found the data and data quality of property was inconsistent and inaccurate. And they don't collect the data. It is garbage in, garbage out.

Here is an illustration of two properties on the list of Federal Real Property Profile listed in excellent condition. You see the report there? And you can see where, one, the roof is caved in and the other one is decrepit. In a recent GAO audit, they found inconsistencies and inaccuracies of 23 of 26 locations visited contained in the Federal Real Property Profile.

So we are only touching, scratching the surface of some of the problems that we have. We are here to uncover that, to look at how we can do a better job in alleviating some of the problems in dealing with the either excess or current federal property, and then the data and information that we have about them. Don't have time to go into visiting a million square feet in a property. I don't know if that is in your district, Mr. Connolly, but the utilization of that space, prime real estate in the capital region that someone should be looking at for its maximum and best use.

With those comments, and I will add a lot more, I am just getting started. Thank you for being late, because it gave me more time to mouth off here. But let me just say I appreciate—I have worked with Mr. Connolly before on projects important to his district and the region. I was delighted to see that he is the ranking member. We have had great discussions and preliminary work in

launching our effort, and I welcome him and pleased to recognize him at this time.

Mr. CONNOLLY. Thank you, Mr. Chairman. I apologize for being here; I had three luncheon meetings all over the Capitol compound, and I did not eat at all three, so forgive me for being a little bit late. But I do want to thank you so much for holding this hearing, and I absolutely pledge to work with you on this subject; I think it is a very important subject.

When I was chairman of Fairfax County, this was a very personal subject to me because of the disposition of the Lorton Prison site, federal prison. Going back to very early 1900s, historic site; the Suffragettes were actually imprisoned there for protesting the lack of vote for women, and it was at one point seen as a model sort of penal reform institution.

It evolved into something quite ugly. It was about slightly under 3,000 acres and we were able to purchase it from the Federal Government as excess property with certain pledges about what we would do with it. But when we got the property, we had over 300 buildings on this one property site, to your point, Mr. Chairman, some of which looked like that, some of which were historic buildings that we had to preserve, we had agreed to preserve, many of which had asbestos that had to be abated. And, of course, if a building ends up looking like that, Mr. Chairman, the only choice is to bulldoze it; it is just too expensive to try to retrofit it and reconstruct it.

So allowing buildings to get to that kind of decrepitude has a cost associated with it, and there is a public safety issue at some point in terms of this kind of condition of buildings. The maintenance alone, it is estimated, on buildings that we no longer need or use is over $1.7 billion a year, according to the GAO.

There are lots of costs in all of this, and what I would like to work with you on, Mr. Chairman, is not only the issue of disposition, but also the relationship to local governments. I know you have faced this too. We want to make sure that if there is a compelling use of these properties at the local level, that they get sort of first right of refusal, because it is in their midst and we, as the Federal Government, have a responsibility in partnership to that community.

So sometimes the highest, best use of a property from a pure dollars and cents point of view may not always be in sync with what the local government's priorities may be, but I would never want to just run roughshod over the local governments. I know you and I talked about an example back home in Florida, where we would want to look at the productive use of a particular property for an educational institution.

So my own experience gives me a lot of sensitivity to what you are trying to do here, Mr. Chairman, and I look forward to working with you and collaborating with you as we work through these issues, particularly in light of sequestration and the sort of fiscal cloud that now hangs over all of us. It behooves all of us to look for every opportunity to try to make sure that the assets we do manage we are managing efficiently, and those that we no longer need and know we no longer need, instead of always mothballing

them, maybe we need to dispose of them in a productive way that serves the taxpayer and the local community well.

With that, I look forward to the hearing and the testimony this afternoon. Thank you, Mr. Chairman.

Mr. MICA. Well, thank you so much. Again, we will be focusing today on the high-risk series, GAO s publication and, in particular, we are going to be looking at federal real property management, and we are pleased that we have three witnesses. We have members, some in a conference and some at other activities, but all members, with your permission, may have seven days to submit opening statements for the record. Without objection?

Mr. CONNOLLY. Without objection.

Mr. MICA. So ordered.

Mr. CONNOLLY. Mr. Chairman, I am sorry, I was derelict. I would ask, without objection, that our colleague, Eleanor Holmes Norton, be allowed to participate in this hearing when she arrives.

Mr. MICA. Without objection. She would be more than welcome.

Mr. CONNOLLY. I would further ask, Mr. Chairman, consent to enter into the record a statement of the National Law Center on Homeless and Poverty on this subject.

Mr. MICA. Without objection, so ordered.

Mr. CONNOLLY. I thank the chairman.

Mr. MICA. All statements, any statements, and lengthy statements, we try to limit you to five minutes, our witnesses, but our panel can submit lengthy statements.

I don't see Ed here, but it is customary, I think, in the past, to swear our witnesses in. So if you would stand and raise your right hand. Do you solemnly swear that the testimony you are about to give to this panel of Congress is the whole truth and nothing but the truth?

[Witnesses respond in the affirmative.]

Mr. MICA. Let the record reflect that the witnesses answered in the affirmative. Welcome. We are pleased to have three top-notch witnesses, and we can begin by a quick introduction. Dorothy Robyn is the Commissioner of Public Buildings Service at General Services Administration; Mr. David Wise is the Director of Physical Infrastructure Team at the U.S. Government Accountability Office; and we have Mr. Leonard Gilroy. He is the Director of Government Reform at the Reason Foundation. So we have three excellent witnesses, and what we are going to do, we will give you five minutes to sort of launch into it.

Now, I might say that you will probably hear a bell ringing in a few minutes, and that will be a 15 minute warning. I am sure we can get through the three of you. Then we may have to come back and ask questions. It will be about a 30, probably a 45-minute delay for us to go and vote and come back, from what I understand.

So, with that, let me recognize the Commissioner of Public Buildings, Dorothy Robyn, and welcome her. You are recognized.

STATEMENT OF DOROTHY ROBYN, PH.D.

Ms. ROBYN. Good morning, Chairman Mica. Thank you and Ranking Member Connolly. It is an honor to be here with you this morning.

Under new leadership, GSA has refocused on its mission of delivering the best value in real estate, acquisition, and technology service to government and the American people. In the real estate area, we face three key challenges: one, an aging portfolio of buildings; second, limited capital for reinvestment in those buildings; and, third, because of the first two issues, an over-reliance on leased space, as opposed to government-owned space.

To meet these challenges, GSA is focusing its effort in four key areas: first, we are rightsizing our portfolio. We are working with federal agencies to improve their utilization of space and thereby reduce their space requirement. We do this by, among other things, helping agencies adopt newer, more efficient workspace arrangements and undertake proper planning for mobile work. One indication of our success is our fiscal year 2013 prospectus-level leases, which were reduced in size by 300,000 square feet, or about 10 percent.

Second, we are disposing of excess GSA property. Mr. Chairman, I know this has been a particular interest of yours, and I appreciate the visibility you have given the issue. You will be pleased to know that the online auction to dispose of the Georgetown heating plant has been underway since late January. Although the auction was scheduled to end last week, we have kept it going because of continued bidding activity. As of a half hour ago, the high bid is $16.1 million.

With our government-wide disposal authority, we have also been working to help other agencies dispose of unneeded assets. In fiscal year 2012, we disposed of 114 federal properties; of those, 79 were sales that yielded about close to $38 million in proceeds.

However, as GAO has noted, there are a number of longstanding challenges to getting agencies to better utilize their current inventory and dispose of unneeded assets. The key ones are the up-front cost of property disposal, legal requirements prior to disposal, and stakeholder resistance. As you know, the Administration has proposed a civilian BRAC process that would address these challenges. I have been involved in the BRAC process since 1993, off and on; most recently during a three-year tenure at the Defense Department. It is a painful, but critically important, mechanism and we need it on the civilian side.

I very much appreciate the effort by you and Congressman Denham to get a civilian BRAC bill. I would like to work with you to get a bill that goes even farther.

Third, GSA is using the authorities Congress has given us to leverage private capital to deliver better and more efficient space to our federal customers. In early December we issued an RFI, request for information, seeking private sector input on exchanging the FBI's J. Edgar Hoover Building, an outdated, but valuable, property on Pennsylvania Avenue, for the construction of a new, state-of-the-art headquarters somewhere in the national capital region.

Mr. CONNOLLY. Preferably in Northern Virginia.

Ms. ROBYN. We are following a similar approach to capitalizing on our assets in Federal Triangle South, a 22-acre, five building area near the national mall that we think can be redeveloped so

as to better accommodate federal agency needs and, at the same time, support the District s vision for vibrant mixed use.

Finally, we are working with OMB and the Federal Real Property Council to improve the Federal government's inventory of real property, the Federal Real Property Profile, or FRPP. Although I would defend the quality of the data in the FRPP on our own property, on GSA-owned property, I recognize the broader limitations of the inventory. In line with GAO's recommendations, we are working with the Federal Real Property Council to get greater consistency agency-to-agency, to clarify the data dictionary with additional detail that will help agencies better understand the data elements, and to tighten the requirements by removing optional data fields.

In closing, let me comment on a statement in the report by the Reason Foundation that Mr. Gilroy will be discussing today. It is a good report, but the report says at one point that managing real property can be considered a mundane chore for the public servant, lacking the headline-grabbing issues of health care, energy policy, or national defense.

I want to assure the Reason Foundation and you, Mr. Chairman, and you, Mr. Connolly, that GSA in no way finds the management of real property to be either mundane or a chore. It is why GSA was created. It is a mission we carry out with great passion and I would say with considerable skill.

I look forward to working with you to enable us to perform that mission better. Thank you.

[Prepared statement of Ms. Robyn follows:]

U.S. General Services Administration

Dorothy Robyn
Commissioner
Public Buildings Service

Committee on Oversight and Government Reform
Subcommittee on Government Operations
"Management of Federal Real Property"
February 27, 2013

Good morning Chairman Mica, Ranking Member Connolly, and members of this Subcommittee. My name is Dorothy Robyn, and I am the Commissioner of the U.S. General Services Administration's (GSA) Public Buildings Service (PBS). I am honored to join you here today.

Under new leadership, GSA has refocused on its mission of delivering the best value in real estate, acquisition, and technology service to government and the American people. To meet this mission, GSA is working with agencies to improve their utilization and reduce their space requirements, effectively managing our assets, and pursuing innovative real property proposals that will increase space utilization, reduce costs, and deliver better space to partner Federal agencies. Additionally, as part of our efforts to serve our Federal partners, we are working with the Office of Management and Budget (OMB) and the Federal Real Property Council (FRPC) to improve the Federal government's inventory system of real property, as well as assisting agencies to better utilize their inventories and dispose of their unneeded assets.

These efforts are in line with the Administration's goals to promote efficiency and effectiveness across the government, particularly in real property management, and we look forward to partnering with Congress in this endeavor.

GSA's Asset Management –

GSA is one of more than two dozen major landholding agencies in the Federal government. Of the more than 834,000 buildings and structures reported by agencies in the FY2011 Federal Real Property Profile (FRPP), GSA manages just 9,600. This number accounts for about 375 million of the nearly 3.3 billion square feet of space under the government's control, or slightly over 10 percent.

GSA's mission is to provide space to partner Federal agencies at the best possible value, and we do that by assisting agencies to effectively fulfill their mission at the lowest cost possible. This can be done through new work-space arrangements, proper planning for telework, and through shared services where possible. For example, as we formulated GSA's prospectus-level[1] leases in Fiscal Year 2013, we worked with agencies to significantly reduce their space requirements. GSA and partner Federal agencies reduced their space needs from a current requirement of 3,489,739 rentable square feet (RSF) to just 3,173,783 RSF, a reduction of over 300,000 square feet. This reduction will save millions of dollars each year in reduced rental payments.

[1] In FY 2013, prospectus level is any lease with rental payments of $2.79 million per year or more. These projects require submission to the Senate Environment and Public Works Committee and the House Transportation and Infrastructure Committee for approval by Committee resolution.

GSA also has a robust asset management program to ensure the property that is under our control is fully utilized. GSA's vacancy rate in our owned and leased inventory is less than 4.2 percent, far below the private sector's average vacancy of 17.1 percent. Where we find underperforming space, we work quickly to invest in the asset and find a tenant to backfill.

We also aggressively dispose of our unneeded assets. Since 2005, GSA has disposed of over 300 of our assets, generating proceeds of over $116 million and avoiding over $153 million in liability costs.

Additionally, GSA has developed new tools to dispose of our unneeded and underutilized properties, allowing us to leverage the equity of some of our older and inefficient buildings in the inventory to get new and highly efficient ones. Already we have put in motion a number of potential real property exchanges that can provide considerable savings to taxpayers. Here in the District of Columbia, GSA, in coordination with the FBI, has issued a Request for Information (RFI) seeking private sector input on a potential exchange of the Hoover building on Pennsylvania Avenue for a new Headquarters for FBI that could consolidate staff, improve operational efficiency, increase space utilization, and reduce costs.

Through these efforts, GSA will continue to fulfill our important mission, working with agencies to reduce their space needs, fully utilizing our inventory, disposing of our unneeded properties, and finding innovative ways to reposition our underperforming properties.

The Federal Real Property Portfolio –

GSA also helps the Federal government in the management of real property by helping to aggregate data to better understand the Federal inventory. In concert with OMB and the FRPC, GSA manages the Federal Real Property Profile (FRPP). The FRPP is the "single, comprehensive, and descriptive database of all real property under the custody and control of all executive branch agencies, except when otherwise required for reasons of national security," in accordance with Executive Order 13327.

The diverse nature of agencies' real property portfolios requires that the data collected be broad and general in order to be met by all agencies government-wide. Additionally, the data in the FRPP is an annual report, not a living system, so the data is an annual snapshot taken at the end of each fiscal year. This means that it can be a useful tool for

inventory, but, as GAO itself has noted, "the FRPP was not designed to be an active asset management system."[2]

Importantly, each individual agency is responsible for reporting information into the FRPP. Since the database's creation, GSA has worked to improve it, enhancing its technological capability, clarifying terminology, and meeting with agencies to help them better understand the technology and reporting requirements. In line with GAO's recommendations, we are working with the FRPC to clarify the data dictionary with additional detail that will help agencies better understand the data fields, tightening reporting requirements by removing optional data fields, and revising the data elements so that they can support better annual performance measures.

Administration's Real Property Improvements –

GSA's efforts to reduce costs, increase utilization, and improve the accuracy and transparency of the Federal government's data on real property are in line with the Administration's priorities and guidance. The Administration has promoted efficient spending across the government, and has made real property a focus.

In June of 2010, the President issued a memorandum, "Disposing of Unneeded Federal Real Estate," setting a goal of achieving $3 billion in savings from civilian agencies by the end of Fiscal Year 2012. Detailed results on the savings achieved as a result of this initiative are on track to be published online next month.
To further save money on real estate, the President proposed a bill that would usher in a new approach to Federal real estate, the Civilian Property Realignment Act. Building upon the successful model established by the Defense Base Realignment and Closure Commission, the President's proposal would create an independent board of experts to identify opportunities to consolidate, reduce, and realign the Federal civilian real estate footprint, as well as expedite the disposal of properties.

This proposal would utilize bundled recommendations, a fast-track Congressional procedure, streamlined disposal and consolidation authorities, and a revolving fund replenished by sales proceeds to provide logistical and financial support to agencies in their disposal of high-value properties. It would be a comprehensive solution to key obstacles, such as red tape and competing stakeholder interests, that hinder the Federal Government's progress toward improving real estate management decisions.

Most recently, Acting OMB Director Jeffrey Zients issued a May 11, 2012, memorandum, entitled "Promoting Efficient Spending to Support Agency Operations," which stated,

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[2] *Strategic Partnerships and Local Coordination Could Help Agencies Better Utilize Space.* GAO-12-779. Washington, DC: July 25, 2012.

among other things, that agencies may not increase the size of their civilian real estate inventory. Any increase in an agency's total square footage of civilian inventory must be offset through consolidation, co-location, or disposal of space.

All of these initiatives are improving the Federal Government's management of real estate, ensuring that agency decisions are made in a cost-effective way, and saving taxpayers money.

GSA's Role Government-Wide –

GSA is also utilizing its government-wide leverage, in concert with OMB and the FRPC, to assist other landholding agencies to meet the Administration's goals with the property they are responsible for managing.

As a significant Federal asset manager and the agency with government-wide disposal authority, GSA helped other agencies achieve the goals outlined in the President's June 2010 Memorandum. During this effort, GSA worked with agencies to maximize the utilization of existing facilities and to find properties they no longer need and should dispose. We shared with other landholding agencies an array of strategies to support new ways of working, with the goal of reducing physical space, increasing space utilization, reducing the cost of space, and increasing its flexibility.

With our government-wide disposal authority, GSA has been working to assist agencies in expeditiously disposing of their unneeded assets. GSA provides strategic direction and oversees the development of programs related to the utilization and disposal of Federal excess and surplus real property government-wide.

GSA develops tailored disposal strategies specific to an asset's characteristics, environmental issues, community interests, political concerns, market conditions and other factors impacting the repositioning of the unneeded asset. 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 successfully 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.

For instance, this past year, GSA sold the Charleston Naval Hospital to the City of Charleston, a property that the Navy reported excess to us. Not only did the Federal government generate $2 million in proceeds and avoid significant reinvestment costs, the

asset will now be re-purposed to support the senior community of Charleston. The city intends to transform the base's old 10-story hospital into a facility for senior living, senior care and a hospice.

As GAO has noted, there are still a number of long-standing challenges to getting agencies to better utilize their current inventory and dispose of unneeded assets, "including the high cost of property disposal, legal requirements prior to disposal, stakeholder resistance, and remote property locations."[3] GSA is working diligently with agencies to overcome these hurdles, and the Administration's directives are assisting with those efforts.

Conclusion –

GSA is committed to carrying out its mission of delivering the best value in real estate, acquisition, and technology services to government and the American people. We are continuing our work to aggressively manage our own assets while also pursuing innovative new processes to better utilize our inventory.

Additionally, we are using our government-wide leverage, in partnership with the FRPC and OMB, to better serve our Federal partners by improving our data collection practices, assisting them with ideas for better space utilization, and disposing of their unneeded assets. These efforts will support the Administration's ongoing initiatives to promote efficient Federal spending.

Thank you for the opportunity to appear here today. I welcome any of your questions.

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[3] *Federal Real Property: National Strategy and Better Data Needed to Improve Management of Excess and Underutilized Property.* GAO-12-645. Washington, DC: June 20, 2012.U.S.

Dorothy Robyn serves as the Commissioner of the Public Buildings Service (PBS) for the U.S. General Services Administration (GSA).

As PBS Commissioner, Dr. Robyn leads one of the largest and most diversified public real estate organizations in the world. The Public Buildings Service is responsible for providing superior workplaces for federal customer agencies at good value for the American taxpayer.

Dr. Robyn manages the nationwide asset management, design, construction, leasing, building management and disposal of approximately 375 million square feet of government-owned and leased space, accommodating over 1 million federal workers, and covering all 50 states, six U.S. territories and the District of Columbia. Additionally, Dr. Robyn oversees an annual budget of more than $9.4 billion and a workforce of almost 6,800.

Immediately prior to joining GSA, Dr. Robyn served as the Deputy Under Secretary of Defense for Installations and Environment at the Department of Defense. At DoD, she was the senior real property officer and provided department-wide oversight of US military bases around the world. These assets are valued at $850 billion and include 29 million acres of land, 300,000 buildings, and 2.2 billion square feet of building space. Dr. Robyn led DoD's facility energy initiative, which is designed to reduce the Department's $4 billion-a-year facility energy bill and improve the energy security of military bases that are largely dependent on the commercial electric power grid. She also oversaw the final implementation of the 2005 round of base realignment and closure (BRAC), the largest BRAC round undertaken by DoD, and she led DoD's effort to get additional BRAC rounds in 2013 and 2015.

From 1993 to 2001, Dr. Robyn served as Special Assistant to the President for Economic Policy and a senior staff member of the White House National Economic Council. She was responsible for issues in transportation and infrastructure, aerospace and defense, science and technology, and competition policy. Before she joined the DoD in 2009, she was a principal with The Brattle Group, an economic consulting firm that specializes in competition and antitrust, energy and the environment. In the 1980s, Dr. Robyn was an assistant professor at Harvard's Kennedy School of Government, where she taught management and business-government policy.

She is co-author (with William Baumol) of *Toward an Evolutionary Regime for Spectrum Governance: Licensing or Unrestricted Entry?* (Brookings Press, 2006) and author of *Braking the Special Interests: Trucking Deregulation and the Politics of Policy Reform* (University of Chicago Press, 1987).

Dr. Robyn holds a B.A. from Southern Illinois University and a Ph.D. and M.P.P. in public policy from the University of California at Berkeley. She is a native of St. Louis, Missouri.

Mr. MICA. Thank you for your testimony. And we will hold questions.

I will recognize Mr. Wise next. He is Director of the Physical Infrastructure Team at GAO. Welcome, and you are recognized, sir.

STATEMENT OF DAVID WISE

Mr. WISE. Thank you, Mr. Chairman. Ranking Member Connolly and members of the subcommittee, I am really pleased to be here today to discuss federal real property management. The Federal government's real property portfolio includes about 400,000 owned or leased buildings located throughout the Country.

In 2004, the President issued Executive Order 13327 establishing the Federal Real Property Council. The Executive order required the FRPC to work with the GSA to establish and maintain a single, comprehensive database describing the nature, use, and extent of all federal real property. The FRPC created the Federal Real Property Profile to meet this requirement and began data collection in 2005. As we have reported, despite the implementation of the Executive order, data problems have continued and agencies face challenges managing their real property.

My statement today summarizes our recent high-risk update as it pertains to federal real property management and discusses challenges associated with excess and underutilized property, drawing on our June 2012 report.

The Federal Government continues to face longstanding problems managing its real property, including an over-reliance on costly leasing and issues with excess and underutilized property. The previous and current Administrations have given high level attention to real property management. For example, in May 2011, the Administration proposed legislation referred to as the Civilian Property Realignment Act to establish a framework for consolidating and disposing of civilian real property. However, neither CPRA nor other real property reform legislation introduced in the last Congress has been enacted.

The Federal Government's continued reliance on costly leasing has been an ongoing problem. The Government leases spaces from private landlords in the same real estate market where it owns underutilized property. In some cases federal agencies in the same market could consolidate into other government-owned properties. However, agencies do not have a strong understanding of real property held by other agencies and may lack the authority or expertise to lease their own underutilized property to other federal agencies. We have ongoing work assessing GSA s high cost leases that we plan to report on later this year.

In our June 2012 review, we found that FRPP data did not accurately describe the properties at 23 of 26 sites that we visited, often overstating the condition and annual operating costs. Our work focused on reviewing selected agency-reported FRPP data elements, including utilization, condition, annual operating costs, and value. We found that FRPC had also not followed sound data collection practices.

For example, the FRPC has not ensured that agencies data elements are consistently defined and reported, thus limiting the usefulness of FRPP data as a decision-making tool. On our onsite vis-

its, we found that agencies often did not report building utilization consistently or accurately. Also, as seen on the posterboards, some properties we visited were listed in FRPP as being in excellent condition, even though they were clearly not.

As for operating costs, we found data inconsistencies and inaccuracies at most sites. In some cases officials apportioned building operating costs according to square footage of an overall site. Regarding value, agencies often reported replacement costs higher than the property's actual worth because they did not take into account market or asset conditions. Additionally, according to agency officials, many excess properties do not have the potential for generating revenue for the Federal Government. Indeed, we saw more than 80 buildings on our site visits that agencies plan to demolish when they have the resources to do so.

Federal agencies reviewed have taken some actions to better manage their property, including consolidating offices and reducing employee workspace. However, they still face longstanding challenges. For example, agency disposal costs can outweigh the financial benefits in the near term. Legal requirements, such as those related to conveyance, preserving historical properties, and conducting environmental remediation can make the property disposal process lengthy and costly. Finally, stakeholder interests can conflict with property disposal or reuse plans.

While multiple administrations have committed to improving real property management, their efforts have not yet fully addressed the underlying challenges that we have identified. In the June report, we recommended that OMB, in consultation with FRPC, develop a national strategy for managing federal excess and underutilized real property. OMB did not state whether it agreed or disagreed with our recommendation.

In that report we also recommended that GSA and FRPC take action to improve the FRPP. GSA has taken action to begin implementing our recommendation related to FRPP. We will continue to monitor these agencies efforts to implement our recommendations, which we believe are critical to addressing the challenges that have kept federal real property management on our high-risk list.

Chairman Mica, Ranking Member Connolly, and members of the subcommittee, this concludes my prepared statement. I would be happy to answer any questions you may have.

[Prepared statement of Mr. Wise follows:]

United States Government Accountability Office

GAO

Testimony

Before the Subcommittee on Government Operations, Committee on Oversight and Government Reform, House of Representatives

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FEDERAL REAL PROPERTY

High-Risk Designation Remains due to Persistent Management Challenges

Statement of David Wise, Director
Physical Infrastructure

GAO-13-422T

February 27, 2013

GAO
Accountability * Integrity * Reliability

Highlights

Highlights of GAO-13-422T, a testimony before the Subcommittee on Government Operations, Committee on Oversight and Government Reform, U.S. House of Representatives

FEDERAL REAL PROPERTY

High-Risk Designation Remains due to Persistent Management Challenges

Why GAO Did This Study

The federal government has given high-level attention to the issue of real property management and has made some progress. This includes establishing FRPC—chaired by the Office of Management and Budget (OMB)—which created the FRPP database managed by GSA. However, federal real property management remains a high-risk area, in part, because of the long-standing problems the federal government has faced managing its excess and underutilized properties.

This statement summarizes GAO's *2013 High Risk* update as it pertains to real property management and elaborates on problems associated with excess and underutilized property, drawing on a June 2012 GAO report (GAO-12-645). In that report, GAO recommended that GSA, in consultation with FRPC, develop a plan to improve the FRPP and that OMB develop a national strategy for managing federal excess and underutilized real property. GSA agreed with the recommendation and described actions its officials are taking to implement it. OMB did not directly state whether it agreed or disagreed with the recommendation. A full discussion of these recommendations and GAO's evaluation of them can be found in the June 2012 report.

This statement is based on previous GAO work where GAO analyzed agency data and visited 26 sites containing excess and underutilized buildings from five civilian federal real-property-holding agencies with significant portfolios.

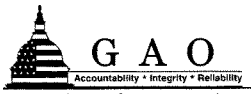
View GAO-13-422T. For more information, contact David Wise at (202) 512-2834 or wised@gao.gov.

What GAO Found

The federal government faces long-standing problems in managing real property, including an overreliance on leasing, and excess and underutilized property. Related to leasing, the government owns and leases about 400,000 buildings located throughout the country and often leases private space in the same areas where it owns underutilized property. This practice is inefficient, resulting in millions of dollars of additional costs to federal agencies. Further, agencies often do not have a strong understanding of the real property held by other agencies and may lack the authority or expertise to lease their own underutilized property to other federal agencies.

The federal government continues to face persistent challenges related to its real property data. GAO examined Federal Real Property Profile (FRPP) data, which is managed by the General Services Administration (GSA), and identified inconsistencies and inaccuracies, at 23 of the 26 locations visited in 2011 and 2012, related to the reported utilization, condition, annual operating costs, and value of buildings. These findings raised concern that the FRPP is not a useful tool for describing the nature, use, and extent of excess and underutilized federal real property. These inconsistencies may arise in part because the Federal Real Property Council (FRPC) has not followed sound data collection practices. For example, the FRPC has not ensured that the data elements used by federal agencies are consistently defined and reported. As a result, the FRPC cannot ensure that FRPP data are sufficiently consistent and accurate to use as a decision-making tool for managing federal real property.

The previous and current administrations have sought to generate cost savings associated with improving management of excess and underutilized property. However, some of these efforts have been discontinued and potential savings for others are unclear. It is important to note that the five federal agencies that GAO reviewed have taken some actions to dispose of and better manage these properties, including using excess and underutilized property to meet space needs, consolidating offices to use space efficiently, and reducing employee workspace to use space more efficiently. However, the agencies still face challenges managing these properties. For example, property disposal costs can outweigh the financial benefits of property disposal. Additionally, legal requirements—such as those related to preserving historical properties and the environment—can make the property disposal process lengthy, according to agency officials. Finally, the interests of multiple—and often competing—stakeholder interests may not align with the most efficient use of government resources and complicate real property decisions. For example, GSA officials reported that local stakeholder interests have delayed conveyance of a federal building in Portland, Oregon. A comprehensive, long-term national strategy would support better management of excess and underutilized property by, among other things, defining the scope of the problem; clearly addressing achievement goals; addressing costs, resources, and investments needed; and clearly outlining roles and coordination mechanisms across agencies.



United States Government Accountability Office
Washington, DC 20548

Chairman Mica, Ranking Member Connolly, and Members of the Subcommittee:

I am pleased to be here today to discuss federal real property management, with an emphasis on challenges associated with managing excess and underutilized real property. The federal government's real property portfolio includes about 400,000 buildings located throughout the country that are owned and leased by federal agencies. In 2004, the President issued an executive order establishing the Federal Real Property Council (FRPC).[1] The executive order required the FRPC to work with the General Services Administration (GSA) to establish and maintain a single, comprehensive database describing the nature, use, and extent of all real property under the custody and control of executive branch agencies.[2] The FRPC created the Federal Real Property Profile (FRPP) to meet this requirement and began data collection in 2005. As we have reported, despite the implementation of the executive order, nationwide data collection efforts, and various reform efforts and proposals, data problems have continued and agencies continue to face persistent challenges with managing real property.

In 1990, we began reporting on government operations that we identified as "High Risk." Since then, generally coinciding with the start of each new Congress, we have reported on these high-risk areas and updated the High Risk List. My statement today summarizes our recent High Risk update[3] as it pertains to federal real property management. As part of this objective, my statement also elaborates on challenges associated with excess and underutilized property, drawing on our June 2012 report on this subject.[4] For our June 2012 report on federal excess and underutilized property, we analyzed Office of Management and Budget (OMB) and GSA documents, and interviewed OMB, GSA, and other agency officials. We focused our review on five federal real-property-

[1] Federal Real Property Asset Management, Exec. Order No. 13327, 69 Fed. Reg. 5897 (Feb. 6, 2004).

[2] Except when otherwise required for reasons of national security.

[3] GAO, *High-Risk Series: An Update*, GAO-13-283 (Washington, D.C.: February 2013).

[4] GAO, *Federal Real Property: National Strategy and Better Data Needed to Improve Management of Excess and Underutilized Property*, GAO-12-645 (Washington, D.C.: June 20, 2012).

holding agencies: GSA and, the departments of Energy (Energy), the Interior (Interior), Veterans Affairs (VA), and Agriculture (USDA). We selected these agencies because, on the basis of the available data at the time, these five agencies reported approximately two-thirds of the building square footage reported by civilian agencies. We obtained and analyzed the fiscal years 2008, 2009, and 2010 FRPP submissions from these agencies and visited a nonprobability sample[5] of approximately 180 buildings at 26 sites where excess or underutilized owned buildings had been reported by the five civilian agencies.[6] Our representations of the condition and circumstances of individual properties in this statement are based on information in our June 2012 report; it is possible that conditions or circumstances may have changed since then. We conducted this work in accordance with generally accepted government auditing standards. More detailed information about the scope and methodology used for our June 2012 work can be found in that report.

Federal Real Property Management Continues to be High Risk

The federal government continues to face long-standing problems in managing its real property, including an overreliance on costly leasing and persistent issues with excess and underutilized property, and we have made a number of recommendations in this area.[7] The previous and current administrations have given high level attention to the issue of federal real property management. For example, in May 2011, the administration proposed legislation, referred to as the Civilian Property Realignment Act (CPRA). CPRA, among other things, would have established a legislative framework for consolidating and disposing of civilian real property. However, this and other real property reform legislation introduced in Congress have not been enacted.

[5] Because this is a nonprobability sample, observations made at these site visits do not support generalizations about other properties described in the FRPP database or about the characteristics or limitations of other agencies' real property data. Rather, the observations made during the site visits provided specific, detailed examples of issues that were described in general terms by agency officials regarding the way FRPP data are collected and reported and served to complement our analysis of data collection practices across these agencies.

[6] In the case of VA, which did not categorize any of its building as "excess," we visited sites where buildings had been reported as "not utilized" or "underutilized."

[7] The High Risk Update also highlights challenges in securing real property that federal agencies continue to face. For example, management and funding challenges have hampered the Federal Protective Service's ability to protect about 9,000 federal facilities managed by GSA.

Costly Leasing

The federal government's continued reliance on costly leasing has been an ongoing problem. The government often leases space from private landlords in the same real estate market where it owns underutilized real property.[8] This practice is inefficient, resulting in millions of dollars of additional costs to federal agencies. From 2006 to 2011, the amount of space that GSA—the leasing agent for many federal agencies— leased from the private sector grew more than 12 percent. At the same time, GSA lost millions of dollars on these leased assets, even though agencies pay GSA rent and fees that are designed to cover costs. GSA has lost $200 million on leases since 2005, including $75 million in 2011 alone. As a result, GSA has used funds generated from its owned inventory to offset the losses, which decreases the funds available to invest in GSA's owned assets. In some cases, federal agencies in the same market could consolidate into other government-owned properties. However, agencies do not have a strong understanding of real property held by other agencies and may lack the authority or expertise to lease their own underutilized property to other federal agencies. We have ongoing work assessing GSA's high cost leases that we plan to report later this year.

Excess and Underutilized Property

I would like to elaborate on federal excess and underutilized property, which we highlighted in the 2013 High Risk update. In our June 2012 review, we found that FRPP data did not accurately describe the properties at 23 of 26 sites that we visited, often overstating the condition and annual operating costs. Our work focused on reviewing agency-reported FRPP data elements including utilization, condition index, annual operating cost, and value.

Utilization: We found that agencies did not report building utilization consistently.[9] For example, FRPC guidance states that for offices, hospitals, and warehouses, utilization is the ratio of occupancy to current design capacity.[10] USDA stated that FRPC has not established

[8] See, GAO, *Federal Real Property: Strategic Partnerships and Local Coordination Could Help Agencies Better Utilize Space*, GAO-12-779 (Washington, D.C.: July 25, 2012).

[9] The FRPC defines utilization as "the state of having been made use of, i.e., the rate of utilization."

[10] For laboratories, utilization is the ratio of active units to current design capacity. For housing, utilization is the percentage of individual units that are occupied.

government-wide definitions for occupancy or current design capacity. As a result, each agency within USDA has its own internal procedures for determining a building's utilization level. Among the 26 federal sites we visited, we found utilization data inconsistencies or inaccuracies for properties at 19 of these sites. For example, at one USDA site we visited, we found two houses that have been empty since 2009; however, they were both reported to the FRPP as utilized for 2009 and 2010. See figure 1 to view images of these two USDA buildings.

Figure 1: Example of Inaccurate Reporting of Utilization Data at a USDA Site

	Vacant house since 2009	Vacant house since 2009
Exterior and interior images		
Reported utilization (2009-2010)[a]	Utilized	Utilized
Actual occupancy according to local officials (2009-2010)	Vacant	Vacant

Source: GAO analysis of VA information.

[a]According to FRPC guidance, housing units must be 85 percent to100 percent occupied to warrant a utilization score of "utilized."

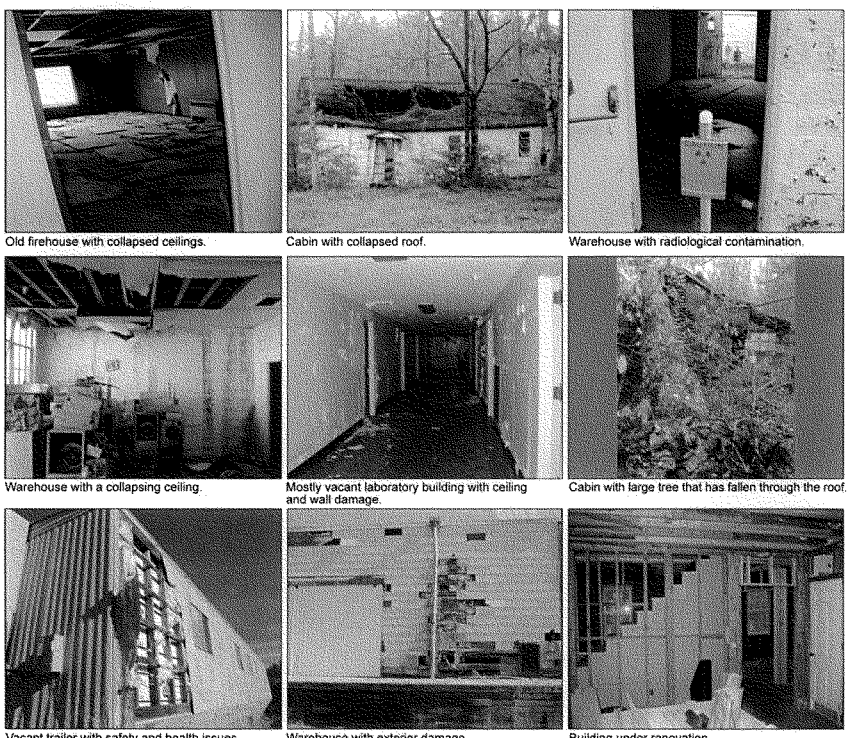
Condition Index: According to FRPC guidance, the condition index[11] should consider a building's repair needs.[12] However, we found that agencies do not always follow this guidance. We found condition-index-reporting inconsistencies and inaccuracies at 21 of 26 sites visited. For

[11] The FRPC defines condition index as "the general measure of the constructed asset's condition at a specific point in time," and it is calculated as 1 minus the ratio of repair needs to plant replacement value (PRV) multiplied by 100.

[12] Needed repairs are determined by the amount of repairs necessary to ensure that a constructed asset is restored to a condition substantially equivalent to the originally intended and designed capacity, efficiency, or capability. GSA, *Federal Real Property Council: 2010 Guidance for Real Property Inventory Reporting* (Washington, D.C.: Oct. 25, 2010).

example, when agencies have determined that a property is not needed and will ultimately be disposed of, they may not repair that property, even though it may be in a state of significant disrepair. This allows agencies to use their limited funds to maintain properties that they regularly use. In some cases, however, agencies gave such properties high condition-index scores despite their relatively poor conditions, resulting in condition index data that did not accurately reflect each property's condition as set forth in FRPC guidance. Figure 2 illustrates several separate buildings that received high condition index scores, even though they are in poor condition. On the basis of our work, we found problems with these buildings including: asbestos, mold, collapsed walls/roofs, health concerns, radioactivity, deterioration, and flooding.

Figure 2: Examples of Federal Property Reported as Being in Excellent Condition in the FRPP Database



Old firehouse with collapsed ceilings.

Cabin with collapsed roof.

Warehouse with radiological contamination.

Warehouse with a collapsing ceiling.

Mostly vacant laboratory building with ceiling and wall damage.

Cabin with large tree that has fallen through the roof.

Vacant trailer with safety and health issues (rat and beehive infestation). Now demolished.

Warehouse with exterior damage.

Building under renovation.

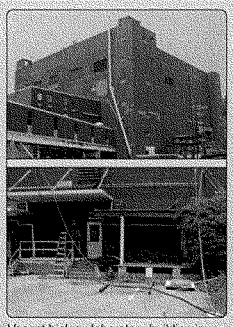
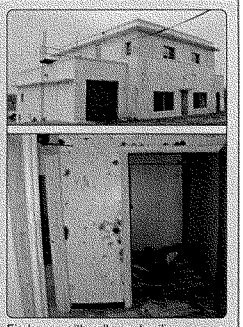
Sources: GAO and Energy.

Annual Operating Costs: We found data inconsistencies and inaccuracies for annual operating costs at 19 of 26 sites that we visited.[13] For example, we found that multiple agencies were unable to measure operating costs at the building level. Instead, officials apportioned costs to the individual buildings according to square footage. Furthermore, because of the difficulty in measuring operating costs, only one of USDA's component agencies even attempted to measure the actual operating costs of each individual building. We also identified instances of buildings with reported high annual operating costs even though all utilities were turned off and no maintenance was being conducted.

Value: FRPC guidance defines value as the cost of replacing an existing constructed asset at today's standards, and this factor is known as the Plant Replacement Value (PRV). However, GSA officials cautioned us not to think of PRV as an asset's actual worth, because it is not an appraisal of the property or any kind of measure of the asset's market value. We found that the PRV is typically much higher than the actual worth of the building because the PRV does not take into account market conditions or the condition of the asset. Additionally, according to agency officials, many excess properties do not have the potential for generating revenue for the federal government. Indeed, we saw more than 80 buildings on our site visits that agencies plan to demolish when they have the resources to execute the demolitions. Figure 3 shows properties that have high reported values and high condition indexes even though they are in poor condition and have remained unused for many years.

[13] The FRPC defines annual operating costs as "the expenses for recurring maintenance and repair costs, utilities, cleaning and/or janitorial costs, and roads/grounds expenses."

Figure 3: Empty Buildings in Poor Condition with High Plant Replacement Values (PRVs)

	Biology Building	Veterans' Center	Firehouse
Property images	 Vacant biology laboratory building in poor condition.	Vacant Veterans' Center building in poor condition.	 Firehouse with collapsed ceilings and mold.
Agency	Energy	VA	GSA
2010 reported PRV	$90,136,214	$1,673,690	$1,026,188
2010 reported condition	88%	100%	100%
Status	The building has been shutdown for many years and is awaiting demolition.	This building is inactive and has been empty for over 10 years.	This building is designated excess and has not been used for 10-12 years.

Sources: GAO analysis of agency data and Energy (Biology Building photographs).

These examples of inconsistencies and inaccuracies in the key areas described above suggest that the FRPP database is not a useful decision-making tool for managing federal real property. In addition to our work at these sites, we found that FRPC had not followed sound data collection practices when collecting FRPP data. Specifically, we found, among other problems, issues with data consistency, collaboration, and reporting. For example, the FRPC has not ensured that data elements are consistently defined and reported, even though the 2004 Executive Order seeks reporting on a uniform basis. In addition, OMB, as the Chair of the FRPC, has not collaborated effectively with the agencies that submit FRPP data and may be requiring agencies to spend resources on data collection that is not useful. The agencies we reviewed expressed concerns about the data collection process, including the amount of data

collection required, the time they are given to implement new data requirements, and their ability to collect data as required accurately.

Underlying Management Challenges

In addition to the problems we found with real property data, we also found that the federal government continues to face other challenges managing excess and underutilized properties. The previous and current administrations have sought ways to generate cost savings associated with improving management of excess and underutilized properties. However, some of these efforts were discontinued, and others have not led to proven cost savings associated with the management of these properties. It is important to note that the five federal agencies we reviewed have taken some actions to dispose of and better manage these properties, including using excess and underutilized property, consolidating offices, and reducing employee work space to use space more efficiently. However, the agencies still face long-standing challenges to managing these properties. For example, agency disposal costs can outweigh the financial benefits of property disposal. Legal requirements—such as those related to preserving historical properties[14] and conducting environmental remediation—can make the property disposal process lengthy according to agency officials. Finally, stakeholder interests can conflict with property disposal or reuse plans, and the locations of some federal properties can make property disposal and reuse difficult. For example, GSA officials reported that local stakeholder interests have delayed conveyance of a federal building in Portland, Oregon. At the time of our review, the Department of Education planned to use the building for educational activities beneficial to the community. However, the officials received a request from the City of Portland that certain offices that were already located in the building remain in downtown Portland. GSA was attempting to find suitable space for these offices in downtown Portland so that it could convey the building to the Department of Education.

Given the complexities of issues related to excess and underutilized federal real property management, unsuccessful implementation of cost savings efforts across administrations, and the issues that still remain with data reporting, we believe that a national strategy could provide a clear path forward to help federal agencies manage excess and

[14] See, GAO, *Federal Real Property: Improved Data Needed to Strategically Manage Historic Buildings, Address Multiple Challenges*, GAO-13-35 (Washington, D.C.: December 11, 2012).

underutilized property in the long term. A national strategy can guide federal agencies and other stakeholders to systematically identify risks, resources needed to address those risks, and investment priorities, when managing federal portfolios. Without a national strategy, the federal government may be ill-equipped to sustain efforts to better manage excess and underutilized property.

Agency Corrective Actions

Sustained progress is needed to address the conditions and persistent challenges that make the area of federal real property management High Risk. Multiple administrations have committed to a more strategic approach toward managing real property. However, their efforts have not yet fully addressed the underlying challenges that we have identified.

In our June 2012 report, we recommended that OMB, in consultation with FRPC, develop a national strategy for managing federal excess and underutilized real property. OMB did not directly state whether it agreed or disagreed with our recommendation. Additionally, FRPP is not yet a useful tool for describing the nature, use, and extent of excess and underutilized federal real property. Accordingly, in the same report, we recommended that GSA and FRPC take action to improve the FRPP to increase federal capacity to implement and monitor corrective measures. GSA has taken action to begin implementing our recommendation related to FRPP. GSA's actions are intended to address each part of the recommendation, including:

- enhancements to clearly define data collection requirements,
- data quality tests and assessments to ensure data reliability,
- development of new performance measures to support government-wide goals, and
- efforts to improve collaboration with agencies.

We will continue to monitor these agencies' efforts to implement our recommendations, which we believe are critical to addressing the challenges that have led us to keep federal real property management on our High-Risk List.

Chairman Mica, Ranking Member Connolly, and Members of the Subcommittee, this concludes my prepared statement. I would be happy to answer any questions that you may have at this time.

GAO Contacts and Staff Acknowledgements

For further information regarding this testimony, please contact David Wise at (202) 512-2834 or wised@gao.gov. In addition, contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this statement. Individuals who made key contributions to this testimony are Keith Cunningham (Assistant Director), David Sausville (Assistant Director), Raymond Griffith, Amy Higgins, Joshua Ormond, and Jade Winfree.

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Mr. MICA. Thank you again, and we will hold questions.

Let s go to Mr. Leonard Gilroy. He is Director of Government Reform at the Reason Foundation. Welcome, and you are recognized.

STATEMENT OF LEONARD GILROY

Mr. GILROY. Thank you, Chairman Mica, Ranking Member Connolly, members of the subcommittee. I am honored for the invitation to speak today. For the record, I am Leonard Gilroy, Director of Government Reform at the Reason Foundation. We are a nonprofit think tank that researches market-based policy and best practices for efficient and effective government.

Managing real property can be a major challenge in government, with agencies often lacking their own asset monitoring and tracking systems, leading to a lack of standardization and interoperability. Without the ability to know what government agencies own, it becomes very difficult to manage those assets in the most cost-effective and efficient ways.

In my written testimony I include a link to our 2010 Reason Foundation report, where we outline the case for a more robust federal real property inventory, a central geographic information systems-based record of government-owned land and assets to serve as a tool for improved asset management and public accountability.

Real property inventories offer a range of benefits. They allow public officials to assess whether public property is being used and maintained in the most efficient manner possible. Inventories can also help assess the potential value of divesting underutilized or unnecessary land or assets, which can generate revenues and lower maintenance and operation costs over the long term. Selling or leasing assets to the private sector can expand the tax base and encourage economic growth. And inventories can potentially help lower lease and maintenance costs through space consolidation and more efficient utilization.

Unfortunately, the absence of a robust real property inventory presents a major challenge for right-sizing the federal property portfolio and causes higher than necessary operating costs and maintenance responsibilities.

The GAO has long noted deficiencies in federal real property management and, as you mentioned, has designated real property management as a high-risk activity since 2003, in part due to the unreliability and limited usefulness of current data.

More recently, a June 2012 GAO report found that the FRPC has not followed sound data collection practices in designing and maintaining the Federal Real Property Profile database, suggesting that the database may not be an adequate or useful tool for describing excess and underutilized properties consistently and accurately for measuring performance and for decision-making in general.

The Federal Government should take note of recent proactive steps at the State level to develop real property inventories. For example, in 2005, former Georgia Governor Sonny Perdue issued an executive order creating the State's first State Property Officer and restructuring the State Property Commission to bring overlapping, multi-agency management of real estate into one portfolio, with a central manager. Governor Perdue also ordered the State's first comprehensive, enterprise-wide asset inventory. As a result, the

State has sold off over $15 million worth of surplus assets, renegotiated leases at lower rates, and adopted uniform construction guidelines.

Virginia also enacted a law in 2011 requiring the State's Department of General Services to develop a comprehensive real property inventory and an online surplus real property database. Similarly, Oklahoma enacted a law in 2011 requiring the State's Director of Central Services to publish a report detailing State-owned properties, including a list of the 5 percent of the most underutilized properties, the value of those properties, and the potential for purchase if sold. A separate bill passed in 2012 in Oklahoma would direct the proceeds from State asset sales to a new fund dedicated to the maintenance and repair of the State s aging buildings and properties, including the capitol complex.

Considering the Nation's ongoing economic challenges, the government should take proactive steps to maximize the value of its resources, ensure efficient management, and enable private sector economic growth through asset divestiture. Real property management is not a partisan issue, nor is it an issue of spending priorities; it is an issue of good governance and fiscal responsibility.

In conclusion, I commend the subcommittee for considering the need to improve federal real property management. It would represent an important step toward bipartisan, responsible stewardship of public assets and resources, and improved transparency and accountability to taxpayers.

Thank you again for the opportunity to testify on this important subject, and I am happy to take any questions.

[Prepared statement of Mr. Gilroy follows:]

Leonard Gilroy
Director of Government Reform
Reason Foundation

Testimony on "Failures in Managing Federal Real Property: Billions in Losses"
February 27, 2013
U.S. House of Representatives, Committee on Oversight and Government Reform,
Subcommittee on Government Operations

Mr. Chairman and members of the Subcommittee, thank you for the invitation to testify. I am Leonard Gilroy, Director of Government Reform at the Reason Foundation, a non-profit think tank that researches market-based policy and best practices for efficient and effective government. I am also an urban planner by training and have practical experience in geographic information systems (GIS) and their application to land management.

Managing real property can often be considered a mundane chore in the public sector. Each government agency often has its own monitoring and tracking methods, which are often not compatible or interoperable with other agencies, leading to a lack of standardized reporting methods at agencies and departments. Without the ability to know what government agencies own, it becomes very difficult to manage those assets in the most cost-effective and efficient ways.

In June 2010, Reason Foundation published a report ("*Knowing What You Own: An Efficient Government How-To Guide for Managing Federal Property Inventories*," available at: http://reason.org/studies/show/what-the-federal-government-owns) outlining the case for a federal real property inventory that is a central record of government-owned land and assets and an important component of efficient property management. In that report we assert that government initiatives to develop an adequate portfolio management system for publicly owned real estate are a sensible step towards improved asset management and public accountability and should be given serious consideration.

Real property inventories offer a range of benefits:

- A comprehensive and current list of land and assets would allow the government to assess whether public property is being used and maintained in the most efficient manner possible.
- Inventories serve as a tool to assess the potential value of divesting underutilized or unnecessary land or assets, which can generate revenues for government and lower maintenance and operations costs.
- Selling or leasing assets to the private sector can expand the tax base and encourage economic growth.
- Inventories can potentially help lower lease and maintenance costs through space consolidation and more efficient utilization.

- Inventory information helps governments plan with more precision, improves efficiency and cost effectiveness and increases officials' ability to monitor the use of taxpayer money.

Unfortunately, when it comes to knowing what it owns, the federal government is lacking. The absence of a robust real property inventory presents a major challenge for right-sizing the federal property portfolio and causes higher than necessary operating costs and maintenance responsibilities.

The U.S. Government Accountability Office (GAO) has long noted deficiencies in federal real property management. For example, a 2002 GAO report found that the international inventory of federal real property "contained data that were unreliable and of limited usefulness. Therefore decision-makers, such as Congress and the OMB, do not have access to quality data on what real property assets the government owns, their value, how efficiently assets are being used and what the overall costs are involved in preserving, protecting and investing in them."

A January 2003 GAO report found that over 30 federal agencies control hundreds of thousands of real property assets worldwide, including facilities and land, worth hundreds of billions of dollars. Many of these assets are no longer consistent with agencies' missions, while others are no longer needed and many are in a state of disrepair. Notwithstanding some recent improvements by the Bush and Obama administrations and real-property-holding agencies in their strategic management of real property—in part by establishing an interagency Federal Real Property Council (FRPC) designed to enhance real property planning processes and improve the reliability of federal real property data—GAO has consistently issued reports finding persisting problems related to unneeded property and leasing.

Despite these and similar reports, the federal government has been slow to act. Since January 2003, GAO has designated real property management as a "high-risk" activity. A 2011 GAO report noted that: "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." In its February 2013 high-risk series update, GAO found that "[t]he federal government holds excess and underutilized property, relies extensively on costly leasing practices, and faces numerous challenges in securing real property." While noting some progress on improving federal real property management in recent years, GAO notes that "the government continues to lack consistent, accurate, and useful data to support decision making. [...] The lack of reliable data is a significant challenge to identifying and reducing the government's unneeded and underutilized property."

A separate 2011 GAO report found that: "The federal real property portfolio, comprising over 900,000 buildings and structures and worth hundreds of billions of dollars, presents management challenges. [...] The federal government holds many excess and underutilized properties that cost billions of dollars annually to operate." The report also found that in fiscal year 2009, 24 federal agencies (including the Department of Defense) reported over 45,000 underutilized buildings that cost taxpayers $1.6 billion per year to operate.

More recently, a June 2012 GAO report found that the FRPC has not followed sound data collection practices in designing and maintaining the Federal Real Property Profile (FRPP) database, suggesting that the database may not be an adequate or useful tool for describing excess and underutilized properties consistently and accurately, for measuring performance, and for decision making in general. After reviewing approximately 180 excess and underutilized buildings at 26 sites across the country held by five civilian agencies, GAO found inconsistencies or inaccuracies at 23 of the 26 sites related to utilization, conditions, annual operating costs, and/or mission dependency. Though noting that all five agencies reviewed have taken steps to improve real property management in recent years, GAO identified problems with cost savings estimates related to excess and underutilized property management from all five of the agencies reviewed. GAO concluded that, "FRPC cannot ensure that FRPP data are sufficiently reliable to support sound management and decision making about excess and underutilized property."

The federal government should take note of what states such as Georgia, Ohio and Virginia have done in the recent past. They are taking proactive steps to develop real property inventories, track the property they own and analyze the information to determine what, if any, of that property can be divested or used more efficiently.

Our 2010 report found that 16 states had well-functioning inventory systems, 17 states were developing a real property inventory, and 17 states (plus Washington D.C.) lacked an inventory. Some recent state level developments on real property inventories include:

Georgia: In the early 2000s, former Governor Sonny Perdue's "Commission for a New Georgia" recommended that the state centralize its management of capital assets to improve efficiency, reduce lease costs, generate revenue through divestiture and lower the costs of capital construction. Most agencies handled their own space management, with little or no opportunity for comprehensive management. The Commission found that the state's $10.5 billion portfolio of over 11,000 facilities was losing value due to poor maintenance, emerging safety issues, and underutilization.

In 2005, Governor Perdue issued an Executive Order creating the state's first State Property Officer and restructuring the State Property Commission to bring overlapping, multi-agency management of real estate into one portfolio, with a central manager. Governor Perdue also ordered the state's first comprehensive, enterprise-wide asset inventory. These moves led to the development of Georgia's first comprehensive, GIS-based inventory of government land and facilities, the Building, Land and Lease Inventory of Property (www.realpropertiesgeorgia.org). This Web-based GIS offers the ability to create maps and download information to spreadsheet and database software.

According to Governor Perdue, Georgia's first State Property Officer consolidated the overlapping real estate responsibilities of four agencies and organized the state's property holdings into one management portfolio. As a result, the state has sold surplus assets (over $15 million in FY07 and FY08 alone, according to the State Property Commission), renegotiated leases at lower rates and adopted uniform construction guidelines. In a 2008 article, Perdue wrote: "Five years ago, nobody in government could say with certainty how many buildings the

state owned. Today, anyone can go to a public website to look up detailed records on every single government building, piece of land, or lease."

Ohio: In December 2008, former Ohio Governor Ted Strickland signed a bill into law that increased state real property management, established a council to oversee facilities operation and maintenance and increased requirements on state spending transparency. This included the development of a searchable, Web-based list of land and assets, with a feature for citizens to report public property they know of that the state might have missed during inventory development.

The state's initial survey found large amounts of unimproved land along state roads and highways. Properties designated for public office space or storage were discovered to be vacant and unused. Still other state-owned parcels were identified as too small or peculiarly shaped as to be virtually unusable for government, but had been ignored for years, precluding opportunities to generate potential tax revenues and economic growth through divestiture.

Virginia: In 2011, Virginia Governor Bob McDonnell signed H.B. 2003 into law, requiring the state's Department of General Services to develop a comprehensive real property inventory (to be annually updated), along with a Web-based, geospatially enabled listing of surplus real property. Accelerating the regular divestiture of unused or underused property was a key focus, and 50 percent of the net proceeds from asset lease or divestiture are directed to the State Park Acquisition and Development Fund under Virginia law.

Oklahoma: Oklahoma began taking important steps toward better real property management in 2011 with the passage of House Bill 1438 ("Oklahoma State Government Asset Reduction and Cost Savings Program"). The law requires the state's Director of Central Services to publish a report detailing state-owned properties—including a list of the 5 percent most underutilized properties, the value of those properties and the potential for purchase if sold. State policymakers continued to reform the state's real property management in 2012, enacting separate legislation (House Bill 2262) to establish a Maintenance of State Buildings Revolving Fund to which proceeds from any sales of state assets will be deposited for expenditure on the maintenance and repair of the state's aging buildings and properties.

The aforementioned 2010 Reason Foundation study—"*Knowing What You Own: An Efficient Government How-To Guide for Managing Federal Property Inventories*," available at reason.org/studies/show/what-the-federal-government-owns—recommends 12 steps based on best practices in these and other states:

- Take the initiative to build an inventory
- Conduct an inventory of inventories
- Use GIS technology to map and catalogue real property data
- Centralize the management of real property data
- Standardize reporting methods for all agencies and divisions
- Put the inventory online for public access
- Manage the inventory beyond mapping
- Make the inventory continual and dynamic

- Divest unneeded and underutilized land and assets
- Utilize the wide range of private sector expertise
- Build the inventory to fit prescribed policy goals
- Look beyond financial benefits

While one piece of legislation cannot address all 12 recommendations, various pieces of proposed legislation in Congress—including H.R. 1620, H.R. 4233, and H.R. 1734 in the 112th Congress, as well as H.R. 328 and H.R. 695 in the current Congress, for example—would accomplish a number of these recommendations and begin an important process to maximize the efficiency and effectiveness of federal real property management. With regard to the development of a robust real property inventory, two key aspects are worth noting. First, the FRPP excludes the public lands of the Interior Department and U.S. Forest Service, agencies that have vast land holdings, particularly in the West. Additionally, the FRPP is not GIS-based; it is a spreadsheet, making it inadequate in terms of completeness or in maximizing utility and transparency to citizens. Any current or future legislation contemplated by Congress should address these shortcomings.

Second, the federal government should consider partnering with the private sector to acquire commercially available geospatial services wherever possible, rather than trying to build them in-house. Reason Foundation has written frequently on public-private partnerships and contracting techniques, including their application to surveying, mapping and other commercially available geospatial activities. The private sector offers a broad, diverse portfolio of capabilities and technologies that can support public sector endeavors, and we recommend that government at all levels utilize the private sector for commercial activities and avoid duplicating services private enterprise is already efficiently providing.

Considering the nation's ongoing economic challenges, the government should take proactive steps to maximize the value of its resources, ensure efficient management and enable private sector economic growth through asset divestiture. Real property management is not a partisan issue, nor is it an issue of spending priorities. It is an issue of good governance and fiscal responsibility.

In conclusion, I commend the Subcommittee for considering the many benefits of improved real property management. It would represent an important step toward bipartisan, responsible stewardship of public assets and resources and improved transparency and accountability to taxpayers. Thank you again for the opportunity to testify on this important subject.

Committee on Oversight and Government Reform
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Name: LEONARD GILROY

1. Please list any federal grants or contracts (including subgrants or subcontracts) you have received since October 1, 2010. Include the source and amount of each grant or contract.

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2. Please list any entity you are testifying on behalf of and briefly describe your relationship with these entities.

I AM TESTIFYING IN MY CAPACITY AS DIRECTOR OF GOVERNMENT REFORM FOR REASON FOUNDATION, MY EMPLOYER.

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I certify that the above information is true and correct.

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Date: 2/22/2013

Leonard Gilroy

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Education

1995 Master of Urban and Regional Planning, Virginia Tech
Concentration: Environmental Planning and Policy

1993 Bachelor of Liberal Arts and Sciences, Virginia Tech

Employment

2001 - Reason Foundation, Los Angeles, California

2007 - *Director of Government Reform*
2006 - 2007 *Senior Policy Analyst*
2001 - 2006 *Policy Analyst*

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1996 - 2001 Fernandez Plans, LLC, New Orleans, Louisiana

Senior Planner: prepared urban planning reports, land use planning documents, environmental assessments, geographic information systems and other technical planning work under contract to various local governments in Louisiana.

1994 - 1995 Virginia Center for Coal and Energy Research, Virginia Tech

Research intern: developed research projects on the geography of market-based sulphur dioxide emissions trading under Clean Air Act Acid Rain Program and the economic impacts of Virginia's natural gas industries.

1994 - 1995 Department of Urban Affairs and Planning, Virginia Tech

Graduate teaching assistant: conducted weekly student review classes in Advanced Research Methods course; tutored course students.

Affiliations

Adjunct Scholar, Georgia Public Policy Foundation
Senior Fellow, Thomas Jefferson Institute for Public Policy
Senior Fellow, Illinois Policy Institute
Member, American Planning Association (1996-2012)
Member, American Institute of Certified Planners (1999-2011)

Research Publications

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Other Publications

Commentary articles published in such leading publications as *The Wall Street Journal, Los Angeles Times, New York Post, The Weekly Standard, Washington Times, Houston Chronicle, Atlanta Journal-Constitution, Arizona Republic, San Diego Union-Tribune, Orange County Register, San Francisco Examiner, Philadelphia Inquirer, Sacramento Bee* and *The Salt Lake Tribune.*

Mr. MICA. Well, thank you, and we will go to questions now, and we will divide the time up that we have.

First, let me start with our report author, GAO. One of the things that was interesting that you mentioned, I thought, was problems of conveyance. I know that there are certain statutory requirements that have been set up that are impediments. Have you given any thought or is there any recommendation to how this should be approached? Because, for example, if we took this Department of Agriculture property in the current disposal system, it is very difficult.

We have some acts, too, that have been well-intended passed, but also put in impediments to dealing with disposal DOD property. I think you have the McKinney Act and some other things they have to comply with. Have you given any thought, Mr. Wise, are there any recommendations? We have a couple pieces of legislation that were crafted that really, I don't think, solved the conveyance problems, but would you like to comment?

Mr. WISE. Yes. Thank you for your question, Mr. Chairman. I don't think that it is described as an impediment, per se. Rather, these are issues that are part of the entire property system. Now, we have recommended, as I noted in my statement, that it would be, we think, very helpful if OMB would develop a national strategy for trying to address federal real property. Now, OMB, by itself, cannot overcome all these issues, but, nevertheless, they could develop a game plan that would help set up a framework so that these can be addressed in some manner.

You have a situation, really, where many conveyances are things that are for the public interest as well. You know, you could take, for example, a small or medium size city where a building, an old courthouse may be located in a downtown facility, a downtown area. It is a very valuable piece of property; it is something that maybe the city hall is too small for the city government and it is quite natural, and I think this process is repeated many times around the Country, that a city or a State government would then be able to consolidate some of its offices and pull back from leased space. In that case, it is helpful for the public good.

Mr. MICA. What I am interested in, and I don't know if you or Dr. Robyn can help us, but if you can cite any current statutes or impediments to conveyance, maybe supply it in the future to the committee, I think that would be helpful.

I was talking to Mr. Connolly informally and we could look at the legislation, some of which I helped craft, that had been proposed but not passed, but maybe combining that, looking at how we could give you the tools to accomplish the job, and also the agencies. We go to agencies; you passed the law, we can't do this. But I would be most appreciative if you could identify those and then use it in maybe possibly empowering OMB.

One of the problems we have in looking at properties, and here again you have 7,000 acres right up the road, incredibly valuable property, 500 buildings. I asked is there a plan, does anyone have a plan in the Department of Agriculture for this property. No, they didn't. Has anyone looked—well, there are impediments, asbestos. Well, lots of old buildings have asbestos in them. Maybe they won't be used, like Mr. Connolly said, when they get to that condition,

they have to be torn down. But you still have a valuable real estate asset there, and redevelopment and reconstruction is nothing new, even within the Capitol Beltway. But we need to be able to make that possible.

I know you are sort of a service agency, too, Dr. Robyn, and you are doing the best you can do. I don't know if you know this, Mr. Connolly, with all the disruptions we had in GSA, and has been the building commissioner since, I guess, September, trying to pick up the pieces of an agency that was having problems. But I am delighted to hear, incidentally, of the online auction. Here is an asset that sat there for 10 years and now it has the potential for putting some cash in the Treasury or better utilization of that. So I thank you for those efforts.

But, again, I am not sure how we approach this. If we require every agency, you can't do this all, but we may need some requirement to have a plan to someone to analyze. Now, we do have a federal reporting requirement on the property, but we see how flawed that is. Here is two properties totally dilapidated on the Federal Property Report as in excellent condition. So, first, what about the plan, and then maybe, Mr. Wise, you could comment about how do you require accurate data.

Ms. ROBYN. Well, let me speak to the disposal issue, because I think I am a veteran of a number of BRAC backgrounds, both in the Clinton White House and at DOD, and, Congressman Connolly, I led the Clinton Administration effort to make base reuse more friendly to communities. It was not friendly to communities when I came in Congress.

Mr. Chairman, I don't know what Orlando's experience was with McCoy when that was closed in the mid-1970s.

Mr. MICA. Our big one was the naval training center.

Ms. ROBYN. Okay. All right.

Mr. MICA. That was political. They had brand new buildings, some under construction, I mean, actually under construction, and Rostenkowski had more power than McCollum at the time, so they had decrepit buildings in the Great Lakes and winter conditions, but they got to open and we actually tore down brand new or under construction buildings. It was almost criminal. And Orlando could sustain the economic impact of losing the training center, but it was horrible.

But the thing here is we have a responsibility government-wide. We want, for example, the Department of Agriculture, somebody should have a plan. But how do you do that? You can't do it all. Maybe you can go on and do some spot checking and say, hey, we should look at plans or kick them in the butt to make them move forward with it, instituting a plan. But to have 7,000 acres, larger than the size of the city of Key West in my State, sit like that, with almost half the buildings decrepit, it is mind-boggling.

Ms. ROBYN. I would argue that you need less a plan than a process, and that that process is a civilian version of BRAC.

Mr. MICA. Okay. Well, we did some of that, and I think we will look at our bill. I am not sure, though, that we even required, you have to have someone first assess what you have and then someone make a damn decision as to disposal best maximum utilization of the property.

Mr. Wise, what do you think? Give us your opinion again on how you think we should approach this.

Mr. WISE. Well, just to elaborate a little bit on what Dr. Robyn was getting to, the civilian BRAC process, CPRA, the bill we actually worked pretty closely with staff to help advise on that and comment on it, and there, by bundling properties together with a total up and down vote required from the Congress I think would have helped at least, if not eliminate it, would have helped ease the process of some of the steps that right now make it very difficult to dispose of excess federal real property. So that is one step.

Mr. MICA. Would you object to requiring each agency to have a true assessment, evaluation plan, and then best utilization?

Mr. WISE. Well, under the Executive order each agency is required to have such a plan, so presumably these are things that are being fed into the process.

Mr. MICA. Maybe it needs to be done by law?

Mr. WISE. You mean codified?

Mr. MICA. Yes.

Mr. WISE. That is really up to the Congress, but I think that was one of the bills actually was aimed at doing that. There was a different version of that bill that also never was enacted that aimed at that as well. But I think there is a combination, as you were stating earlier, a combination of both legislation, as well as administrative actions, that could help harmonize some of these issues and make some progress in dealing with the property issues.

The disposal one can be very tricky because often, as you mentioned earlier in your statement, it can be very costly to dispose of properties due to the environmental issues. As you saw in Beltsville, I went out there also last year and I had an offline conversation with one of the engineers who was responsible for some of the activities going on there, and he had mentioned it had cost him almost $200,000 to knock down one of the smaller buildings there because he was dealing with three environmental authorities, between Prince George s County, the State of Maryland, and the federal; and it is a very involved process and very costly process, and that is a major challenge.

Mr. MICA. We need a way to expedite that.

I am using more of my time, but I am going to give Mr. Connolly as much time.

I just want to say, in conclusion, Mr. Gilroy, thank you, and also giving us examples. I will look at those examples. Georgia, you probably know Mr. Deal who served here; Mr. McDonnell, your governor, was not here; Mary Phalen, Oklahoma; former member Kasich from Ohio. I think you cited four States that have taken initiatives. We will look at what they have done and maybe we can learn from them or even have them in.

Mr. Connolly, you are recognized.

Mr. CONNOLLY. Thank you, Mr. Chairman.

Mr. Gilroy, you said this should not be a partisan issue. I agree. My concern, just to interject, and I know the chairman shares this, as someone who spent 14 years in local government, we don't want to do harm to local communities in our zeal to divest ourselves of properties we no longer need or want. We want to make sure that

whatever action we take is integral with the plans of that local community.

For example, it may be sometimes that there is value in parking a piece of property and not developing it, not selling it off until something else is triggered in a given local community. On the other hand, it may be the opposite; the local community may welcome that property being developed to help jumpstart, catalyze redevelopment, or whatever it may be. So we want to make sure we are in sync and that we are not an outlier, because the Federal Government, frankly, is not subject to local zoning regulations and laws, and that can sometimes be problematic in terms of planning.

I like to believe that the Lorton property here, the Lorton Prison property was actually a model for cooperation between the locality and the Federal Government, well, I will come back to this.

Let me ask some questions. Inventory. Do we know, Ms. Robyn, how much property we own as the Federal Government?

Ms. ROBYN. I know how much GSA property we own, yes.

Mr. CONNOLLY. All right, but there are lots of federal entities.

Ms. ROBYN. Yes. Yes. We represent 10 percent of federal property.

Mr. CONNOLLY. Who is the coordinating entity, going back to the Chairman s question, really, for other entities? Like this property is a Department of Agriculture property and this is a Department of Interior property. So are you confident that those agencies have accurate inventories as well?

Ms. ROBYN. No. No.

Mr. CONNOLLY. No.

Ms. ROBYN. And GSA does have a role here, another part of GSA, the Office of Government-wide Policy oversees the FRPP, the inventory, or sets the rules for the inventory.

Mr. CONNOLLY. For the other agencies. So you play that coordinating role.

Ms. ROBYN. Yes. We are still at the stage of crawling, we are not walking yet.

Mr. CONNOLLY. So in the legislation that the chairman was talking about, maybe one of the elements we could have is to toughen up reporting requirements by the agencies to you, maybe even toughen up your coordinating role so we actually at least have an accurate picture of what do we own as a Federal Government.

Ms. ROBYN. Yes. I mean, I think there are a number of ways to go at it.

Mr. CONNOLLY. Before I get to disposal and utilization, when we own property, when do we make the decision and how do we make the decision to lease space, rather than go to or develop the property we own?

Ms. ROBYN. Well, for GSA tenant agencies, we work with them to establish a requirement, and we typically work with them to lower their requirement below what they, in terms of space, and then figure out is there owned space that would meet that requirement, and then we look at leased space as an alternative to that. It is not a first choice, but we have increasingly relied on leased space because it is often more desirable than owned space that we are not keeping up to the level of private sector space, commercial space.

Mr. CONNOLLY. I assume cost is a factor as well.

Ms. ROBYN. In what sense?

Mr. CONNOLLY. Well, you are taking into account the fact that it costs X dollars per square foot to lease a space, versus, perhaps, retrofitting or constructing.

Ms. ROBYN. Yes. Yes, in that sense, very much so.

Mr. CONNOLLY. Plus, there is a location issue.

Ms. ROBYN. Right.

Mr. CONNOLLY. Okay. Utilization. How do we determine the best utilization of a property?

Ms. ROBYN. Well, utilization is a little bit subjective. I mean, there are criteria for how much utilization, whether a property is utilized, underutilized, not utilized at all. But property that is utilized we think can often be better utilized. The single most powerful thing that my organization is doing now is trying to move our customer agencies to collaborative open workspace, much like what the private sector is embracing, which allows them to meet their needs with less space.

If you go into a typical federal office building, same is true for a commercial space, only a third of the people are there at any one time; they are traveling, they are engaging in mobile work. We can get by with less space if it is organized in the right way. And agencies tend to love it. I am a convert to it. I have no office; I have a workstation and four feet from my desk is my deputy's workstation.

Mr. CONNOLLY. Do we have a process regularly for revisiting the utilization?

Ms. ROBYN. No. I mean, many agencies reach out to us and want to do this, and we have an active process typically, at any one time, with any agency number of agencies.

Mr. CONNOLLY. But it seems to me, if you want an action-forcing event, it has to be on a schedule. So every five years we review your property, or something.

Ms. ROBYN. Well, we are constantly reviewing. We have an asset profile for every single property that we have, leased or owned, so we are constantly looking at that.

Mr. CONNOLLY. Well, leases I understand, because that is an action-forcing event. But if you own this property——

Ms. ROBYN. Right. No. We are kind of disposal police. We love to dispose of property. I don't know why we have not reached out to USDA on something like that.

Mr. CONNOLLY. But again, I think that the criteria and the review process, including subjective review, is important. I mean, the Secretary of State, William Seward, purchased Alaska. It was roundly mocked, roundly disdained. Nobody thought it was a smart decision to purchase Alaska from the Russians. In hindsight, we are awfully glad Seward's folly took place and that we banked this huge piece of land that today, of course, is mineral-rich and has lots of other assets to it. So it depends on one's perspective. One wants to have some cushion to allow one to think longer term than just the immediate value of land.

But, on the other hand, there has to be some process for review of what we own. Now, if we had a five-year, let's just make it a five-year plan, in this bill we are looking at, Mr. Chairman, then

there would be an action-forcing event. Justify this, please. Justify why you are still banking this land in that condition and that you have no plans for it. Because if that is the answer, then someone else will have plans for it for you. And I guess that is what I am getting at. I think you have to have some kind of requirement, federal family, that whoever it is who owns land, you have to have a mechanism for reviewing it.

Ms. ROBYN. Well, so we have a pretty rigorous process for working with agencies to downsize their space requirement. That is not GSA property, that is USDA.

Mr. CONNOLLY. Don't get parochial on me, now.

Ms. ROBYN. Okay.

Mr. CONNOLLY. I am sure you are doing a great job, but we look at the whole federal government.

Ms. ROBYN. Yes, the Federal Government.

Mr. CONNOLLY. And that is why I asked do you have a coordinating role that could be beefed up to force agencies to have to tell you what their plans are.

Ms. ROBYN. Yes. I start to sound like a broken record on this subject, but when I was at DOD and again in my current role, I am part of the Federal Real Property Council, the real property officers of the largest landholding agencies, and we are the ones who develop the civilian BRAC legislation. Senior people in federal agencies realize they need to get rid of property, but they are also looking at impediments, including a lot of stakeholder interest.

Just to take USDA, this is a USDA property, they have properties all over the Country because at one time, by statute, you had to be able to reach a USDA property on horseback within a day. Now farmers sit on million dollar combines and communicate on their laptop. But there is an enormous amount of USDA property that it is not underutilized, but it is like post office property; one has to rethink do we really need this many facilities.

And the key to that, I think, is a process for insulating you all from the political difficulty of doing that on a very broad scale. I don't know how else to do it on a broad scale. I think there is the will among senior people in these agencies to do it, but they need help doing it.

Mr. CONNOLLY. Yes. My own experience with BRAC, which is extensive, it is good that we have an action-forcing event that is very difficult to amend, it is up or down. There is some good in that. But that doesn't guaranty wise decisions, and the last BRAC round made some very unwise decisions, depending on one's point of view, about transit and about land use and the like. So, yes, we want to force action, but we want to make sure those are wise actions.

Ms. ROBYN. I won't disagree with your statement.

Mr. CONNOLLY. I have other questions, as well, but my time is up, and I want to give Ms. Norton an opportunity. I think the votes have been called, haven't they?

Mr. MICA. Yes, I think they are going back in, but thank you, Mr. Connolly.

Also, too, we will be submitting and will leave the record open for a period of three weeks to submit additional questions. Without objection, so ordered.

By previous unanimous consent request, which was granted, recognize the gentlelady from the District, Ms. Norton, for five minutes. Welcome, and you are recognized.

Ms. NORTON. Well, thank you, Mr. Chairman. I am on the full committee, I am not on this particular subcommittee, but under Chairman Mica, actually, on another committee, we gave a lot of attention to this issue. Therefore, it is very frustrating to hear the piecemeal approach.

Mr. MICA. Would the gentlelady yield? Now, you weren't here when Dr. Robyn spoke.

Ms. NORTON. No.

Mr. MICA. But we did the hearing at the power plant.

Ms. NORTON. At the power plant?

Mr. MICA. Vacant for a decade, I think. And she told me that the current bids on the online auction are up to $16.1 million.

Ms. NORTON. That's the word I have, too.

Mr. MICA. Well, just thank you for yielding, but I didn't know if you had heard that.

Ms. NORTON. Thank you. Yes, indeed. It looks like even without a process, as you call it, the Administration, at least the GSA, with property it controls, has gone ahead, and I salute you for that.

But the reason I was interested is because I was the ranking member when we had this discussion in the Transportation Committee and I sat through similar hearings in this committee and two versions of civilian BRAC went to the floor and were passed. I think we would have benefitted if, in the process of considering our bills, we had collaborated with the Senate, because the Senate Homeland Security Committee, it seems to me, is pretty close to us, particularly to the bill that came out of this committee, and I think that could have happened if that collaboration had gone on.

So when I hear this talk about data or see these properties, it seems to me that these annual reports on federal property management issues will remain exactly as they are and have been as long as nobody is in charge. And the central problem is as they are and as they have been as long as nobody is in charge. And the essential problem is unless you want to keep going agency-by-agency or making you all kick up dust trying to deal agency-by-agency, as if they had some call on federal property, it is not their property; it happens to be property in their name that they were using for specific purposes. Until we get an umbrella under which to do this, we are not going to get anywhere.

Would everybody at the table agree that some sort of umbrella unit, you can call it civilian BRAC. That is not what this committee called it, it simply had the GSA and OMB get to together and to figure it out, but they had the power to do it. Would everyone agree that Congress needs to put in place some umbrella unit that would have the statutory authority to get the data and to do the other tasks that you are now doing piece by piece, trying to extract agency-by-agency? Would that be useful and beneficial to deal with these annual property management problems?

Ms. ROBYN. Yes, I very much would applaud that. One still needs an inventory, a better inventory than we have, and an ongoing process.

Ms. NORTON. I am saying that you are not going to get an inventory, you are not going to get anything until somebody can say here is a system, this is how we count. So the way you are doing inventory now, you are going to be doing inventory for a long time. People know how to count, but they will count differently unless there is a unit that says this is how we want you to count, this is the date by which we want it. So I am taking all of that and putting it under one umbrella; data, all of the piecemeal information that you are gathering, which I regard as just make work. And I don't know how one can continue it.

We had the Administration and two committees of the House on the same page on some kind of unit. Somebody needed, perhaps the Administration, to take more leadership, since the House Homeland Security Committee was not that far from us. We could have a bill out of here. The discussion I have sat in on is very frustrating because that is not going to get us anywhere, and you all know it. And to task GAO, year after year, to doing this, when there are already solutions, this is not a problem that hasn't found a solution; it is a problem where we have failed to act on a solution where we were close to, in fact, getting a solution.

Somebody has to move off their duff and get us moving on these bills and get the Administration to say, look, you are close together, let's get together and let's negotiate these out and get the job done. Because I find this just boring every year to go through the same telltale, when everybody knows what to do, and subjecting you, the GSA, to criticism, and then you come back and say, okay, but we only own 10 percent of the buildings.

You are a peer agency. There is not a damn thing you can do when you go to the Department of Energy and say we want your things. You just can't get it. You can't do it from the Department of Agriculture; it is ten times bigger than you are. You ought to say that. That is how action is forced.

Mr. Wise, are you from the GAO?

Mr. WISE. Yes, I am.

Ms. NORTON. Well, why don't you call the question on this? I looked at your report. The report is very informative, but why doesn't your report take account of the fact that two bills were passed by this House, and that the Senate got close to it and recommend that the House proceed to see what it can do along lines? It wouldn't be controversial for you to say, since you already have agreement from the Administration and the House, at least, with the Senate not that closed off, instead of just going along with the same questions that you asked before the 112th Congress, when we had gotten that far. We need a push from someone that says you have the solution right there before you, go at it.

Mr. WISE. Yes. Well, if I may, you may remember a couple years ago there was a hearing in the very cold Old Post Office Annex. I don't think you ever took of your gloves. I know I didn't. But, anyway, at that hearing we had commented that we thought CPRA was a step in the right direction in terms of trying to rationalize the federal property system. What I think you are actually asking is what other steps can Congress take to really help real property form methods.

Well, in fact, we don't think it is absolutely necessary there be additional legislation. Rather, I think the two recommendations that we have from our June report, I think, lend themselves, if implemented fully, to really making big strides forward.

Number one is encouraging OMB implement our recommendation for developing a national strategy and also making the Federal Real Property Profile more transparent and open to other agencies, who then can access it and see what is going on among each other. Right now they keep a very close hold on it.

Ms. NORTON. Good luck, Mr. Wise.

Mr. WISE. Okay. That is one.

Ms. NORTON. Good luck with that approach.

Mr. WISE. Okay, number two is, again, working with the General Services Administration to make these improvements that they have said they are planning to make to the Federal Real Property Profile, getting everybody on the same page and helping to get the agencies to report things in a uniform way, because without proper data collection methods, you are going to continue to have a mishmash of data in the profile.

Ms. NORTON. Mr. Wise, I thank you for that. Good luck to the GSA if they can make the agencies do that. OMB would have a hard time doing it. All I am saying is that I think your report would have been far more useful to us if you had picked up where we left off, seeing that we have such substantial agreement in the Congress, instead of going back to the same kinds of approaches that, frankly, have not proved very useful.

GSA has tried to do what you are talking about and GSA simply is no match for these larger agencies. I don't think it gets us anywhere to leave on the table when Congress is close to agreement for some kind of unit to help us get to the bottom of this. And if I may link this to another part of your report which talks about costly leasing, I couldn't agree with you more.

Now, Dr. Robyn has now 412 authority, authority to use ground leases, leaseback in order to do something about this property. So you can talk about leasing all you want to, but the fact is that if GSA isn't pushed to use this authority—we gave GSA this authority at least six or seven years ago. Only this year are we seeing any movement toward using this authority, which would mean you could act in the way that people in the real estate business act in order to build.

So I don't see how you can talk about costly leasing without implicating GSA's unused or virtually unused authority to do something about it. GSA sees a property, and you, quite correctly, say the government often leases space from private landlords in the same real estate market where it owns underutilized real property without indicating that there is authority in the GSA to take that real property and use that extraordinary authority that Congress gave it. So that is my criticism with you, Mr. Wise.

But my criticism of Dr. Robyn would be where in the world is the 412 authority on this leasing? If you have underutilized property in a city or a county, why aren't you using leaseback or ground lease or some of your flexible 412 authority to save the government money?

Ms. ROBYN. I think, in a word, scoring, scoring issues.

Ms. NORTON. I thought the whole point of the 412 authority was to take you out of the scoring problem.

Ms. ROBYN. No. Legislation does not—you can't legislate around scoring issues.

Now, 412 authority provides for exchanges, and we think that that is what we think will work for the FBI headquarters in exchange of J. Edgar Hoover for construction services somewhere in the National Capital Region. We think that will work for the Federal Triangle South, although we are open to a variety of alternatives. If we have innovative financing authority that we are not using, you can be pretty sure that it is because we have tried and failed to get around scoring issues.

Ms. NORTON. Mr. Chairman, I thank you.

Mr. MICA. Thank you for participating and for your interest and questions, and you raised some issues that we need to pursue. This, of course, is the first subcommittee hearing, and we are focused, of course, on the high risk series, particularly federal real estate. We have opened a whole host of areas that we need to pursue.

Mr. Connolly and I have been in brief discussion. We are going to look at some of the legislation that I helped craft and he is interested in, see what we can do to enhance that language. We would appreciate from you your recommendations, anything statutorily, any empowering OMB or GSA that is needed. Ms. Norton raised the question that some authority has been given, but nothing done. We probably need triggers to make that happen. And then Mr. Connolly has also cited the sensitivity, when we dispose of or deal with these federal properties, to where they exist, and the local and State interests that are involved and recognizing them, so a host of issues.

But they have called votes, so I think we already got unanimous consent that we would leave the record open. We will have additional questions to submit to you.

Ms. NORTON. Mr. Chairman, could I just say one thing? Dr. Robyn indicated that she wasn't using this flexible authority because of scoring. She is not talking about CBO scoring. The Administration internally could deal with that scoring from OMB. So I just want to put it on the record. When we hear scoring, everybody up here thinks you mean CBO, and that is not what you mean. You mean your own scoring.

Ms. ROBYN. OMB and CBO tend to be in lockstep on scoring issues. There are cases where it is a CBO call; there are cases where it is an OMB call. And I am not criticizing it.

Mr. MICA. Well, when that issue was brought up, in fact, Mr. Connolly and I did have a brief discussion. We need to look at that and, actually, our committee has jurisdiction. So if there is some question or problem or lack of proper interpretation of scoring, then we need to make certain that it is defined so that we can get the job done. So that is part of our responsibility and, fortunately, it falls within the jurisdiction of our committee. So we will be working on that.

Mr. Connolly?

Mr. CONNOLLY. Mr. Chairman, I just want to thank you. This is our first hearing of this new subcommittee, and I think you have

set a tone of collaboration, cooperation, and bipartisanship. I and my staff look forward to working with you and your staff. I think we are going to make some music together. Thank you so much.

Mr. MICA. Well, thank you. We will follow up together. This is, again, just a small focus on the issue of, again, federal real property for the tenth year appearing on the high risk report of GAO. We need to not just talk about it, do something about it, and we are both committed to that. I thank Mr. Connolly.

I thank our witnesses also for being with us and the staff on both sides of the aisle for their work.

There being no further business before this Subcommittee on Government Operations, this hearing is adjourned. Thank you.

[Whereupon, at 3:20 p.m., the subcommittee was adjourned.]

Statement of the National Law Center on Homelessness & Poverty

United States House of Representatives,
Committee on Oversight and Government Reform
Subcommittee on Government Operations

Failures in Managing Federal Real Property:
Billions in Losses

February 27, 2013

Chairman Mica, Ranking Member Connolly, Members of the Subcommittee – thank you for holding today's hearing, entitled "Failures In Managing Federal Real Property, Billions In Losses."

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-Vento Act"). Since that time we have worked to strengthen the McKinney-Vento Act, most recently through passage of the HEARTH Act of 2009.

We appreciate the opportunity to submit this statement for the record, in support of ongoing Congressional oversight over the federal government's management of federal real property, and to emphasize the importance that once a determination is made that the government will no longer use that property, homeless service providers should continue to have a right of first refusal to obtain it.

Failed Management of Federal Real Property

The federal government's difficulty in properly managing its portfolio of real property comes as no surprise to this Subcommittee. It has been thoroughly explored in hearings held by multiple Congressional Committees, including the full House Oversight and Government Reform Committee, the House Transportation and Infrastructure Committee, and the Senate Committee on Homeland Security and Governmental Affairs. This issue also remains on the Government Accountability Office (GAO) High Risk List for 2013, and has been the subject of numerous reports by that agency.

There is little that we can add to this record, which will only be further expanded through today's testimony. However, while every taxpayer should be troubled by government waste, we would like to briefly explain why this issue is a matter of additional concern to an organization dedicated to ending homelessness.

In 1987, Title V of the McKinney-Vento 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, 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.

Legislation To Reform The Federal Property Disposition Process

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.

During the last Congress, we worked closely with this Committee on HR 665, legislation championed in bipartisan fashion by Representatives Jason Chaffetz and Mike Quigley. This legislation would have forced agencies to better manage properties they continue to use, required improved reporting of properties that agencies no longer intended to use, improved transparency by listing these properties on a public website, and provided homeless service providers with a portion of the proceeds of high value federal assets sold to eliminate ongoing maintenance costs and help reduce the deficit. H.R. 665 cleared the House on a vote of 403-0. Unfortunately, it was not taken up in the Senate.

The Chaffetz-Quigley legislation has been reintroduced this year, as H.R. 328, the "Excess Federal Building and Property Disposal Act of 2013." Because H.R. 328 preserves nearly all existing rights of homeless service providers, while enabling the federal government to dispose of property more efficiently, we urge the Committee to move this bill through the House, and to work with the Senate to see it enacted into law.

In moving forward with legislation in this area, the Committee should be aware of two important factors. First, property provided by the federal government to homeless service providers is being used to successfully end homelessness. And second, the process for providing that property is not the cause of significant delay in the property disposition process. Thus, there is every reason to preserve Title V, while reforming other elements of the property disposition process.

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

Since 1987, Title V of the McKinney 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. Since the program began in 1989, nearly 500 pieces of surplus federal property, including buildings and vacant land, have been transferred to homeless service providers. In 2013, we estimate that programs based in Title V properties will provide services to 2.4 million homeless people from Maine to Montana.

- When the New England Center for Homeless Veterans opened on the site of a former Veterans Administration Outpatient Clinic in Boston, it was the nation's first veteran-specific homeless shelter. Recognized as the 142nd "Point of Light" by President George H.W. Bush's administration, NECHV is the largest veterans shelter in the region, offering services ranging from emergency shelter and transitional housing to employment training and health care to homeless veterans. Its founders and many of the staff and board are fellow veterans who understand and help their comrades back to recovery. Today, NECHV shelters 250 homeless veterans per night; in its twenty-year history, it has served over 16,000 veterans and more than a million meals. Since its founding, NECHV has served over 16, 000 veterans, and its soup kitchen alone serves over 220,000 meals per year, while its shelter houses an average of 250 veterans per night.

- 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."

- 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 2313 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 6711 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."

- 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.

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

The Law Center understands the concerns of this Committee, 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.

However, 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 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. Although OMB goes to great pains not to say this explicitly, their own data acknowledges that these properties have already gone through the Title V process or have been exempted. Consequently, we reject any conclusion that Title V is responsible for the inability of government to dispose of these properties.

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.

For properties that have gone through Title V, homeless service providers declined to pursue them during the statutory 60 day 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 often 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.

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.

Opening Statement
Subcommittee on Government Operations
Chairman John Mica

- Good Afternoon, I would like to thank the witnesses for being here today.

- When I began chairing this subcommittee, I was pleased to learn part of the portfolio includes federal real property disposal.

- While Chairing the House Transportation and Infrastructure Committee in the previous Congress, I held multiple hearings on the topic of federal buildings. I hope to continue that work here, on the Oversight Committee.

- Today, we are focusing on the fact that for over a decade the Government Accountability Office has placed the federal government's management of our real property assets on its High-Risk List.

- This list is produced every two years at the beginning of a new Congress.

- The Federal Real Property Council reports that the poor management of our assets costs the taxpayers billions--$1.67--annually in operations and maintenance for buildings that are vacant, underutilized, or in many cases, in shambles.

- When the Office of Management and Budget (OMB) or the Departments claim cost savings, in most cases, GAO questions these savings.

- The Administration recently claimed to have achieved $2.4 billion in savings since 2010 through the disposition of properties, space management, sustainability, and innovation.

- However, in the High-Risk report, GAO said: "the actual savings associated with selling excess [property] and better managing

underutilized property **are not transparent and may be overstated at a time of budget crisis and huge deficits**."

- This is very alarming. The self proclaimed most transparent Administration in history unfortunately is blindsiding the American people.

- GAO has found a lack of consistent and useful data to support asset management decision-making.

- The most recent GAO High-Risk report raises serious concerns regarding the quality of the data within the Federal Real Property Portfolio (FRPP).

- GAO maintains that "the government continues to lack consistent, accurate, and useful data to support decision making."

- [Visit to ARS facility in MD]

    - Approximately 500 buildings located on property
    - 203 buildings are declared excess, 40 of those are large buildings

Image 1:

- Food and Drug Administration Building located on the 6,600 acre agricultural research property owned by the United States Department of Agriculture in Beltsville, Maryland.
- This building has broken windows, a hole in the roof and vines growing up the side of the building.

Image 2:

- Office building number 262 located on the 6,600 acre agricultural research property owned by the United States Department of Agriculture in Beltsville, Maryland.
- This building has broken windows, peeling paint and various vines growing up to the third story.

Image 3:

- Office building number 263 located on the 6,600 acre agricultural research property owned by the United States Department of Agriculture in Beltsville, Maryland.
- This building has boarded up windows and peeling paint.

Image 4:

- Interior photo of office building number 264, which is adjacent to building 263.
- This is representative of the interior condition of all buildings photographed.

- [Visit to GSA facility in VA]
  - 1 million square feet of space
  - This is the largest wood-roof structure east of the Mississippi River.
  - Patent and Trademark Office

Image 5:

- Aerial photo of the GSA-owned warehouse in Springfield, Virginia.
- The warehouse is outlined in red, and shows the proximity to the Franconia-Springfield Metro station outlined in blue.
- Just north of the warehouse is the Springfield Mall, which closed in June 2012 as part of a multi-million dollar redevelopment plan to turn it into an open-air "Town Center" style shopping center.

- I look forward to hearing from Dr. Robyn, GSA's Public Building Service Commissioner, about how the agency plans to fix this data integrity problem.

- Since there has been no concrete strategy or plan to deal with the matter, in June 2012, GAO recommended the federal government develop a national strategy for improving the current situation.

- I look forward to closely monitoring whether OMB implements a national strategy.

- Finally, I hope both Houses of Congress will act to address this problem in common-sense manner that saves hard-earned taxpayer dollars.

- Again, I would like to thank the witness for being here today and I look forward to their testimony.

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