FEDERAL REAL PROPERTY: ELIMINATING WASTE AND MISMANAGEMENT OF REAL PROPERTY ASSETS

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FEDERAL REAL PROPERTY: ELIMINATING WASTE AND MISMANAGEMENT OF REAL PROPERTY ASSETS

Tuesday, July 29, 2014,

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

The subcommittee met, pursuant to call, at 10:12 a.m., in Room 2203, Rayburn House Office Building, Hon. John Mica [chairman of the subcommittee] presiding.

Present: Representatives Mica, Meadows, and Connolly.

Staff Present: Melissa Beaumont, Majority Assistant Clerk; Adam P. Fromm, Majority Director of Member Services and Committee Operations; Laura L. Rush, Majority Deputy Chief Clerk; Jessica Seale, Majority Digital Director; Andrew Shult, Majority Deputy General Counsel; Jenna VanSant, Majority Professional Staff Member; Devon Hill, Minority Research Assistant; Julia Krieger, Minority New Media Press Secretary; and Cecelia Thomas, Minority Counsel.

Mr. MICA. Good morning. I would like to call the Government Operations Subcommittee hearing to order. I am pleased to welcome everyone to the Government Oversight and Reform Subcommittee hearing this morning, and the title of today's hearing is Federal Real Property: Eliminating Waste and Mismanagement of Real Property Assets.

I want to again welcome my ranking member, Mr. Connolly, and subcommittee members Mr. Meadows and others who may be joining us.

Thank you, too, for our witnesses, who I will introduce shortly, for participating.

The order of business this morning is we will start with opening statements by members of our panel. And without objection the record will be left open for other members to submit their statements.

We will then proceed to hear from each of our witnesses. Normally we provide about five minutes. This isn't a particularly big panel, but we ask that the members of the panel please participate by trying to summarize in about five minutes. You can ask, through the chair, any request for additional information or data to be made part of the record and it will be made part of the record. And we will swear you in at the appropriate time, when we recognize you.

So, with that, I will begin the proceedings, and, again, thank you for attending and participating.

This is a pretty important hearing. Sometimes it doesn't get the attention of some of the other major investigative hearings that we do, particularly in OGR, Government Reform and Oversight, but it is important because the Federal Government is the trustee and steward of billions, literally trillions, of dollars in Federal property. Years ago I did a report entitled The Federal Government Must Stop Sitting on Its Assets, and that is one report we will reference in this record. We tried not to just do the report, look at Federal assets that are sitting out there idle, but also do something about the report and its findings, and it found that there were 14,000 properties either vacant or underutilized that the Federal Government has jurisdiction over just in the purview of GSA.

That report was done when I chaired the Transportation Committee. This committee and the subcommittee has much wider jurisdiction. Today we will hear from VA, from OMB, and other agencies about what they have been doing to deal with this problem and how we can do an even better job across the entire spectrum of the Federal Government in addressing this problem of assets sitting idle.

I might also preface this with this week we had a very good week with one of the major assets that was featured on page 9 of that report, and that was the conversion of the Old Post Office, the D.C. Post Office, which was built in the late 1800s. It has 400,000 square feet; half of it has remained empty of the 400,000 square feet. A new annex that was built some years ago has been vacant for 15 years.

We turned that around after two hearings that we conducted. The first one as chair of the Transportation Committee actually in the vacant space, the annex. Donald Trump, this week, and others broke ground. They won open competition to renovate that hotel. A thousand people will work, some in construction. It will be a 350-room hotel.

The irony of it is the empty room where we held the hearing was 38 degrees in the room, 32 degrees outside, but Mr. Trump told me that that will be largest meeting and conference banquet room on the East Coast, that area where we held the hearing, which, again, a space that had been vacant for 15 years, costing the taxpayers $6 million to $8 million a year in losses, and that is converted to $250,000 a month revenue plus a percentage of some of the profit, so the taxpayer can benefit by that. So that is one success.

Today we are going to hear from OMB, and this committee has been waiting three years to obtain a list of underutilized and excess properties. Now, that is the Office of Management and Budget. We requested, three years ago, that we get a list of underutilized and excess properties. The compliance has only been in the last few days, as a matter of fact. And what we found is the Federal Government currently holds 7,000 unneeded properties, by their evaluation. And we don't believe that that evaluation is even up to date, but the inventory that is on the list is worth an estimate, again, by their calculation, $350 billion. This would be unacceptable by any standards.

Throughout my time and service in Congress, I have worked to reduce the Government's outrageous loss, and I guess some of it is because of my background in real estate. But when you see incredibly valuable properties sitting idle, something is wrong. And the mis-utilization and under-utilization of Federal buildings has to be brought to a halt.

In this Congress alone, our subcommittee has held five hearings related to the operation, maintenance, management, disposal, cost for underutilized and excess real property. As a result of our investigations, a large number of properties have been turned around and starting to generate income, also jobs. Another example is the power station property behind the Ritz Carlton-Georgetown, 2.1 acres. After our hearing, it was vacant for 10 years, costing $1 million to maintain, on average, a year. Brought in almost $20 million, the GSA Public Buildings Administrator stated at the opening of the Trump facility and groundbreaking.

Needless to say, though, in its 2013 high risk report, GAO found that the Federal Government still holds much more property than it needs. While it is no excuse, GAO also found that the lack of accurate useful data impedes GSA's agency's ability to make informed decisions on how to manage real property assets.

In order to conduct oversight to ensure that we better utilize Federal property, I have worked with Chairman Issa and also Ranking Member Connolly to gain access to, again, the Federal database and information that OMB has had which details underutilized and excess properties. We first requested the data in December of 2011 and continued making requests, but never received any information. On May 27th, again, just days, weeks ago, almost three years after the original request, the committee was forced to subpoena OMB for the data on underutilized and excess properties, and now we finally—and I thank everybody for their cooperation—we have final compliance.

Now that we have the list, you can see why they didn't want it made public. It contains some astounding data on the number of unused properties. In fact, there are 4,209 underutilized properties held by the Federal Government, which account for 24 million square feet, costing nearly $100 million. We think that is the lowest. I think it is very higher to maintain and operate. Over 1400 of these properties sit inactive or unused.

I had this blown up. There are 3,293 properties that have been declared excess. These properties account for approximately 15.3 million square feet, costing $37 million-plus annually to operate. Not even half of the properties are slated for disposal.

What is even more astonishing is the example of just one agency. And we have VA here today. As Congress, this week, struggles to find the resources and the funds to provide adequate medical care for our veterans, and we will be addressing that this week, the VA is sitting on 258 underutilized properties.

Where is that list? Look at this. This list goes on and on, and many of these are hospitals. This is one page here of underutilized assets. I also asked that they highlight the hospitals and others in yellow, which they didn't do, but look at this. Look at this, Gerry, Mr. Meadows. Look at this, hospital, hospital, hospital, hospital. This is just one page, and this happens to be IOUC in my State.

But you could go through this report page after page of vacant medical facilities assets that the VA has as we struggle here to find resources. But, again, some pretty valuable assets.

In fact, the Veterans Administration—again, I will just highlight these—has 258 excess or underutilized properties worth, they estimate, $1.62 billion. I think it is well over $2 billion. This is just what we have been able to uncover from the data and information that we have gotten to date. The inventory included 32 hospitals, 148 family housing facilities, multiple dormitories. We have veterans sleeping under bridges, in their cars, and fields, and we don't have domiciliary care; and we have these empty facilities that the VA has. It really is not appropriate by any measure.

But, unfortunately, some of the data that OMB has given us we think is not accurate. GAO has reported that OMB's list that is provided does not provide a complete picture of the uses and extended underutilized excess real property held by the Federal Government. It certainly is not up to date.

Do we have the picture of the Orlando VA Clinic?

This is a nursing home. I am standing in front of a nursing home in Central Florida, and since the beginning of the year that nursing home, 120 beds, has been vacant, and a 60-bed domiciliary unit behind that has been vacant. I wrote two years ago that we were building a new hospital, new facilities; we needed to plan ahead. They did not plan ahead.

Now, that is the bad news. The good news is today—and I am most grateful for this. Sometimes when you hold a hearing there are consequences. The 29th of July, Congressman Mica, response to my letter, which started actually two years ago, they have decided to keep that facility open and substantiate the need for it. So I am please that VA has responded. I am pleased that we have had one success in my backyard, but, again, we have 280 other instances and data that is not up to date.

The committee has found that many properties in the database, that data that is provided is not complete; sometimes the information is vague and repetitive. So we need to find better ways to manage our assets. We have to have better ways of OMB and the individual agencies monitoring the inventory; and not just making lists, but also disposing of that property appropriately or putting it to use, in the instance of our veterans, for the veterans or for the taxpayer.

Congress and the Administration must work together to find solutions how we can collect data better. We will hear today if there are legislative impediments. We need better ways of managing our assets. And we have heard from others we need better means and tools to dispose of unneeded real property.

So, with those opening comments, I am pleased to yield, and I thank him for his tireless efforts on this and many other issues. Sometimes we have our partisan differences. This is one the committee and Mr. Connolly, I have to thank him publicly, have joined in for the benefit of our veterans and for the taxpayer to make certain we move forward.

Mr. Connolly.

Mr. CONNOLLY. Thank you, Mr. Chairman, and thank you for those kind remarks. I echo what you said. Unfortunately, we have

another subcommittee downstairs that is going to be eviscerating the Ex-Im Bank today, an organization that used to have bipartisan support and promotes U.S. business interests and helps us stay competitive when it comes to promoting U.S. exports, but apparently now it's crony capitalism and ideologically unacceptable.

Well, at any rate, I am glad we are not doing that here in this committee. And you are absolutely right, I think this subject, and the credit certainly goes to you for being so persistent, Mr. Chairman. The whole question of excess Federal property brings us together in a bipartisan basis, and I certainly support your efforts and appreciate your leadership in this regard, because I think it really is a Government-wide challenge. It transcends this Administration; it goes way back. Both parties deserve, I think, some blame and have to take responsibility for the situation we now find ourselves in. The good news is it is filled with opportunity.

I also want to thank our witnesses for being here, two of whom are from Fairfax County. Mr. Sullivan is a constituent; Mr. Wise wants to be. He lives just outside the 11th Congressional District, so I know they are going to give wise and perspicacious testimony, and we are going to be impressed because of just who they are and where they come from.

For nearly a decade the answer to the question about whether the Government can keep its house in order seems to have been no. Two thousand thirteen marked the tenth straight year that managing Federal real property was featured on the U.S. Government Accountability Office's high risk update. According to the GAO, the Federal Government owns thousands of buildings it really no longer needs. In 2010 alone, maintenance of those buildings cost $1.7 billion. Of course, these are all rough estimates since the fundamental weakness undermining the Federal Government's efforts to effectively manage its real property is its inability to maintain an inventory with accurate and accessible data.

Our subcommittee found that one needs not travel far to find glaring examples of real property mismanagement. For example, Mr. Chairman, our April 2013 field hearing was held, as you indicated, in a vacant GSA warehouse that cost $70,000 per year to operate and maintain. It has remained unused since 2009, five years. I think everyone could agree this is really an example of taxpayer waste that ought to be rectified.

GAO audits have found that in certain real estate markets the total square footage of excess Federal real property would be large enough to house virtually every Federal agency in that region. However, in these very same real estate markets the vast majority of those agencies are using precious resources on leases with private landlords. This type of mismanagement and bad juxtaposition of available assets not being utilized or underutilized I think ought to be unacceptable on a bipartisan basis. Every dollar spent on an unnecessary lease is a dollar diverted away from mission-critical functions.

In this current era of austerity, operational inefficiencies such as these have real world consequences for the citizens they serve and they represent a profound opportunity cost for the Federal Government.

What are the causes of inefficient Federal property management? GAO found that property disposal costs can outweigh the financial benefits of conveying ownership to private parties. In addition, certain legal requirements, such as preserving historical properties and conducting environmental remediation, can make the property disposal process very lengthy and unattractive.

Further, while I strongly believe local governments and local taxpayers must have a voice in the disposal of excess property, it is also true that stakeholder interests may conflict with property disposal and reuse plans, making disposal and reuse difficult.

As the former chairman of the Fairfax County Board of Supervisors, I was proud to work with local stakeholders, developers, and the GSA to successfully execute one of the most successful Federal property transfers we have experienced between the Federal Government and the local community, and that was, of course, the Lorton property. For nearly a century, the Lorton Federal Prison was an eyesore and a blight, and a security threat on one of the most beautiful parcels of land in Fairfax County, 3,000 acres; wasting space and cut off from the public.

Following extensive efforts by the Fairfax County government and my predecessor, the Honorable Tom Davis, who chaired our full committee, we were able to facilitate a complex land transfer, and today the Lorton prison site has been transformed into Laurel Hill, a dynamic community, the fastest growing part of our county, featuring new housing, schools, public parks, a town center, and a premier municipal golf club that hosted the prestigious United State Amateur Public Links Championship last year. It has transformed the southern part of our county.

My hope is that with a sustained bipartisan effort by this subcommittee, Mr. Wise will be able to come before us next February to report that the Federal real property management has actually been removed from the high risk list. That would be a great achievement for us, and I believe today's hearing demonstrates a continuing partnership with the chairman to conduct rigorous oversight aimed at finally establishing a national strategy for Federal real property management and overhauling the Federal real property profile to ensure we are able to credibly measure progress moving forward.

I thank, again, our witnesses for joining us today.

And again, Mr. Chairman, I am proud of our partnership and I thank you for your leadership in this matter.

Mr. MICA. Thank you. And I understand your in and out responsibilities. We have small numbers on this subcommittee, huge jurisdiction, but also some very big and successful results, and you cited some of your efforts.

Now, one of the champions of beating up the offenders of bad management in Government, Mr. Meadows, the gentleman from North Carolina. Welcome, you are recognized.

Mr. MEADOWS. Thank you, Mr. Chairman, for that unique introduction.

Really, what I am looking for is at what point do we define success and we finally accomplish it, because we have had hearings in a bipartisan way. I think both Republicans and Democrats want us to utilize the assets that we have properly.

The numbers that we have, Mr. Mader, I would be interested in hearing from you are those depreciated values? Are those current market values? If they are current market values, how in the world do we come up with those? I am a real estate guy, and for me to see billions of dollars worth of assets sitting underutilized is troubling. But it is not just troubling because we have a cost associated with maintaining those properties, so it is not just an asset that is not being used, but it is one that is costing us each and every day.

So I look forward to just hearing from each one of you on how we can hopefully align the responsibility. Our last hearing, I was troubled to find that it is not just the GAO, it is all different agencies managing different parts of the real estate portfolio, and you don't know who is in charge. And, honestly, there is not really an incentive for selling a piece of property if your agency is not going to get the money back. I find that I would hold on to mine if I was going to sell my asset and it was going to go over to some agency, so from a policy standpoint, if there are recommendations that you can make for us to look at in a bipartisan way to address this, I am all for creating an efficient management. But also know that we won't do that unless there is a financial incentive to do so. So how we can do that and manage it properly, I am interested in hearing that.

With that, I will yield back to you, Mr. Chairman.

Mr. MICA. Thank you.

Again, we will leave the record open for other members.

We will go ahead now. Our next order of business will be to introduce our witnesses. Then I will swear them in.

First we have David Mader. He is the Controller of the Office of Financial Management of the Office of Management and Budget.

We have Mr. Michael Gelber. He is the Deputy Commissioner of Public Buildings Service of the General Services Administration.

Then Mr. David Wise, the Director of Physical Infrastructure Team at GAO, the Government Accountability Office.

Then, finally, welcome Mr. James Sullivan, Director of the Office of Enterprise Office Management at the Department of Veterans Affairs. Welcome, sir, and you are, again, serving us well and the taxpayers by coming and testifying today.

This is an investigative panel. We do swear in our witnesses, so if you would stand, please. Raise your right hand.

Do you solemnly swear or affirm that the testimony you are about to give before this subcommittee of Congress will be the whole truth and nothing but the truth?

[Witnesses respond in the affirmative.]

Mr. MICA. All of the witnesses answered in the affirmative, so, again, welcome. I think I gave you the ground rules.

The other thing we will do is we will wait until we have heard from everybody, then we will get into questions, so we don't question each witness individually.

So first we will start with our leader from OMB, Mr. Mader. Welcome. You are recognized, sir.

WITNESS STATEMENTS

STATEMENT OF THE HONORABLE DAVID MADER

Mr. MADER. Thank you, Chairman Mica, Ranking Member Connolly, and Congressman Meadows, for the invitation today to testify on excess and underutilized property listed in the Federal Real Property Profile.

This is my first congressional testimony since being confirmed as OMB Controller by the Senate on July 17th of this year, and I look forward to working with you and the committee members and staff on this very important issue.

Each year, the Federal Government expends taxpayer dollars needlessly on Government properties it no longer needs to meet mission requirements. For this reason, the President, in 2010, issued a memorandum to the heads of all executive agencies titled "Disposing of Unneeded Federal Real Estate," which directed them to take aggressive action to reduce their real estate footprint. Since then, agencies have identified excess and underutilized property, and have begun initiating disposal actions. While this is a good start, much work needs to be done.

The Administration has developed a Government-wide strategy to address real property that is laying the groundwork to help agencies achieve a greater reduction and recognize greater savings.

Our progress to date represents a significant improvement to the Government's real property management capability and the actions that will reduce administrative spending. Our national real estate strategy provides a roadmap to reform real property management, improve the efficiency of the portfolio, and to control administrative costs. The strategy consists of three components. First, freeze the growth in inventory; second, to measure performance and identify opportunities to improve the efficiency and the effectiveness of data quality; and, third, to reduce the overall inventory by reducing actions to consolidate, co-locate, and dispose of real estate assets.

The first prong of our strategy is to freeze the Federal real property growth. Under Our Freeze the Footprint policy, agency performance is measured against their fiscal year 2012 office and warehouse square footage through an annual evaluation, which establish a baseline for us to measure going forward and the results of each of the agencies' performance—and I think you mentioned, Congressman Meadows, that there were multiple agencies that occupy and have responsibility over this—but these agencies will post their results on Performance.gov each year.

I am pleased to report that we have significantly overachieved our original plan of freezing the footprint. In fact, as a result of these initial efforts, the Federal Government reduced its overall office and warehouse space in fiscal 2013 by more than 10 million square feet.

Measure is the second prong. And as part of the President's second term Management Agenda, the Administration developed cost and quality benchmarks for core administrative operations, including real property. We leveraged the existing agency executive councils, in this case the Federal Real Property Council, to develop common standards and benchmarks to measure space utilization, performance, and cost. These benchmarks, coupled with existing Gov-

ernment-wide data, are helping agencies to identify opportunities for real property consolidations, space utilization enhancements, and disposal as they are institutionalized within and become standard operating procedure.

The third prong represents the ultimate goal of our efforts, and that is to reduce the size of Government-wide real property inventory. While over 10 million square foot reduction represents a good down payment, we will continue our work with agencies under Freeze the Footprint policy to identify opportunities for property disposals, as disposals, as you noted, reduce both the portfolio size and, more importantly, reduce the costs associated with operating and maintaining these assets on a forward-going basis.

To make truly transformational progress in reducing the Federal portfolio, we need Congress's help. The Administration continues to support the Civilian Property Realignment Act as a tool to help improve the management of Government's real estate portfolio and accelerate the disposal of excess properties. We continue to believe that the enhancement of CPRA would greatly enhance our ability to deliver results to taxpayers and to complement our national real property strategy. There are at least two fundamental principles that we want to explore as we right-size the Federal footprint.

First is the streamlining of processes. New real estate management tools should streamline process requirements to move a project from initiation to completion. Streamline requirements would enable the Government to realize administrative cost-savings more quickly and dispose of more properties at a faster pace.

Second, investing to reduce costs. Agencies often renew leases in multiple terms in old cost-and space-inefficient buildings because they lack the investment to relocate to better space and smaller space. We believe tools can be crafted that will enable agencies to exchange cost-inefficient space for much smaller amount of new space as leases expire and realize long-term gains.

As we implement the Administration's National Real Property Strategy, we look forward to working with you to achieve our mutual interests of a more effective and efficient delivery of Government services.

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

[Prepared statement of Mr. Mader follows:]

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Testimony of David Mader
Controller, Office of Management and Budget
before the
House Committee on Oversight and Government Reform
Subcommittee on Government Operations
July 29, 2014

Thank you, Chairman Mica, Ranking Member Connolly, and Members of the Subcommittee, for the invitation to testify on excess and underutilized property listed in the Federal Real Property Profile (FRPP).

Each year, the Federal government needlessly expends taxpayer dollars on properties it no longer needs to meet mission requirements. We need to take advantage of the opportunity to dispose of these excess and underutilized properties to right-size the Federal real estate portfolio to meet mission requirements and to reduce administrative costs.

A tool that we can use to achieve these objectives is the Federal Real Property Profile. The government accounts for excess and underutilized properties through this government-wide real property database. Whether an asset is "excess," or no longer needed by the agency, is determined by standards established by the individual agencies. Agencies also determine if a property is "unutilized," which refers to assets that are not occupied for current program purposes, or "underutilized," which refers to assets that are used only at irregular periods or intermittently by the agency for current program purposes, or those where only a portion can be used to satisfy current program purposes. To document the status of their assets, agencies report to the FRPP, on an annual basis, whether offices, warehouses, laboratories, hospitals, family housing, and dormitories, among other asset types, fall into these categories of excess, underutilized, or unutilized. This data is used by Federal agencies to prioritize assets for action, which may include the sale, demolition or rehabilitation of an asset to increase utilization.

In 2010, the President issued a memorandum to the heads of all executive agencies, titled "Disposing of Unneeded Federal Real Estate," which directed them to take aggressive action to reduce their real estate footprint. Since then, agencies have made progress in documenting and identifying excess and underutilized properties and initiating disposal actions. While this is a good start, much work remains to be done.

The Administration has developed a government-wide real property strategy that is laying the groundwork to help agencies achieve a greater space reduction, and recognize greater savings. Through this initiative the Administration has focused on accelerating the disposal of excess and unutilized assets, and moving underutilized assets to full utilization or disposal. These actions are reducing the size of the portfolio and reduce associated administrative costs. This initiative prioritizes these actions and will, in collaboration with Congress, help us meet the

objectives of right-sizing the Federal real estate portfolio to agency mission requirements and reducing administrative costs.

The Path Forward: The Administration's National Real Property Strategy

Our progress to date represents significant improvement to the government's real property management capability and the actions that will reduce administrative spending. Our national real property strategy provides a road map to reform real property management, improve the efficiency of the portfolio, and control administrative costs. The strategy consists of three components: ***freeze*** growth in the inventory; ***measure*** performance and identify opportunities to improve efficiency and inventory data quality to support data driven decision-making; and ***reduce*** the size of the inventory by implementing actions to consolidate, co-locate, and dispose of real estate assets.

Freeze

The first prong of our National Real Property Strategy is to **freeze** federal real property growth. The Office of Management and Budget's (OMB) Memorandum M-12-12: "Promoting Efficient Spending to Support Agency Operations," laid the foundation for this effort, by directing agencies to freeze the growth in the real estate inventory ("Freeze the Footprint" or FTF). In March 2013, OMB released FTF implementing guidance, requiring agencies to freeze or reduce growth in the square footage represented by the office and warehouse assets in agency inventories, limiting an agencies' real property footprint through FY 2015 to their total FY 2012 square footage. Under the Freeze the Footprint policy, agency performance is measured against their FY 2012 office and warehouse space square footage through an annual evaluation, with results of agency efforts posted on Performance.gov each year. As a result of these efforts, the Federal government reduced its overall office and warehouse space in FY 2013 by more than 10 million square feet which exceeds the policy's goal to freeze the footprint.

The Administration is working to further refine this guidance to align agency real property management priorities to changes in available resources and incentives and to build upon this success and achieve greater efficiency, cost effectiveness, and transparency in the Federal government's real estate portfolio.

Measure

"**Measure**" is the second prong of our National Real Property Strategy. As part of the President's second term Management Agenda, the Administration developed cost and quality benchmarks for core administrative operations, including real property. We leveraged the agency executive councils to develop common standards and benchmarks to measure shared service utilization, performance, and cost. We now are using those standards and benchmarks for common administrative services as the baseline for driving continuous improvements in performance. These benchmarks, coupled with existing government-wide data, are helping agencies identify opportunities for real property consolidation, space utilization enhancements, and disposal as they are institutionalized within and become standard agency operating procedure. This improvement will help reduce the portfolio and associated administrative costs.

Reduce

The third prong of our National Real Property Strategy represents the ultimate goal of our efforts: to **reduce** the size of the government-wide real property inventory. Meeting this goal will result in a more efficient federal real property footprint that best delivers on agency mission requirements in the most cost-effective manner. Reducing our real property footprint means pursuing the disposal of unneeded and underutilized assets.

We will continue our work with agencies under the Freeze the Footprint policy to identify opportunities for property disposals. With the disposal of excess and underutilized properties comes the opportunity to both reduce portfolio size and reduce costs associated with operating and maintaining these assets. In FY 2013, the General Services Administration disposed of 213 properties from the government-wide inventory that generated $97 million in proceeds. While this achievement is substantial, we believe that significant improvement can be made in this area, and that annual disposals can be increased if we work together to identify and implement core principles to develop new real estate management tools.

Real Estate Management Principles

The Administration supports the Civilian Property Realignment Act (CPRA) as a tool to help improve management of the government's real estate portfolio and accelerate the disposal of properties. We continue to believe that the enactment of CPRA would greatly enhance our ability to deliver results for the government-wide real estate portfolio. We also recognize other avenues are available to enhance our capability to achieve results for the real property program. While these may not be as far reaching and comprehensive as CPRA, we hope to pursue them as well.

To complement our National Real Property Strategy, there are at least two fundamental principles that we can explore as we right-size the Federal footprint. We believe that further dialogue and collaboration with this Committee, and the Congress as a whole, can help in forming an agreement on fundamental principles that can be used to create new tools to manage real property more effectively. To start this dialogue, we are proposing the following fundamental principles that can be used to create new real estate management tools.

Streamlined Process

New real estate management tools should streamline process requirements to move a project from initiation to completion. Streamlined requirements enable the government to realize administrative cost savings more quickly and dispose of more properties at a faster pace. New tools could provide relief from existing process requirements for all property actions or for only specific property types, locations, specific agencies, or real property actions such as sales.

Investing to Reduce Costs

Agencies often renew leases for multiple terms in old, cost- and space-inefficient buildings because they lack the investment funds to relocate to better space. We believe tools

can be crafted that will enable agencies to exchange cost inefficient space for a much smaller amount of new space as leases expire. For example, upon completion of the phase one renovation and consolidation into the General Services Administration Headquarters building, almost 700,000 square feet of leased space occupied by GSA components was released, resulting in a net decrease of over 400,000 square feet occupied by the agency.

In some cases such an exchange may require full investment funding while in others the investment required may be limited. In both cases the government will realize long-term cost savings and improve the quality of its portfolio. Other tools, such as policy requirements that specifically address the disposition of excess and underutilized properties, may be effective at accelerating disposals at very limited additional cost to the government. Identifying appropriate tools can speed our progress toward a more efficient government-wide real estate portfolio.

Conclusion

As we implement the Administration's National Real Property Strategy, we look forward to working with you to achieve our mutual interests of a more efficient and effective delivery of government services.

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

Mr. MICA. We certainly are looking forward to discussing your proposals. That was music to our ears on what you said. We will have some more questions about specifics. We will hear from all the witnesses first.

Let's go to Mr. Gelber. He is the Deputy Commissioner of Public Buildings Service at GSA. Welcome. You are recognized.

STATEMENT OF MICHAEL GELBER

Mr. GELBER. Good morning, Chairman Mica, Ranking Member Connolly, Congressman Meadows. My name is Michael Gelber and I am the Deputy Commissioner of GSA's Public buildings Service.

GSA's mission is to deliver the best value in real estate to Government and the American people. To meet this mission, GSA is 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 OMB to improve the Federal Government's inventory system of real property, as well as assisting agencies to dispose of their unneeded assets.

GSA is one of more than two dozen major landholding agencies in the Federal Government. Of the more than 870,000 buildings and structured reported by agencies in fiscal year 2013, GSA manages just 9,002. This number accounts for approximately 427 million of the 3.3 billion square feet of space under the Government's control, or slightly less than 13 percent.

GSA works to provide space to partner Federal agencies at the best possible value. We do that in part by helping agencies to better understand how proper planning, use of shared space, and new workspace arrangements can help them to effectively fulfill their mission while improving our bottom line. For example, Congress provided $70 million in fiscal year 2014 for GSA consolidation projects. Using these funds, GSA is executing 19 projects in 13 States that will save the Federal agencies $17 million in rent payments annually and reduce the Federal footprint by 507,000 square feet. In fiscal year 2015, the Administration is requesting $100 million in support of these worthwhile and cost-effective consolidation efforts.

Additionally, GSA is using new tools to leverage the equity of underperforming buildings that are in our inventory to get new and highly efficient ones. We currently are pursuing several real property exchanges that stand to provide considerable savings to the taxpayer.

We are also using tools to redevelop properties that no longer serve the Government's needs. With direction from Congress, GSA used its authority under Section 111 of the National Historic Preservation Act, a project Congressman Mica referenced, to out-lease the Old Post Office in Washington, D.C. We reached an agreement with a private sector partner to restore this 114-year-old building with $200 million in private sector capital. This significant investment will convert the Old Post Office into a mixed-use development that will serve the local community and preserve the historic facility.

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 Federal Real Property Council, GSA manages the Federal Real Property Profile, or FRPP. The FRPP is a database that provides common information on all of the Government's assets. The data in the FRPP is an annual report, so the data is a snapshot taken at the end of each fiscal year. This means it can be a useful tool for inventory, but is not designed to be an asset management system. Each individual agency is responsible for reporting information into the FRPP. Since the database's creation, GSA has worked to improve it by enhancing its technological capability, clarifying terminology, and meeting with agencies to help them better understand the technology and reporting requirements.

Additionally, with our Government-wide disposal authority, GSA has been working to assist agencies in expeditiously disposing of their unneeded assets. In fiscal year 2013, GSA sold or transferred 213 facilities across the Country, generating over $97 million in sales. So far, in fiscal year 2014, GSA has sold or transferred an additional 223 facilities across the Country, generating close to $30 million in sales.

As the Government Accountability Office has noted, there are still a number of longstanding challenges to getting agencies to better utilize their current inventory and dispose of their unneeded assets. Among our challenges, these include the up-front costs of disposals and the competing stakeholder interests that can often slow down the process. The Administration is working diligently to overcome these hurdles.

GSA is committed to carrying out its mission of delivering the best value in real estate to the 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 Office of Management and Budget 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 am happy to answer any questions you may have.

[Prepared statement of Mr. Gelber follows:]

STATEMENT OF
MR. MICHAEL GELBER
DEPUTY COMMISSIONER, PUBLIC BUILDINGS SERVICE
U.S. GENERAL SERVICES ADMINISTRATION
BEFORE THE
HOUSE COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM
SUBCOMMITTEE ON GOVERNMENT OPERATIONS

Good morning Chairman Mica, Ranking Member Connolly, and members of this Subcommittee. My name is Michael Gelber, and I am the Deputy Commissioner of the U.S. General Services Administration's (GSA) Public Buildings Service (PBS).

GSA's mission is to deliver the best value in real estate, acquisition, and technology services to government and the American people. To meet this mission, GSA is working with agencies to reduce their space requirements, effectively managing our inventory, 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 dispose of their unneeded assets.

GSA's Asset Management –

GSA is one of more than two dozen major landholding agencies in the Federal government. Of the more than 871,127 buildings and structures reported by agencies in the FY2013 Federal Real Property Profile (FRPP), GSA manages just 9,002. This number accounts for approximately 427 million of the 3.3 billion square feet of space under the government's control, or slightly less than 13 percent.

GSA's mission is to provide space to partner Federal agencies at the best possible value. We do that in part by helping agencies to better understand how proper planning, use of shared space, and new work-space arrangements can help them to effectively fulfill their mission while improving their bottom line. This effort has required deliberate, upfront planning and coordination with agencies, and it has paid off with a number of successes that have helped reduce the government's long-term real estate costs. For example, the Administration requested $100 million in Fiscal Year 2014 for GSA consolidation projects, with the goal of improving utilization by moving agencies out of costly leased space and into Federally-owned locations. Congress provided $70 million of this request. Using these funds, GSA is executing 19 projects in 13 states across the country that will save

federal agencies $17 million in rent payments annually, reduce the Federal footprint by 507,000 square feet, and reduce the government's leasing costs by $38 million. In Fiscal Year 2015, the Administration is again requesting $100 million in support of these worthwhile and cost effective consolidation efforts.

We also aggressively dispose of our unneeded assets. From 2005 to fiscal year end 2013, GSA has disposed of over 300 properties under our control, generating proceeds of close to $300 million, and avoiding almost $320 million in liability costs.

Additionally, GSA is using new tools to leverage the equity of underperforming buildings in our inventory to get new and highly efficient ones. We currently are pursuing several real property exchanges that stand to provide considerable savings to taxpayers.

For instance, we are undertaking an exchange involving the Federal Triangle South project, where GSA will leverage the value of several buildings in southwest DC to fund new, highly efficient space for the agencies currently housed there. On April 8, 2014, GSA issued a solicitation for the first in what will likely be a series of projects in this area of DC. This first project seeks to exchange the Cotton Annex and GSA's own Regional Office Building for services that would be used to help GSA consolidate about 1,500 regional staff from the Regional Office Building into the GSA headquarters located at 1800 F St., NW in Washington, DC.

Finally, these efforts include using tools to redevelop properties that no longer serve the Government's needs. For example, with direction from Congress, GSA used its authority under Section 111 of the National Historic Preservation Act to outlease the Old Post Office. We reached an agreement with the Trump Organization to restore this 114-year old building with $200 million in private sector capital. This significant investment will convert the Old Post Office into a mixed-use development that will serve the local community and preserve the historic facility. We also will receive a base rent of $250,000 per month, which escalates at the Consumer Price Index over the term of the 60-year lease. The funds that GSA receives from the Old Post Office lease can be used for repair and upkeep of historic federal buildings across GSA's inventory, saving additional taxpayer dollars.

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 a 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."[1]

Importantly, each individual agency is responsible for reporting information into the FRPP. Since the database's creation, GSA has worked to improve it by enhancing its technological capability, clarifying terminology, and meeting with agencies to help them better understand the technology and reporting requirements. We work consistently 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.

GSA's Role Government-Wide –

GSA also works in concert with OMB and the FRPC to assist other landholding agencies with the property they are responsible for managing.

As part of the Administration's Freeze the Footprint initiative, GSA is helping landholding agencies develop plans to reduce the size of their inventory. We have also 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.

Additionally, with our government-wide disposal authority, GSA has been working to assist agencies in expeditiously disposing of their unneeded assets. GSA provides strategic

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

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 each asset's characteristics, environmental issues, community interests, political concerns, market conditions and other factors impacting the repositioning of the unneeded asset. 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.

In fiscal year 2013, GSA sold or transferred 213 facilities across the country, generating $97.7 million in sales. In fiscal year 2014, GSA has sold or transferred an additional 223 facilities across the country as of June 30, 2014, generating $29.3 million in sales.

For instance, GSA sold the Moscow Federal Building in Idaho, a 30,000 square foot 5-story building with 107 parking spaces. The building was constructed in 1973 in downtown Moscow. Due to the relocation of several agencies the building was not fully utilized, providing an opportunity for GSA to dispose of the facility. The property was sold to Gritman Medical Center, a community hospital based in Moscow, for $2.38 million. In addition to the sale proceeds, GSA avoided approximately $4 million in repair and alterations costs. The building will be used by Gritman to provide additional medical services to its patients.

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."[2] GSA is working diligently with agencies to overcome these hurdles, and the Administration's directives are assisting with those efforts.

[2] *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.

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 OMB and the FRPC, 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 am happy to answer any questions you have.

Mr. MEADOWS. [Presiding.] Thank you, Mr .Gelber

Now we go to the future 11th Congressional constituent of Virginia, Mr. Wise.

STATEMENT OF DAVID J. WISE

Mr. WISE. Thank you, Mr. Meadows.

Mr. Connolly, I can only aspire to be in the 11th District. But we do make great use of the Lorton Art Center and Occoquan Park almost every weekend, so we are almost de jure or de facto members.

Chairman Mica, Ranking Member Connolly, Mr. Meadows, I am pleased to be here today to discuss Federal real property management.

The Federal Government's real property portfolio comprises approximately 900,000 buildings and structures, and is worth billions of dollars. Federal real property management has been on our high risk list since 2003 due to unneeded and underutilized facilities, over-reliance on leasing, security challenges, and unreliable data.

In 2004, the President established the Federal Real Property Council and required it to work with GSA to establish and maintain a single comprehensive real property database. The FRPC created the Federal Real Property Profile to meet this requirement and began data collection in 2005.

My statement today summarizes our recent work on, one, excess and underutilized property; two, structures; three, maintenance and repair backlogs; and, four, cost-savings estimates.

Federal excess and underutilized property is an ongoing challenge facing the Government, due in part to unreliable data. In June 2012, we reported that the FRPC did not ensure that key data elements were defined and reported consistently and accurately, suggesting that the FRPP is not a useful decision-making tool. Other challenges include the high cost of property disposal and legal requirements prior to disposal, which Mr. Mica referred to earlier.

In our report, we recommended that OMB develop a national strategy for managing Federal excess and underutilized property. OMB, at the time, did not directly state whether it agreed or disagreed with our recommendation, but up to now we have not seen a comprehensive national strategy. We also recommended that GSA and the FRPC take action to improve the FRPP. GSA officials stated that they intend to improve the FRPP and have developed an action plan. We are in the process of evaluating these actions as part of our 2015 high risk update, which will come out approximately next February.

The Federal Government manages a wide variety of structures which represent over half of the Federal Government's real property assets, including roads and parking structures, utility systems, monuments, and radio towers. In January 2014, we reported that incorrect and inconsistent data on structures limit the value of the FRPP. We concluded that the agencies we reviewed should improve their data quality in order to document performance and support decision-making. We also found that, even if this data were more accurate, there is low demand for this information, creating few incentives to actually improve the data reliability.

We recommended to OMB and GSA that they improve data reliability and assess the feasibility of limiting the data collected on structures submitted to the FRPP. OMB and GSA agreed with the recommendations and we will continue to monitor their implementation.

Regarding deferred maintenance and repair needs, in a 2014 report, we found that selected civilian agencies followed most leading practices in managing their facility maintenance and repair backlogs except for transparent reporting about amounts agencies are spending to maintain their assets and manage the backlogs. The agencies reviewed reported fiscal year 2012 deferred maintenance and repair backlog estimates that ranged anywhere from about $1 billion to $20 billion. However, agencies do not share a common definition of deferred maintenance, resulting in dissimilar backlog estimates. Thus, estimates across agencies are really not comparable.

We recommended that OMB, in collaboration with the agencies, collect and report information on agencies' costs for annual maintenance and repair, and funding spent to manage their existing backlogs. OMB agreed with our recommendation and we will also continue to monitor progress on that.

Regarding cost savings estimates, in June 2010, the President directed Federal agencies to achieve $3 billion in real property cost savings by the end of fiscal year 2012 through a number of methods, including disposal of excess property, energy efficiency improvements, and space consolidation efforts. Agencies reported real property cost savings of about $3.8 billion across these categories.

Our report in October 2013 found that space management savings accounted for about 70 percent of the savings claimed by the agencies we reviewed and that they primarily emanated from activities that were planned or underway at the time the presidential memorandum was issued. We also found that OMB did not require agencies to provide detailed documentation of their reported savings on Performance.gov., limiting transparency. OMB guidance was also not clear on the types of savings that could be reported, particularly because the term cost-savings itself was not clearly defined. Some agencies did not deduct costs associated with disposals, some did; some reported savings outside the time frame of the memorandum.

Accordingly, we recommended that OMB establish clear and specific standards to help ensure reliability and transparency in the reporting of future real property cost-savings. OMB generally agreed with the recommendations and we will also be evaluating its actions as part of the 2015 high risk update.

Mr. Chairman, sustained progress is needed to address the challenges that make Federal real property management high risk. We will continue to monitor agencies' efforts to implement our recommendations, which we believe are critical to address these challenges. This concludes my prepared statement, and I would be happy to answer any questions from the subcommittee.

[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

Better Guidance and More Reliable Data Needed to Improve Management

Statement of David J. Wise, Director
Physical Infrastructure Issues

GAO Highlights

Highlights of GAO-14-757T a testimony before the Subcommittee on Government Operations, Committee on Oversight and Government Reform, House of Representatives

Why GAO Did This Study

The federal real property portfolio, comprising approximately 900,000 buildings and structures and worth billions of dollars, presents several key management challenges. GAO has designated federal real property management as a high risk issue since 2003 due to long-standing challenges including unreliable data on this property, excess and underutilized property, over-reliance on leasing, and challenges with security. Since then, the federal government has given high-level attention to reforming real property management and has made some progress. It established the FRPC, chaired by OMB, in 2004. The FRPC created the FRPP, which is intended to be a comprehensive database developed for describing the nature, use, and extent of all real property under the custody and control of executive branch agencies. The FRPP is managed by GSA and began collecting data in 2005. GAO's recent work has found, however, that data problems related to federal real property have continued.

This statement discusses data guidance and reliability issues GAO has found regarding federal civilian agencies' data on: (1) excess and underutilized property, (2) structures, (3) maintenance backlogs, and (4) cost saving estimates. It is based on previous GAO reports on federal real property issued from June 2012 through January 2014 and some updates on the status of recommendations made in those reports. To obtain these updates, GAO monitored agency actions taken and performed follow-up with agency officials.

View GAO-14-757T. For more information, contact David Wise at (202) 512-2834 or wised@gao.gov

July 29, 2014

FEDERAL REAL PROPERTY

Better Guidance and More Reliable Data Needed to Improve Management

What GAO Found

GAO found in 2012 that government-wide real property data were not sufficiently reliable to support sound management and decision making about excess and underutilized property. The Federal Real Property Council (FRPC) had not ensured that key data elements of the Federal Real Property Profile (FRPP) were defined and reported consistently and accurately. For example, FRPP data did not accurately describe the properties at 23 of the 26 locations GAO visited, often overstating the condition and annual operating costs of buildings. GAO recommended that the General Services Administration (GSA), in consultation with FRPC, develop a plan to improve the FRPP. Consequently, GSA developed an action plan and was scheduled to complete these changes by June 2013. GAO is determining whether these actions improve FRPP consistency and reliability and plans to report the results as part of GAO's 2015 high risk update.

In 2014, GAO found that incorrect and inconsistent data on federal structures such as roads, bridges, railroads, and utility systems, limited the value of the government-wide FRPP data. For example, agencies GAO reviewed defined structures differently leading to inconsistencies. GAO recommended that GSA, in coordination with FRPC, clarify the definition of structures and assess the feasibility of limiting the data on structures submitted to the FRPP. GSA provided an action plan in December 2013 to implement GAO's recommendations, but no timeframe was provided for when the proposed actions would be completed.

In a 2014 report, GAO found that civilian agencies followed most leading practices in managing their facility maintenance and repair backlogs, except for transparent reporting about the funding amounts agencies are spending to maintain their assets and manage their backlogs. Different agency financial reporting requirements as well as FRPP reporting guidance did not require a specific process for determining deferred maintenance and repair backlogs, and agencies could use their existing processes. Thus, GAO recommended that OMB, in collaboration with agencies, collect and report information on agencies' costs for annual maintenance and repair performed and funding spent to manage their existing backlogs. OMB and FRPC agencies have taken actions to improve management of deferred maintenance, including working to refine FRPP data, but have not yet fully implemented GAO's recommendation.

In a 2013 review of selected agencies' reporting of real property cost savings data, GAO identified several challenges that reduced the reliability and transparency of the data the government reported. For example, OMB did not require agencies to provide detailed documentation of their reported savings or include specific information about agencies' reported savings on Performance.gov, limiting transparency. Furthermore, guidance issued by OMB was not clear on the types of savings that could be reported, particularly because the term "cost savings" was not clearly defined. GAO recommended that OMB establish clear and specific standards to help ensure reliability and transparency in the reporting of future real-property cost savings. OMB generally agreed with the recommendation. GAO is determining the extent to which OMB has implemented it and GAO plans to report the results as part of GAO's 2015 high risk update.

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

I am pleased to be here today to discuss federal real property management, including how data guidance and reliability issues contribute to its high risk designation. The federal government's real property portfolio comprises approximately 900,000 buildings and structures and is worth billions of dollars.[1] Federal real property management has been on our high-risk list since 2003 due to the presence of unneeded and underutilized facilities, overreliance on leasing, security challenges at federal facilities, and unreliable real property data.[2] In 2004, the President issued an executive order establishing the Federal Real Property Council (FRPC). 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, except when otherwise required for reasons of national security.[3] The FRPC created the Federal Real Property Profile (FRPP) to meet this requirement and began data collection in 2005. GSA is responsible for managing the FRPP. 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.[4]

[1]Examples of federal buildings include office buildings, warehouses, laboratories, hospitals, and family housing. Examples of federal structures include items such as roads and bridges, railroads, utility systems, weapons ranges, and monuments and memorials.

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

[3]Federal Real Property Asset Management, Exec. Order No. 13327, 69 Fed. Reg. 5897 (Feb. 6, 2004). The executive order applies to executive branch agencies listed at 31 U.S.C. §901(b); the Departments of Agriculture, Commerce, Defense, Education, Energy, Health and Human Services, Homeland Security, Housing and Urban Development, the Interior, Justice, Labor, State, Transportation, the Treasury, and Veterans Affairs; the Environmental Protection Agency; the National Aeronautics and Space Administration; the U.S. Agency for International Development; GSA; the National Science Foundation; the Nuclear Regulatory Commission; the Office of Personnel Management; the Small Business Administration; and the Social Security Administration.

[4]GAO, *Federal Real Property: Excess and Underutilized Property Is an Ongoing Challenge*, GAO-13-573T (Washington, D.C.: April 2013).

My statement today summarizes our recent work as it pertains to data problems affecting federal real property management by civilian agencies. It highlights our work on data guidance and reliability issues related to the management of: (1) excess and underutilized property, (2) structures, (3) maintenance and repair backlogs, and (4) cost saving estimates. For this statement, we drew primarily from GAO reports on federal real property issued from June 2012 through January 2014 including some updates on the status of recommendations made in those reports. To obtain these updates, we monitored agency actions taken and performed follow-up with agency officials. See appendix I for a list of these GAO reports. For those reports, we obtained and analyzed FRPP data submissions and other real property data from the agencies we selected, reviewed FRPC and agency guidance documents, and interviewed federal agency officials. Our reports contain more detailed explanations of the methods used to conduct our work. The work on which this statement is based was conducted in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Unreliable Data Create Challenges for Managing Excess and Underutilized Property

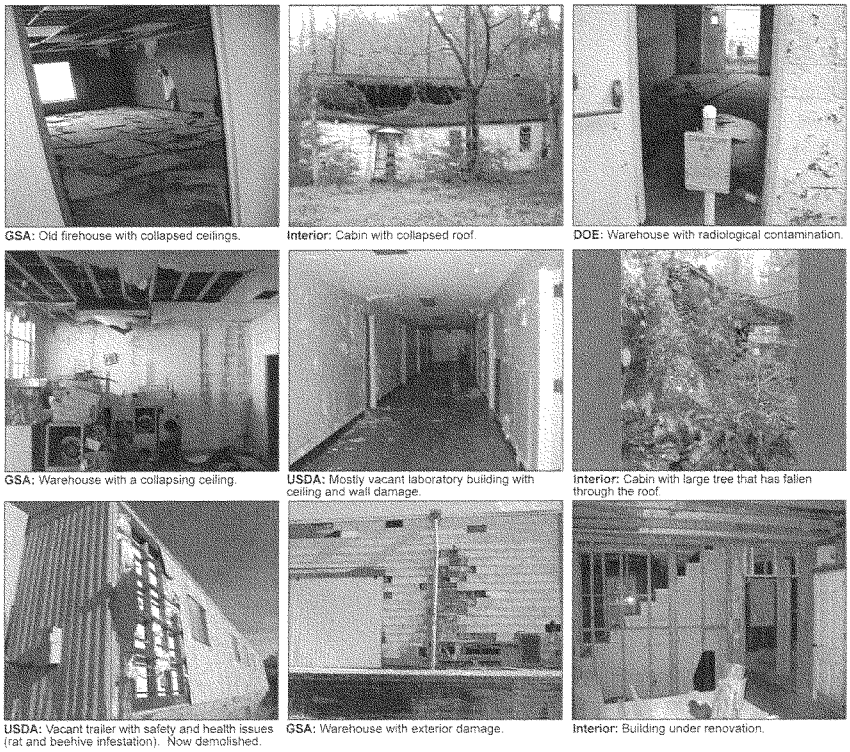
Federal excess and underutilized property is an ongoing challenge facing the government due in part to unreliable data. In June 2012, we found that the FRPC did not ensure that key data elements—including buildings' utilization, condition, annual operating costs, mission dependency, and value—were defined and reported consistently and accurately.[5] For example, the FRPP data did not accurately describe the properties at 23 of the 26 locations we visited, often overstating the condition and annual operating costs of buildings. The types of inconsistencies and inaccuracies we identified in these five key data elements suggest that the FRPP database is not a useful decision-making tool for managing federal real property. Our review focused on five civilian federal real property-holding agencies—GSA and the departments of Energy (DOE),

[5]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 2012).

the Interior (Interior), Veterans Affairs (VA), and Agriculture (USDA).[6] We reviewed key agency-reported FRPP data elements including utilization, condition index, annual operating costs, and value, and we found inconsistencies and inaccuracies for each of these data elements. For example, several buildings that received high scores for condition were actually in poor condition, with problems including: asbestos, mold, health concerns, radioactivity, and flooding (see fig. 1).

[6]We chose GSA, DOE, Interior, and VA because these agencies contained the largest total building square footage of all civilian real property agencies that are required to submit data under the executive order. We added USDA to our list of selected agencies because USDA reported significantly more excess properties than the other civilian agencies in 2009. In May 2011, the administration posted an interactive map of excess federal properties on its website, and OMB told us that this map was created from the list of excess properties submitted to the FRPP database in 2009. The data from this map showed that USDA has over 2,000 more properties than the civilian agency with the next highest number.

Figure 1: Examples of Federal Property Reported as Being in Excellent Condition in the Federal Real Property Profile, 2012



GSA: Old firehouse with collapsed ceilings.

Interior: Cabin with collapsed roof.

DOE: Warehouse with radiological contamination.

GSA: Warehouse with a collapsing ceiling.

USDA: Mostly vacant laboratory building with ceiling and wall damage.

Interior: Cabin with large tree that has fallen through the roof.

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

GSA: Warehouse with exterior damage.

Interior: Building under renovation.

Sources: GAO and DOE. | GAO-14-757T

In addition to the various problems we found and documented with real property data, we have also found that the federal government continues to face other challenges when managing excess and underutilized

properties.[7] Such challenges include (1) the high cost of property disposal, (2) legal requirements prior to disposal such as those related to preserving historical properties and the environment, (3) stakeholder resistance to property disposal or reuse plans, and (4) remote property locations that make selling or disposal difficult. 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 remain with data reporting, we concluded that a national strategy could provide a clear path forward to help federal agencies manage excess and 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.

In our June 2012 report, we recommended that OMB, in consultation with the 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. Up to now, no comprehensive national strategy has been issued. We view such a strategy as a key step needed to improve the federal government's management of its real property portfolio. Additionally, FRPP is not yet a useful tool for describing the nature, use, and extent of excess and underutilized federal real property. We concluded in June 2012 that FRPP data must be consistent and reliable to help decision makers overcome these long-standing problems. Accordingly, in the same report, we recommended that GSA and FRPC take action to improve the FRPP. GSA stated that they intend to improve the agency's management of FRPP data by:

- making enhancements to clearly define data collection requirements,
- performing data quality tests and assessments to ensure data reliability,
- developing new performance measures to support government-wide goals, and
- improving collaboration with agencies.

[7]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 2012).

GSA developed an action plan for implementing GAO's recommendations and was scheduled to complete these changes by June 2013. We are in the process of determining whether these actions improve FRPP consistency and reliability. We plan to report our results as part of our 2015 high risk update.

Incorrect and Inconsistent Data Undermines Government-wide Management of Structures

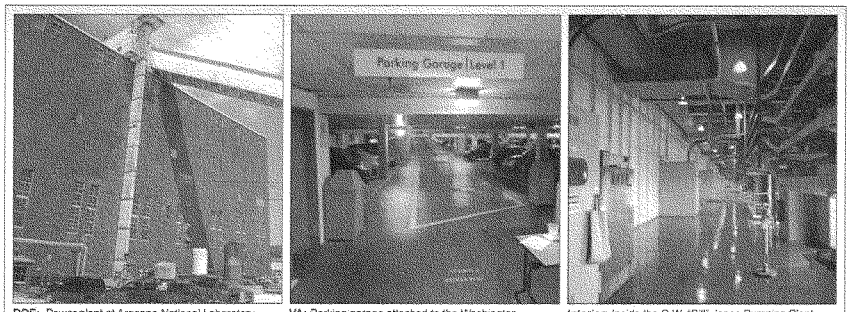
The federal government manages a wide variety of structures that represent over half of the federal government's real property assets, including roads and parking structures, utility systems, monuments, and radio towers. In January 2014, we found that incorrect and inconsistent data on structures limit the value of the government-wide FRPP data the government collects.[8] First, at the most basic level, some of the data agencies submit on their structures are incorrect, undermining agencies' ability to manage their structures and the reliability of the data in FRPP.

Second, even if agencies effectively apply the OMB guidance, the government-wide data will continue to face reliability problems because of the flexibility built into FRPP guidance on how agencies track key elements, such as defining and counting structures. For example, agencies we reviewed—including the Department of Transportation (DOT), DOE, VA, USDA, and Interior[9]—defined structures differently leading to inconsistencies in what assets are included in the FRPP. Figure 2 provides examples of some facilities we visited that were classified as structures, even though they were similar to buildings (having features such as walls, roofs, doors, windows, and air-conditioning systems in some cases). We concluded that agencies must improve their data quality in order to document performance and support decision making.

[8]GAO, *Federal Real Property: Actions Needed to Improve How Agencies Manage Structures*, GAO-14-87 (Washington, D.C.: January 2014).

[9]We selected these civilian real property-holding agencies for our review using the following criteria: number of structures, diversity in types of structures, and the high replacement value and operations and maintenance costs.

Figure 2: Examples of Building-Like Structures Owned by Federal Government Agencies, 2014



DOE: Power plant at Argonne National Laboratory in Illinois is part of the Laboratory's power distribution system structure.

VA: Parking garage attached to the Washington DC VA Medical Center is listed as a separate structure.

Interior: Inside the C.W. "Bill" Jones Pumping Plant in California, part of the canal and reservoir structure supplying water to southern California.

Source: GAO. | GAO-14-757T

Additionally, the agencies we reviewed submitted incorrect information for key data elements for structures, such as replacement value, annual operating costs, and condition. GSA officials who manage the FRPP said that FRPC chose to provide flexibility in the reporting guidance for data on structures to account for the wide diversity in federal structures, but it also aggregates the data as if they were comparable. We found that, even if this data were useful, FRPC reports very little information on structures. Officials at GSA told us that there is low interest in and demand for this information, creating few incentives to improve data reliability.

We recommended that OMB, in coordination with the FRPC, develop guidance to improve agencies' internal controls to produce consistent, accurate and reliable information on their structures.[10] We also recommended that GSA, in coordination with the FRPC, clarify the definition of structures and assess the feasibility of limiting the data collected on structures submitted to the FRPP. OMB and GSA agreed

[10]Internal control standards for federal executive branch agencies require that agencies have relevant, reliable, and timely information for decision-making and external reporting purposes.

with the recommendations, and GSA provided an action plan in December 2013 to implement them, but no timeframe was provided for when the proposed actions would be completed.

Agencies Do Not Apply Standard Definitions for Deferred Maintenance and Repair Needs

In a 2014 report, we found that civilian agencies followed most leading practices in managing their facility maintenance and repair backlogs, except for transparent reporting about the funding amounts agencies are spending to maintain their assets and manage their backlogs. However, the deferred maintenance and repair of federal real property contributes to deteriorating assets in the federal inventory, and we found that the eventual need to address deferred maintenance and repair could significantly affect future budget resources.[11] The five federal agencies we reviewed for our 2014 report— GSA, DOE, VA, Interior, and the Department of Homeland Security (DHS) — reported fiscal year 2012 deferred maintenance and repair backlog estimates that ranged from nearly $1 billion to $20 billion.[12] However, agencies do not share a common definition of deferred maintenance, resulting in dissimilar backlog estimates. In addition, financial reporting requirements as well as FRPP reporting guidance do not require a specific process for determining deferred maintenance and repair backlogs, and agencies can use their existing processes to do so. For example, Interior excludes, while DHS includes, costs for some assets scheduled for disposal. As a result, when agencies report information in their financial reports and to FRPP, data include dissimilar backlog estimates and makes estimates across agencies not comparable. As such, an opportunity exists to better conform to leading practices and increase transparency.

We recommended that OMB, in collaboration with agencies, collect and report information on agencies' costs for annual maintenance and repair performed and funding spent to manage their existing backlogs. OMB agreed with our recommendation, and along with FRPC, has taken actions to improve management of deferred maintenance, including working to refine FRPP data and develop performance measures that

[11]GAO, *Federal Real Property: Improved Transparency Could Help Efforts to Manage Agencies' Maintenance and Repair Backlogs*, GAO-14-188 (Washington, D.C.: January 2014).

[12]We selected these five civilian agencies because they were examined as part of our 2011 high risk update on managing federal real property and reported a high ratio of deferred maintenance and repairs to annual operating costs.

reflect current federal real-property management priorities, but OMB has not yet fully implemented our recommendation. Thus, as OMB and FRPC agencies work to improve FRPP data and develop new performance metrics, the opportunity exists to revise requirements for agencies to collect and report costs of annual maintenance and repair and to address deferred maintenance and repair backlogs as we recommended earlier this year.

Cost Savings Data is Not Reliable or Transparent

In June 2010, the President issued a memorandum directing federal agencies to achieve $3 billion in real property cost savings by the end of fiscal year 2012 through a number of methods, including disposal of excess property, energy efficiency improvements, and other space consolidation efforts. Agencies reported real property cost savings of $3.8 billion across the OMB categories of disposal, space management, sustainability, and innovation in response to the June 2010 presidential memorandum. Space management savings, defined by OMB as those savings resulting from, among other things, consolidations or the elimination of lease arrangements that were not cost effective, accounted for the largest portion of savings reported by all agencies. In October 2013, we found that space management savings accounted for about 70 percent of the savings reported by the six agencies we reviewed— GSA, USDA, DOE, DHS, the Department of Justice (DOJ), and the Department of State (State).[13] The requirements of the memorandum, as well as agencies' individual savings targets and the time frame for reporting savings, led the selected agencies to primarily report savings from activities that were planned or under way at the time the memorandum was issued.

GAO's October 2013 review of the six selected agencies found several problems that affected the reliability and transparency of the cost savings

[13]GAO, *Federal Real Property: Improved Standards Needed to Ensure That Agencies' Reported Cost Savings Are Reliable and Transparent*, GAO-14-12 (Washington, D.C.: October 2013). We selected the six agencies because they had the largest cost savings targets for civilian agencies, collectively accounting for about 75 percent of the $3 billion cost savings goal; reported a variety of cost savings measures to achieve their savings target; and had a range of property types in their real property portfolios. The Department of Defense (DOD) had the largest cost savings target for a single agency over the 2010 to 2012 time period. However, we focused on the cost savings reported by civilian agencies, and therefore excluded DOD from our review. Furthermore, the U.S. Postal Service was not subject to the requirements of the June 2010 memorandum.

data that the government reported in response to the June 2010 memorandum. For example, OMB did not require agencies to provide detailed documentation of their reported savings or include specific information about agencies' reported savings on Performance.gov, limiting transparency. Furthermore the memorandum and subsequent guidance issued by OMB were not clear on the types of savings that could be reported, particularly because the term "cost savings" was not clearly defined. For instance, officials from several agencies we reviewed said the guidance was unclear about whether savings from cost avoidance measures could be reported. In addition some agencies made different assumptions in reporting disposal savings. Some agencies did not deduct costs associated with disposals, and some reported savings outside the time frame of the memorandum. For example, two agencies reported one year of avoided operations and maintenance savings for the year in which the disposal occurred, while three agencies reported up to 3 years of savings depending on when disposals occurred during the 3-year period.

Agency officials stated that the memorandum broadened their understanding of real property cost-savings opportunities. However, we concluded that establishing clearer standards for identifying and reporting savings would improve the reliability and transparency of the reporting of cost savings and help decision-makers better understand the potential savings of future initiatives to improve federal real-property management. As such, we recommended that OMB establish clear and specific standards to help ensure reliability and transparency in the reporting of future real-property cost savings. OMB generally agreed with the recommendation. We are in the process of determining the extent to which OMB has implemented the recommendation and plan to report our final results as part of our 2015 high risk update.

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, problems with data reliability remain an underlying challenge for agencies to properly manage the multiple areas of real property reform. 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.

Mr. MICA. [Presiding.] Thank you.

We will go next to Mr. Sullivan, who is Director of the Office of Enterprise Management at the Department of Veterans Affairs. Welcome, and you are recognized.

STATEMENT OF JAMES M. SULLIVAN

Mr. SULLIVAN. Good morning, Chairman Mica, Ranking Member Connolly, and Congressman Meadows. Thank you for the opportunity to appear today to discuss the Department of Veterans Affairs management of its real property portfolio, in particular, our ongoing efforts to reduce or eliminate unneeded or vacant property. Today I would like to highlight the success VA has had in repurposing and disposing of assets, especially where these assets have resulted in housing for returning war veterans and their families.

Before I begin, I must emphasize that our primary mission is to provide care for the benefit of veterans. Veterans and our veteran stakeholders view VA's real property assets as theirs, and they have a very strong emotional tie to those assets.

VA is the owner of one of the largest health care related real estate portfolios in the Nation. VA manages over 174 million square feet, comprising 151 million owned and 23 million leased. VA has developed a highly structured data-driven methodology to assess proposed infrastructure projects. The Department's Strategic Capital Investment Process, better known as SCIP, involves a systematic evaluation of all proposed capital investments based on how well they address performance gaps, including whether those gaps address disposal of unneeded assets.

Through SCIP, we directly address the challenges posed by an aging infrastructure with a range of solutions, including reuse, repurposing, and disposal of assets. VA, through this process, has identified a need of approximately $50 billion in capital investments over the next 10 years to close these critical performance gaps.

VA has made significant progress in efforts to reduce vacant and underutilized building footprint, and has aggressively pursued reuse and disposal strategies. This has resulted in a 28 percent reduction in vacant space and a 37 percent reduction in underutilized space since 2008.

So where do we stand today at VA? As of the end of fiscal year 2013, VA has approximately 242 vacant buildings, accounting for approximately 4 million square feet, or approximately 2 percent of our overall portfolio. VA has plans, which have been submitted to Congress, to dispose or reuse of 131 buildings, or 2.8 million square feet, by 2018, leaving a balance of 111 buildings, or 1.4 million square feet vacant. This represents .8 percent of our total square footage vacant at the end of that period. Those remaining structures, most of them are historic in nature, present real challenges as we try to dispose or repurpose those assets.

VA continues to pursue disposal consolidation and enhanced use lease opportunities to support our mission and operation to shed underutilized assets and improve efficiency. To date, approximately 5.1 million square feet has been out-leased in public-private partnerships through the EUL process. This has, in part, resulted in

1700 operational family units or individual units for use for homeless veteran housing.

VA's EUL program is an innovative real property asset management tool which VA uses to deal with its vacant and underutilized assets. It allows VA to out-lease such assets to private and public sector entities for reuse and repurposing for housing at little or no long-term carrying cost to the Federal Government. Since the original EU legislation passed in the early 1990s, more than 100 projects have been awarded. An example of where VA has significant success with the EULs has been in Dayton, Ohio, at its medical center. VA repurposed four vacant buildings, at 130,000 square feet, for a homeless center, transitional housing for veterans, and child development center. Two additional projects are currently in the developmental phase at Dayton.

In December 2011, VA's EUL authority expired. It was later reauthorized, but with a very limited focus, only on housing projects. While some EULs can be pursued using this authority, a broader scope is needed to repurpose our assets that are not suitable for supportive housing. VA submitted a request in February 2014 to broaden this legislation to allow for greater repurposing of opportunities. In addition to expanded EUL authority, VA welcomes additional tools similar to the proposed CPRA legislation which would provide further opportunities for disposal of our most challenging assets. VA would also benefit from legislation that would streamline the disposal process, making it more consistent and easily repeatable.

To summarize, VA has a complex real estate portfolio and seeks to maintain the optimal mix of investments needed to care for our Nation's veterans. VA welcomes new or expanded tools to address its most challenging assets and, where possible, cut waste and reduce cost to the taxpayer.

I appreciate the opportunity to be here this morning, Mr. Chairman, and happy to answer any of your questions.

[Prepared statement of Mr. Sullivan follows:]

Testimony of Mr. James M. Sullivan
Director, Office of Asset Enterprise Management
Department of Veterans Affairs
before the
House Committee on Oversight and Government Reform
July 29, 2014

Thank you, Chairman Mica, Ranking Member Connolly, and Members of the Subcommittee, for the opportunity to appear today to discuss the Department of Veterans Affairs (VA) management of its real property portfolio, particularly its ongoing efforts to reduce or eliminate vacant and underutilized property. I will also take a moment to articulate VA's need for additional tools that will provide opportunities to reduce VA's portfolio of vacant and underutilized assets.

VA Real Property Portfolio

VA's mission is unique compared to other Federal agencies, in that we operate the nation's largest integrated health care system, with more than 1,700 hospitals, clinics, community living centers, domiciliaries, readjustment counseling centers, and other facilities. Additionally, VA administers a variety of benefits and services, and operates 131 national cemeteries nationwide.

The Department owns and leases real property in hundreds of communities across the U.S., and overseas. Currently, VA manages over 174 million square feet (SF) of space, comprised of approximately 151 million owned SF and 23 million leased SF of building assets. This is a very large footprint, and unlike many Federal agencies, VA owns the large majority of its portfolio – 87 percent of its square footage – which means real estate plays an important role in our overall asset management. The average age of a VA owned building is approaching 60 years old. Approximately 9.9 million SF or 5.7 percent of VA's portfolio, is vacant or underutilized building space.

Federal Real Property Profile (FRPP)

VA submits annual data to the Federal Real Property Profile (FRPP) in accordance with guidance published each year by the Office of Management and Budget (OMB) and U.S. General Services Administration. In 2013, VA reported 7,603 owned and leased buildings. As part of the FRPP submission, for specific classes of assets, VA reports the utilization of those assets. Based on the FRPP guidance, 259 assets were deemed unutilized or underutilized in fiscal year (FY) 2013, or about 4.2 million SF.

VA uses the FRPP as a source of information to improve the performance of its capital asset portfolio. In support of the FRPP data, VA does maintain more detailed information to better manage its assets at the operational and decision making level. This additional detail, managed within our Capital Asset Inventory system, allows summary information reported to FRPP to be deconstructed into lower levels of information more useful in operational decision making. By viewing its portfolio both at the FRPP level and more detailed level, VA is able to provide pertinent data in support of ongoing portfolio management and planning activities.

Capital Asset Management Planning

VA strives to maintain the optimal mix of investments needed to achieve strategic goals and ensure a high level of performance for our assets, while minimizing risk and maximizing cost effectiveness. VA has developed and continues to look for sound capital asset management strategies to assist in maximizing the value of its portfolio by disposing of or reusing underutilized properties.

VA has been a leader in capital asset management planning. VA was one of the first agencies to develop a highly structured, data-driven methodology by which to assess proposed major construction projects. Beginning with the FY 2012 budget formulation process, VA introduced the Strategic Capital Investment Planning (SCIP)

process to prioritize all capital investments based on today and future-identified mission needs.

The SCIP process involves a systematic evaluation of all proposed capital investments across the Department, based on how well they address identified performance gaps (e.g., safety, security, workload-driven capacity shortage, right-sizing, and access for Veterans – including providing housing for homeless Veterans). These gaps specify where current infrastructure or services need to be enhanced, to meet the location and demand of current and future Veteran demographics, or when VA may have excess capacity. Only those capital investment projects that have addressed identified performance gaps are proposed for funding in VA's budget.

All projects are considered in light of VA's aging infrastructure. The SCIP process directly addresses the challenges posed by an aging infrastructure with a range of solutions, including reuse, repurposing, or disposing of unneeded assets. These efforts reduce inefficiencies and decrease the government spatial footprint.

While vacant and underutilized space does exist within the Department, space within VA is not interchangeable. VA needs modern clinical space strategically located to meet Veterans' access needs. Through the SCIP process, VA has identified the need for approximately 16.3 million SF of space over the next 10 years, to meet service-related demands. While reuse of existing space is possible in some cases, much of the older inventory is not suited to meet this additional space need. Balancing the need for more space, while effectively managing an aging infrastructure not specifically suited to meet today's modern modalities of care, presents a significant challenge to VA.

Efforts to Date

VA defines "underutilized" as any property where the current usage does not require the full amount of space that the property affords. VA has made significant progress in its efforts to reduce its vacant and underutilized building footprint, and has aggressively pursued reuse and disposal strategies. This has resulted in a 28-percent reduction in vacant and 37-percent reduction in underutilized building space since FY 2008.

VA continues to pursue disposal, consolidation, and Enhanced-Use Leasing (EUL) opportunities, to support VA's mission and operations, shed underutilized and vacant assets, and improve efficiency of operations. Currently, approximately 5.1 million SF of VA building space is outleased in public-private partnerships through VA's EUL authority. This has resulted in over 1,700 operational housing units for homeless Veterans, Veterans that are at-risk for homelessness, and in some situations, their families.

VA's EUL authority is an innovative real property asset management tool, which VA uses to manage its vacant and underutilized capital assets. It allows VA to outlease such assets to private and public sector entities for the purpose of maximizing returns from underutilized capital assets. This includes leasing vacant historic buildings and excess land, which can be transformed into housing for homeless Veterans, at little or no long-term carrying cost to VA. VA's EULs are authorized for maximum terms of up to 75 years. The program has provided significant benefits to VA in terms of annual cost savings; increased health care services for Veterans; expanded and improved facilities; substantial private investment in VA's capital facilities and infrastructure; creation of jobs; and increased tax revenues for local communities.

In December 2011, VA's EUL authority expired and was later reauthorized, but with a limited focus on supportive housing projects, with no ability for other broader reuse opportunities. While some EULs can be pursued using this limited authority, a

restoration of VA's full, original EUL authority is needed to address some larger vacant and underutilized assets that are not suitable for supportive housing.

When reuse by Department organizations or through EULs is not an option, VA considers other real property modalities, such as demolition or sale. Currently, VA plans to dispose of approximately 6.7 million SF of unneeded or obsolete real property over the next 10 years, pending funding availability. While these plans are in place, there are challenges and roadblocks in successfully executing these plans.

Challenges

Similar to other Federal agencies, VA faces challenges related to underutilized and/or vacant property. The historic nature of much of VA's inventory also limits the ability to dispose of such assets. In some instances, underutilized buildings become suitable candidates for space realignment to better utilize the space. However, given rising demand and the associated increased space requirements, space realignment plans are continually evaluated.

Many of VA's vacant and underutilized assets have limited reuse potential (via EUL or some other method), due to a number of factors. Many are historic or eligible for historic designation. This limits the renovation options, increases necessary renovation costs, and increases the time necessary to pursue reuse. Third party partners often have a difficult time making a reuse project financially feasible given these constraints. In addition to being historic, many of these vacant buildings are in poor condition, and are located in large campus settings with limited or restricted access, both of which also hinders reuse opportunities.

Pursuing disposal options presents similar challenges. Historic properties are often not allowed to be demolished, even when all due diligence is completed. Sale of these properties is difficult, if not impossible, due to their age, condition, and location. And lastly, stakeholder concerns about VA's contemplated disposal of property frequently presents challenges. For these reasons, even though certain historic

buildings are no longer needed to support VA's mission and operations, VA has no choice but to maintain the building in some minimal fashion, as disposal is not possible.

Freeze the Footprint

In addition to reducing excess space and promoting reuse, VA is working to reduce its total office and warehouse building space, to comply with OMB's Freeze the Footprint (FTF) policy. Due to VA's unique mission, compliance with FTF is a challenge, but the Department is working to reduce long-term space needs, by tightening office space standards, digitizing Veterans Benefits Administration paper records, and expanding employee telework usage.

Following successful VA pilots of tightened office space standards for VA's Central Office and VA's Office of Information and Technology (OIT), in 2010 VA broadened its tightened space standards for all office space that is not used to treat or interact with Veterans, effective September 2013. Resulting space standards are now being integrated into all project approval processes, including SCIP, as well as all VA space planning tools. While these new space standards demonstrate VA's commitment to improving utilization of its office space, it likely will take several years to achieve full Departmental compliance with the FTF policy.

Tools

VA welcomes additional tools, such as an expanded EUL authority and the Administration's proposed Civilian Property Realignment Act (CPRA), which would provide further opportunities for reuse or disposal of challenging assets having otherwise limited reuse potential.

CPRA would help VA mitigate some of the challenges that are faced when it comes to disposing difficult properties. Additionally, VA submitted a legislative request in February 2014, to broaden the Department's current EUL authority beyond the providing of "supportive housing," to allow VA to reuse vacant and underutilized land

and buildings that – while not suitable for repurposing as supportive housing – may still have other forms of reuse potential. The intent of this request is to allow VA to manage its infrastructure footprint more efficiently, thereby enabling VA to provide more and improved services to Veterans and their families.

Conclusion

VA has a complex real estate portfolio, and seeks to maintain the optimal mix of investments needed to provide care, services, and benefits to our Nation's Veterans. VA welcomes new or expanded tools to reduce its vacant and underutilized real property assets, establish viable reuses where possible, cut waste, and save taxpayer dollars. The President's CPRA proposal, in combination with expanded EUL authority, and other strategies, will help VA continue to address its most challenging assets.

I appreciate the opportunity to testify on these important topics and look forward to answering your questions.

Mr. MICA. Thank you, and we will get right into questions.

First, I think Mr. Connolly and I, as we heard Mr. Mader's testimony from OMB, you have only been there a couple of weeks or months, what is it?

Mr. MADER. Less than eight weeks, sir.

Mr. MICA. Okay, great. But your testimony was music to our ears with some of the things that you have targeted, because we have been trying to move these assets for some time. I had the copy of this report, Sitting on Our Assets: The Federal Government, Misuse of Taxpayer-Owned Assets, which I was telling Mr. Connolly I produced when we were in the minority in 2010 detailing a bunch of examples. One was the Old Post Office. This is 2014, so it has taken us four years. We didn't want to put this just on the shelf, we wanted to actually have some things happen. But through that process we have learned that there are impediments, some of them oftentimes we realize.

Now, do all of you own property? All of you own property?

Mr. MADER. Yes, sir.

Mr. GELBER. No, sir.

Mr. MICA. You don't own any property? But most of you own property. How many people in the audience own property? Raise your hand.

How many of you would give that property to the Federal Government to manage?

Okay, now, I see a lot of humor, laughing. Very few people would because they aren't very good or adept at it.

Mr. CONNOLLY. I thought I saw Mark Meadows raise his hand on that one.

[Laughter.]

Mr. MICA. But he is not going to give it to the Federal Government.

One of the things I tried to do with one of the predecessors to Mr. Wise, I guess, or working with her, was it Robayne, Robyn, the former buildings commissioner? Mr. Gelber?

Mr. GELBER. Yes, that would be Dorothy Robyn. She was the former Commissioner of the Public Buildings Service.

Mr. MICA. Well, she actually cooperated and we had a hearing and talked about let's get some people who know how to dispose of assets. There are people who do that in the private sector every day in real estate for big corporations and others. They put out this RFP for blanket purchase agreement for real property sales. I got pretty excited about it. She came and testified. The day she testified, she didn't know anything about what they had done, but she had done it, which was kind of interesting.

But, okay, so I met with those folks that they selected, that you all selected, twice now, and I almost fell off of my chair. They have been selected for some time. I asked them, well, how many properties have you disposed of? It is just a handful. I think $200,000 worth of, and the fees were almost as much. In fact, we held a little roundtable recently in this room to catch up where they are. We put in place some people who can dispose of property and very little has been disposed.

Are you aware of that, Mr. Gelber?

Mr. GELBER. I am aware of the contract. It is a new contract for us and we are looking to use it more frequently.

Mr. MICA. I mean, how about some time? I mean, it is almost a joke. We have people who do this, have done it. Some of them did it when we had the savings and loan fiasco, it was RTI, or whatever it was, the acronym for it. But they have talent and they are available. You all have put this out and they have only done a handful of properties, I think a couple of residences, others. So that didn't go as far as we would like it to go.

Then we also learned some constraints, Mr. Mader. They kept bringing up OMB, OMB. Well, some of the things that you announced today that you would like to do, you have to streamline the process. It has to be streamlined, because they say it takes so long the way you score some things. The Cohen building down the street has a million square feet. There have been several companies that have proposed coming and renovating it. We don't have the money for renovation. That is a million square feet; it would be a billion dollars probably for us to renovate it. But there is private capital that will do that, and you can amortize that cost. They will come in, renovate it, lease it back, and then you get ownership after 30 years, or whatever you agree on.

Is that the kind of deal you think you could do?

Mr. MADER. Mr. Chairman, I don't want to speak for GSA in this particular case.

Mr. MICA. But in streamlining the process——

Mr. MADER. We are looking for more creative ways to bundle some of these assets.

Mr. MICA. The other thing, the folks that you retained said one of the problems is the way this is scored by OMB, that you want money up front on some of these properties or the value of that property is all, saying, going to a lease from ownership; you want to score that at the beginning. Is that the way you do it now?

Mr. MADER. I believe so, yes.

Mr. MICA. And that is an impediment to getting it done. There should be some relief, particularly if you can realize that asset is back in the Federal domain later on.

Now, they have gone around that by doing some leases. Actually, I heard one fairly clever way, and I am asking you to help find these ways, not just to be clever, but to be successful. Some of the properties that we do have have questions about environmental cleanup and they have said they have been able to carve some of that out, lease properties to make the deal happen. Are you in favor of that from an OMB standpoint, sir?

Mr. MADER. Mr. Chairman, I think from an OMB perspective I think actually you cited a couple of good examples that GSA has done quite recently, the Old Post Office, the power plant in Georgetown, and now the discussion that is underway with regard to the FBI building.

Mr. CONNOLLY. We will just see how well they do with that.

Mr. MICA. But, again, sometimes OMB is cited as the impediment. I am hammering them to get rid of the properties. I am hammering them to find creative ways. They come back and sit with me and say OMB, the process goes on and on; they won't let you do this. Some of it may require changes in legislation. If you see,

sir, or you could provide the committee to any legislative fixes you may need to tweak. I know we have the McKinney Act and other things that have been put in historically that also impede the process; well intended, but they are not practical for this day and age. But if you could come back to us with any legislative impediments you see.

The same for you, Mr. Gelber, from GSA, because GSA cites the same thing.

I will give GSA some credit. Since we have been hammering them, they have become a little bit more adept. But sometimes when they even institute their own tools and get the professionals, they have gone out and gotten these folks. These folks are sitting on their hands and then I talk to them and they say, well, we have impediments with GSA or finding our way in streamlining the process. Because they can get rid of that property. They can get the best deal for the taxpayer, and that is what we are trying to do in this.

Veterans Administration, I thank you today. I don't know if you knew that they were going to approve my property that has been waiting for two years on. The timing was excellent. Tell them all back there I appreciate it.

Mr. SULLIVAN. Thank you.

Mr. MICA. Timing is everything in this business. But I was absolutely stunned to get the list. I mean, your one smaller agency, they are huge. DOD is mammoth; the Post Office is mammoth. There are many. But we have 280-some properties worth more than $2 billion. We need to get those on the market, get them utilized, look at whatever we can do with those assets. You have cleared the deck for one in my district, which I am most grateful for, but, again, this week we have a bill, what, $17 billion, we have veterans medical care needs that aren't being met, we have veterans sleeping in parks and on benches, and I have a list that goes on and on, pages of vacant properties.

Mr. SULLIVAN. Yes, sir. We have repurposed more than 5 million square feet to provide housing for homeless veterans with many of those properties. The list that you have displayed in the room are some of those that are currently in process. For example, in Iowa, the ones you have listed are a property which we have marketed three times for development or for sale, and there were no takers on the property. Many of our properties aren't only historic, but have little or relative value. The values listed on that chart are what the replacement value would be if we rebuilt that square footage ourselves, it is not the market value. So we would be happy to work with your staff and go through each one of those.

Mr. MICA. Well, Iowa was one example. I saw a huge number in Massachusetts, New York.

Mr. SULLIVAN. In New York as well.

Mr. MICA. A lot of the west belt States do have vacant medical facilities or properties that have not been disposed, and, again, I think we need to look at everything we can to either put them into performing assets, contracting with folks to utilize the assets.

Mr. SULLIVAN. Yes.

Mr. MICA. I have a property now that I don't think VA should occupy with VA employees. There are contractors who can run

medical facilities, domiciliary care and others that we can contract with. And you are going to have additional funds from Congress to act.

Mr. SULLIVAN. Correct.

Mr. MICA. So you are telling me, Mr. Sullivan, you are going to be doing that?

Mr. SULLIVAN. Yes, we are, and we would be happy to provide the data on all of those sites. Most of those are all underway in terms of either demolishing the building or going out for enhanced use lease program. A couple of them are also congressionally director transfers; they are showing up as inactive because they are in process.

Mr. MICA. This is a big thing, too. Now, OMB dragged their feet on giving us the list. We think the list is not totally up to date; it is not complete and it may be inaccurate in some ways.

But the other problem we have, Mr. Mader, with the agencies, every agency is a different breed of cat, and they should keep an up-to-date list. That should be a budget requirement. One, an up-to-date list. Then there should be some plan for disposal of the properties. I would love to take you—I don't know if Mr. Connolly went up. We took some up to agricultural research centers, there are 300, I am sorry, 200 in the United States. We went up to one in Maryland, 7,000 acres, the size of the City of Key West; 600 or 700 buildings, half of them empty. This is some of the most valuable real estate in the United States of America.

Now, some of it may be congressional impediments, but that needs to be turned around. But we asked if they had a plan, Department of Agriculture, to dispose of some of these properties or to turn the asset from non-performing to performing. No.

So OMB is missing the boat. You have to hammer these folks. You can't do everything, but you can get accurate information and data; you can monitor, require; you can speed up the process. But also you can require that they have some financial responsibility in a plan to move forward in an appropriate manner to either dispose of these properties or get them utilized, or some game plan. There is a game plan. And I have talked about Ag and we have talked about Veterans. DOD is mind-boggling in size and scope. So maybe out of this hearing we could get you to also come back and let us know what you are doing in regard to that.

Would you like to comment, Mr. Mader?

Mr. MADER. Yes, I would, Mr. Chairman. First, on the issue of definitions, we worked really hard in the last two years in getting clarification as to what these terms mean. We think that the accuracy of that database is improving. Is it perfect? Absolutely not.

I think the other point with regard to the database, and Mr. Gelber made this comment, when that was created in 2005, it was created as a very static, once-a-year data collection, and it was really just intended to be an inventory. And what we are looking to do with GSA is to repurpose that so that we can actually use it as a management tool to look at properties in a real time basis so that we can actually start bundling or looking at ways to better improve the process.

With regard to getting agencies' attention, I can tell you that in the last four weeks I, along with the GSA administrator and the

deputy director for management at OMB, have visited with about eight cabinet level departments, either with the deputy secretaries or with very senior officials, as part of our overall review of administrative costs. One of the key elements in those discussions is their management of real property.

So, Mr. Chairman, I want to assure you and the other members that this has gotten everybody's attention, and people recognize that with shrinking budgets, that we really need to dispose of and better utilize what we have, because, as you said in your opening comment, every dollar that goes to unused property or underutilized property is a dollar not spent on the mission.

Mr. MICA. Thank you.

Let me yield to our ranking member, Mr. Connolly,

Mr. CONNOLLY. Thank you, Mr. Chairman.

And I echo the chairman's remarks, Mr. Mader. I think your testimony was very welcome and I am glad to hear that we are looking at a more rigorous rubric of trying to get our arms around this. This is not, you know, nuclear physics; this is a manageable, it is big, but a manageable problem. Now, we are a microset, but I was the chairman of Fairfax County. We have thousands of properties with tens of thousands of acres. We can tell you at any given moment exactly how many pieces of property we own, exactly how many schools, how much square footage under roof, how many acres, whether it is our park system or our public works or whatever it may. And it seems to me we can't be satisfied until the Federal Government has an accurate set of metrics that is enforced with every agency. We can't have sort of two sets of books.

And I know you come from the same world I do, the consulting world, and you would never advise a client that it is okay to sort of have one division have one set of numbers about its assets and the company at large reporting to its corporate board another set. They have to be reconciled and they have to be accurate. So I very much welcome your three-pronged plan and hope for the best in terms of your success in getting agency cooperation.

The chairman also mentioned the RTC after the savings and loan crisis. I remember that very well. The Federal Government took possession of all kinds of assets. By the way, we actually owned a brothel in Nevada for a little while, and apparently, however, we disposed of it.

Mr. MEADOWS. Better there than Virginia, right?

Mr. CONNOLLY. Absolutely.

Mr. MEADOWS. Timing is everything.

Mr. CONNOLLY. Timing is everything.

At one point, the Federal Government, because of that, not the brothel, but owning all these assets of failed S&Ls, we were the largest landowner on the planet. Nobody owned more property than the Federal Government at that point. And I would not put the RTC model in front of us here, because essentially what they did was just bundled properties sort of irrespective of their valuation and auctioned them off, and a lot of people were able to take advantage of that and become very wealthy in the process. Not the Federal Government. The ethos seemed to be let's dispose of it as quickly as we can. I don't want us to do that. I want this process to be a thoughtful process.

The other thing I would note is, from my own experience actually doing it, actually taking possession of a Federal property, and I go back to Fairfax County in Lorton, and Mr. Wise has been there, and I assume you have been there probably too, Mr. Sullivan. Our local government wanted to preserve the land; we didn't want to develop it. That was critical. Now, if we accept a premise that says, no, it has to be the highest and best use of the land, you are condemning land to commercial development; and that may not fit in with the local comprehensive plan at all, nor may it be appropriate.

Had we gone with that ethos in the Lorton site, which is a little over 3,000 acres total, the southern part of our county would have gone tilt, because we simply could not handle the congestion, the traffic that would have been generated from commercial development. So we wanted to make sure that that was preserved land; open space, passive and recreational space, an arts center, reusing the buildings, the historical buildings.

So we finally negotiated that deal with the Federal Government and I think it was a win-win. The Federal Government didn't maximize profit, but 300 buildings, some of them historic, now transferred to the responsibility of the locality, and we were able to preserve 3,000 acres for the community, including a new golf course, which is one of the best municipal golf courses in the Country, ball parks, an arts center, and the southern part of the county didn't go tilt.

So I hope as we approach the issue of what do we do with excess property once we know how much we have, that we do it in a thoughtful manner that takes into account the desires, needs, and plans of the locality in which they are located. Because if the heavy hand of the Federal Government comes down and just says no, we are going to maximize our benefit irrespective of your plans, then I think we are going to get a blowback that we deserve. So I hope we will do this, and I commend it to you, Mr. Mader, as you think about it in OMB guidelines, in a thoughtful way that absolutely includes our local partners.

Mr. Wise, in previous hearings you have told us that there are many Government surplus properties that are shockingly listed as being in perfect or near perfect condition in our Federal real property database, when in fact they are either abandoned or dilapidated. Can you tell us what accounts for the difference between the buildings' appearance and the description in that database?

Mr. WISE. Congressman Connolly, the difference really is accounted for, it is not just if something is in good shape, but instead it is in bad shape or vice versa. This gets back to our 2012 report that I alluded to in the first part of my statement, in which case we found generally that the FRPP data, which were kind of all over the map, we found underutilized properties were full and full properties that were underutilized, vice versa. It was just anything and everything you could imagine in 23 of the 26 locations we went to, which led us to the conclusion, after looking at so many different properties, I think it accumulated to be about 180 or 190 different buildings, that there is a problem here; and it may have many sources.

I think Mr. Mica and Mr. Meadows also talked about this in their statements, that you have a lot of different definitions out

there. And I think after having done a number of these engagements, the thing that sticks most in my mind is kind of the lack of clear definition, the lack of consistency. You take, for example, the Department of Interior, the Bureau of Land Reclamation, or the National Parks Service. They interpret different kinds of property in different ways; they define them differently, they account for them somewhat differently. Because many of these agencies, at one time, were independent, and they were then brought under the roof of the DOI. And the same thing can be true for many other departments.

So, as a result, and OMB, when we met with OMB staff, have told us, well, they left some of this up to the discretion of the individual agencies because they didn't want to be too prescriptive. And I can understand that, but what has resulted from that is clearly a lack of consistency and clear definition, and that has been kind of the theme that permeates throughout a lot of the real property engagements that we have done over the past several years, at least, under my watch.

Mr. CONNOLLY. I think, Mr. Chairman, this is really a very significant point Mr. Wise raises here, because the executive order authorizing GSA to create the FRPP in the previous administration, the Bush Administration, Executive Order 13327, said that creating the FRPP was intended to promote the efficient and economical use of America's real property assets. It specifically charged GSA, Mr. Gelber, "The Administrator of GSA, in consultation with the Federal Real Property Council, shall establish and maintain a 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. The Administrator shall collect from each executive branch agency such descriptive information, except for classified information, as the Administrator considers will best describe the nature, use, and extent of real property holdings of the Federal Government."

Now, here we are 10 years later and, based on Mr. Wise's and GAO's analysis, senior real property officers in many agencies don't rely on the FRPP at all because it is so inaccurate. I mean, not only inaccurate, but, as Mr. Wise said, in some cases actually the opposite of what is asserted is true. With the best of intention in trying to have a unified approach to this subject, the FRPP is not an accurate document, nor one that many people would rely on, frankly, to try to get a picture of what we are dealing with in terms of our holdings and excess property or underutilized property that we want to address.

Could you address what GSA is doing about that? Because I think, with the best of intentions, 10 years later, on its face, the FRPP has failed.

Mr. GELBER. GSA fully acknowledges that the FRPP needs to improve and that the definitions of the document, the definitions within the database need to be revised and tightened up so that when various individuals, various agencies are reviewing the database, they are inputting the information from a uniform standard. We are working with the Federal Real Property Council, we are working with the Office of Management and Budget to ensure that that occurs. My sense is agencies now are realizing that this tool

is truly a useful tool if used appropriately and everybody uses it consistently, and through the Federal Real Property Council GSA is committed to continuing to improve the work. We are very thankful for GAO's reports that point out where we also need to improve our performance in this area.

Mr. CONNOLLY. What I just heard you say was certainly noble, but aspirational, frankly. I mean, how are you going to enforce, what tools do you have to enforce, accurate reporting, so that when a building is described, that in fact is accurate?

Mr. GELBER. Our tool, if you will, is the Federal Real Property Council, which GSA sits on, along with the Office of Management and Budget and the other 23 or 24 real estate holding Federal agencies, where we come together, develop a shared sense of what a definition should be, and then hold each other, in effect, accountable for completing the database accurately.

Mr. CONNOLLY. Well, presumably, that was the intent with the executive order issued in 2004.

Mr. GELBER. That is correct, and we are working to comply with that order and improve our performance in that area.

Mr. CONNOLLY. Mr. Mader, if OMB is to make enlightened and well informed decisions, we have a situation where we don't even know what the inventory is, because agencies don't have a uniform way of, as you pointed out, metrics; exactly what are your holdings, exactly where are they located, exactly what is the square footage, and exactly what is the purpose today and in the future, and how would you categorize that property in terms of essential, all the way to excess we can dispose of. And now, secondly, even describing the condition of those properties, which is codified by the executive order still in place, it is so inaccurate as to be not a useful tool.

Mr. MADER. Congressman, one of the motivations for my taking this position actually was because of the portfolio, including real property management. I guess there is an old adage of what gets done gets measured; and I think in this particular case what we need to do, and I think in fairness to GSA, they are an enabler of the OMB policy, and I think OMB needs to take a much more aggressive stance with the landholding agencies. And as I mentioned, in the last couple of weeks the conversations that have gone on now at very senior levels of departments with regard to how do we better leverage these assets, because, as we all know, budgets are not getting larger. And what I have seen in these meetings is a real commitment to making this program work going forward. And, again, I think it is a partnership between OMB and GSA, as well as the Real Property Council.

Mr. CONNOLLY. One thing I might commend to you, just as a thought, maybe what we need is a pilot program where we target either a geographic area or a particular agency and we say, okay, these 100 properties, or whatever it is, we are going to try to make sure we have an accurate database, we have metrics we all agree on, and we are going to have a strategy for what we keep, what we upgrade, what we dispose of, etcetera; and if it is a model, then it can go Federal-wide.

But the idea that we are going to encompass 900,000 buildings with tens of millions of square feet and get it all right anytime soon is probably, again, a noble goal, but one that we are going to

fail on again; and it seems to me we have to find a different way of approaching this that is more efficacious. And I commend the thought to you or there may be another approach, of course, but we have to find a way of getting—this is a manageable problem. And I know you understand because you come from the consulting world where everyone is above average.

At any rate, my final point would be, Mr. Chairman, sometimes we ourselves, up here in Congress, can be contributing to the problem, because I am sure it is a rare event, but when it is a property in a particular congressional district, we may or may not be cooperative in trying to do the rational thing.

Mr. MEADOWS. I am shocked. I am shocked.

Mr. CONNOLLY. I know. No one here, but Mr. Gelber, I think, referenced the FBI building. Well, you know, there is a competition right now between Maryland and Virginia, and it will be very interesting to see what GSA decides to do in that adjudication. And there is a lot of political pressure and, of course, we are hopeful that we will resist political pressure and make a rational decision based on the merits. That is the Virginia position and we are sticking to it.

But it puts GSA certainly under a lot of pressure because you have two State delegations very much aware of the issue and weighing in on it unabashedly. So sometimes we ourselves have to show some discipline if we are going to help OMB and the various agencies try to get their arms around this problem.

Again, Mr. Chairman, I thank you so much for your leadership. I think this is an issue that can definitely bring us together in a bipartisan basis, and I look forward to working with you on a continuous basis.

Mr. MICA. And save the taxpayers a lot of money.

Mr. CONNOLLY. I am going to run downstairs to the Ex-Im Bank hearing.

Mr. MICA. Thank you, Mr. Connolly.

Mr. CONNOLLY. Thank you all for being here.

Mr. MICA. Mr. Meadows, you are recognized.

Mr. MEADOWS. Thank you, Mr. Chair.

And thank each one of you for your testimony.

Mr. Mader, I look forward to your leadership. You are going to get a free pass from me today, because anybody who is new deserves some time. I feel like I am a good judge of character. I believe that you are a man who means what you say, so the next hearing that we have, and I assume that there will be excess inventory next year, but the next time I am hopeful that we don't see guidance and memos and great plans. I hope we see execution. So we are going to hold you to that standard, if that is okay with you.

Mr. MADER. Yes, sir.

Mr. MEADOWS. Mr. Gelber, do you agree with the $6.5 billion figure of excess property that has been bantered around here today? Is that high, low?

Mr. GELBER. That represents the entire Federal inventory, so I would not have a way to verify that at this point. I have no reason to doubt that is incorrect, though.

Mr. MEADOWS. All right. So your inventory that you manage, Mr. Gelber, is how many billions?

Mr. GELBER. We have around 9,000 buildings, I don't have a strict figure. I am thinking about $100 million, these are about the 1,000 buildings that GSA owns.

Mr. MEADOWS. So 1,000 buildings that you own for $100 million.

Mr. GELBER. And, again, the valuation of these buildings is always difficult. Replacement value is one number; fair market value is——

Mr. MEADOWS. So you are only in control of $100 million worth.

Mr. GELBER. Again, that number may not be entirely accurate, but I think it is fair to say that we control 1,000 properties across the Country.

Mr. MEADOWS. But if we have $6.5 billion, you are chump change when it comes to managing inventory.

Mr. GELBER. We represent about 13 percent of the Federal Government's real property holdings.

Mr. MEADOWS. Well, I don't see how those numbers work, because $100 million is not even 13 percent of $6.5 billion.

Mr. GELBER. Again, the $100 million is just a rough estimate. I would be happy to provide you a more accurate number. The numbers I am aware of is we control approximately 1,000 buildings.

Mr. MEADOWS. Well, I am a numbers guy, so I guess what happens is we start to look at if you have $100 million worth of inventory and you sold $30 million of it this year, according to your testimony, in 2014, is that correct?

Mr. GELBER. Those properties were not——

Mr. MEADOWS. That is significant. That is one-third. I don't think that you sold one-third of your inventory.

Mr. GELBER. The properties that GSA sells, some of them are owned by GSA, some of them are controlled by other agencies and we sell on their behalf.

Mr. MEADOWS. All right, so what you are saying is the $30 million that was in your report is part of the $6.5 billion.

Mr. GELBER. That is correct, sir.

Mr. MEADOWS. Okay. That brings me to my next point. Do you classify that as successful?

Mr. GELBER. I think we could always do better at our jobs. I think we have clearly heard today that there are ways the Government can improve——

Mr. MEADOWS. So yes or no, successful or not?

Mr. GELBER. I think I will say yes.

Mr. MEADOWS. Okay. That is troubling, because at that rate, I did the math, that means that we will dispose of our excess property in 216 years; 216 years. So I won't be around. You won't be around. So that is successful in your mind?

Mr. GELBER. Well, as I said, sir, we wish to improve in this area. I think across the Executive Branch, executive agencies are looking at their property——

Mr. MEADOWS. I know you want to improve, but what is success? I mean, what percentage of that 6.5 billion of excess? We are not even talking about the other. What is successful?

Mr. GELBER. I would have no way to obtain that metric at this point. We respond to the agencies——

Mr. MEADOWS. I think therein is the problem. You know, I used to be in real estate. I got paid based on what I sold or what I didn't

sell. So when we have a matrix that we don't know what success is, it is very troubling, even with Mr. Mader that says, well, we are going to put that out there and it is part of their performance. I have looked at that. They don't get compensated based on how successful they are, not even bonuses. I mean, it is part of their performance review, but there is no linear line in terms of bonuses. We give big bonuses to people that are successful and some that are not based on what is on the website.

So how do we make sure that the compensation matches with performance? When you come in, if I were coming in, you were coming before me for a performance review, how do I say, Mr. Gelber, you did an outstanding job or you did a terrible job? How do we know?

Mr. GELBER. I think the performance in this area should be a joint conversation in the Executive Branch at the beginning of a fiscal year to ascertain how many of the properties that we currently have declared as excess we should dispose of or resolve in the course of a fiscal year.

Mr. MEADOWS. I agree. So out of $6.5 billion, what is success?

Mr. GELBER. Again, that would be a conversation amongst the Federal Real Property Council, since the vast majority of those properties are not controlled by GSA.

Mr. MEADOWS. All right.

Mr. GELBER. I wouldn't want to impose a success factor on my colleague and other agencies.

Mr. MEADOWS. Well, and, see, there I think is the problem that we have in Congress, is who is in charge? I mean, we have four people. If I were to say who is in charge of excess properties and getting rid of them, which one of you would it be?

Mr. SULLIVAN. [Remarks made off mic.]

Mr. MEADOWS. Okay, all right. So, Mr. Sullivan, we can come to you and you said earlier that it was historical value for some of those buildings.

Mr. SULLIVAN. It is replacement value.

Mr. MEADOWS. Okay. But that really creates a real problem for you in terms of replacement value, wouldn't you say, in terms of getting rid of a piece of property?

Mr. SULLIVAN. It does. It is a challenge. But we have a plan that shows us trying to get rid, we have 4.2 million square feet of vacant square footage out there. Our four-year plan that we published in our budget is to get that down to 1.5 million by 2018. And I would measure if we hit 80 percent, 75 or 80 percent of that total, given all of numerous tools we could use that, some of that is deconstruction, demolition, sale, or out-leasing, long-term out-leasing to other entities to take it off our financial liability.

Mr. MEADOWS. So how do we help you? And I mean this sincerely. How do we help you with regards to the replacement value model that is in place right now? Because if you have a huge, we would call it in my business a white elephant, so if you have this huge white elephant of a 2 million square foot building that functionally is obsolete, you are not going to get rid of it at replacement value or anywhere close to it, so it can sit there and sit there and sit there. So how do we help you, where you are not penalized for

getting rid of a nonperforming asset and OMB doesn't hit you with their negative score, or whatever it may be? How do we do that?

Mr. SULLIVAN. I think in our case, if we have our enhanced use legislation that is now restricted to just repurposing for housing, we have a proposal in Congress to expand that to be able to take those assets and receive other either cash consideration or other consideration. Enactment of that would help reduce our properties. Because at VA we have very few assets that have a high market value. Most of these, with the savings to the Government, will be not having the recurring dollars to have to maintain those.

Mr. MEADOWS. Sure.

Mr. SULLIVAN. So if we could just get rid of those properties either through long-term leases or sale, working with the local community, because we found that is the only way we get these to work, when we can get synergy of a win-win between the local veterans organizations, the local political structure at the local level, and here. When we can align those three things, those out-leases go like that, and the financing for them to do it.

Mr. MEADOWS. So what you are saying is if you leased it for a dollar a year and they——

Mr. SULLIVAN. For 75 years.

Mr. MEADOWS.—and they covered the maintenance, and you didn't get penalized for that, you would be happy with it.

Mr. SULLIVAN. Yes. And if we could roll in the remediation cost into that deal——

Mr. MEADOWS. If we roll that in. He is negotiating.

Mr. SULLIVAN. We roll that into the deal, we have done that in a few places, that is where you can get substantial savings to the Government. It won't be a huge cash inflow, but it reduces the cash outflow.

Mr. MEADOWS. All right.

Mr. Mader, I am going to close with this. I think you see the problem that we have here, and you are one of the few that can help each one of these agencies accomplish what they need to accomplish, and the task is Herculean. But if you can work with these agencies to help them where we don't have $6.5 billion 216 years from now, that is what we need. Let's get a plan. Let's work the plan. And even if it doesn't score well, we will leave scoring for another day. Even if it doesn't score well from an OMB standpoint, let's let Mr. Sullivan manage his assets and benefit from managing it, same with Mr. Gelber and Mr. Wise, and let's move this stuff and get it performing.

I am very reluctant. We are about to vote on $5 billion more for Mr. Sullivan to either lease or purchase buildings, and yet we have nonperforming assets around that he is having to spend millions of dollars every year. So let's see if we can work together.

I yield back, Mr. Chairman. I apologize, I have to run to another meeting.

Mr. MICA. Thank you. We will be concluding shortly, but thank you, Mr. Meadows.

Just a couple of final questions. First of all, for GSA, let me just ask this question. Mr. Gelber, have you met with these folks yet?

Mr. GELBER. Members of the GSA staff have. I have not personally.

Mr. MICA. But you haven't.

Mr. GELBER. I have not personally.

Mr. MICA. Okay. I need your pledge in the next 30 days to meet with these people. Sit down and just talk to them. You compiled a great set of experience who are capable of disposing properties, but you should sit down with them. This is from May 2013, and hear them out. And if you haven't met with them, I will call you back either voluntarily or subpoena you, and we will come back to this room and meet with them, okay? I am trying to work with the agencies, give you the tools. You have the tools. The tools have not been used.

And I heard some of the impediments, and some they referred to OMB. The gentleman from OMB is a breath of fresh air, at least in his testimony. Mr. Meadows says we will hold his feet to the fire, which we will too. But you have to have the ability to operate, and we want to hear if there is a problem. And you should also be meeting with OMB on these issues. So that is the first thing.

The second thing, the Dire Courthouse. I have done two hearings down there. I did have a representative of the college. You know the story of that?

Mr. GELBER. I am familiar with it, sir.

Mr. MICA. The Dire Courthouse, empty for five, six years, gathering mold. After I did the first hearing in Miami at the empty courthouse, I got a letter from Dr. Padrone, president of the college who is across the street, as close as the next office building, not as far as the Capitol, but right across the street, saying we have been trying to get the property for four or five years and couldn't get a response from GSA. I understand those negotiations are ongoing. We want that property, any of the issues resolved as soon as possible. The college can use it. It costs us over a million to maintain it, and there is millions in dollars now in mold remediation that is required by keeping it empty.

All of these buildings require security, they require maintenance, they require a whole host of things that cost the taxpayers. I think the empty power thing was over a million a year. So, again, empty facilities may be empty, but they have a huge cost to taxpayers, not mentioning what we can do putting them in the positive column.

Okay, then I also want an update. My staff hands me these notes. We did a hearing in an empty warehouse property not just blocks from here. I would like an update on the status of that. The whole community turned out, it was a huge turnout for a proposal to use that property. Still sitting vacant, to my knowledge. And then the cotton exchange, if you could also give me an update on that, one of the largest properties in the District of Columbia. You have say over it and I understand there is a plan, but that needs to go forward. So that project alone will be in excess of a billion dollars. But we have an empty cotton exchange building on a huge piece of property that goes from, I think, Independence all the way to the Expressway and then beyond.

You want to answer for the record that you are going to respond on these?

Mr. GELBER. Yes, I would be happy to do so, sir.

Mr. MICA. Okay.

One of the things we are going to have to do is, again, we have sort of garbage in, garbage out, is get the lists up to date from agencies. But more than having a list up to date, I go back to Mr. Mader, a plan. It is impossible, and Mr. Connolly had spoken that maybe we could pick 100 properties, but I think we have to do it agency by agency. They have to have a plan first of an inventory, then a plan of action on disposal, and then by your helping to speed up the process or finding solutions.

And we are part of the impediment. We have the McKinney Act. I found on the Maryland property agricultural research center that there had been a caveat put in the law on the use of the land. But we have to find ways to either go back, change the law, change the process. And any recommendations that you have, you are just getting into this, but we need them as soon as possible.

The legislative remedies do take time. Mr. Denham and I have introduced measures, others have introduced measures. It is very hard to get those through Congress. But we also can be very creative in working. And while I am critical of GSA, also compliment the latest efforts. I met with the new Public Buildings administrator. It looks like they are trying to find creative ways to dispose of property or utilize them.

Thank you, Mr. Wise, for, again, your assessment and evaluation. You see the difficulty that we have. And any other recommendations that you have from GAO to us we would appreciate. But thank you for your work.

Mr. WISE. Well, thank you, sir. One thing I might like to add is one of the things we have seen that I think could be helpful to agencies especially out in the field is we have seen that with the FRPP, even though it is, as we have all recognized, rather a flawed database, some parts of it are better than others. The location of a property and who it belongs to is generally pretty good.

And one of the things we found in some of our field work was that you might show up in a medium size city somewhere and there may be some empty space in a field office of one of the Federal agencies, and the guy down the street from another agency doesn't know it because he doesn't have access only to his own data.

So one of the things we have talked about, and I think I dealt with Dave's predecessor and we have talked some about this, is that FRPP becomes more of an open source document within the confines of the Federal agencies so that one can know what the other has and then make some decisions as to, well, hey, maybe we could get rid of one lease and combine two leases into one least and move the small field office of SHWA into vacant space in the postal building in that town.

So those are the kind of things that are not particularly complicated fixes to come up with but could actually, as the military would say, kind of a force multiplier. If you look at them on a countrywide basis, could actually provide some substantial efficiencies and potential cost savings. So I think a more open FRPP might be a useful help to the Federal agencies, as well as to us. We have also had trouble getting access to the FRPP.

Mr. MICA. Well, again, I appreciate your recommendations. Heaven forbid we should have agencies utilizing space. Now, I

have, in my own backyard in Florida, I have 144,000 acres. It is six times the size of Manhattan. It is owned by NASA. Their mission has changed in five years. Six hundred buildings, half of them vacant; launch pads, other buildings that can be used. We took the committee down there, we have done a hearing there on a path.

Our port, which is adjacent to that, testified, give us 200 acres out of 144,000 and then a rail line that goes across not only their property, but the Air Force next to the 144,000 has a landing strip 16,000 acres, a beautiful rail line going through, little connection from the two properties to the port. Five thousand jobs could be created by making that a port container full operation.

So we have assets that can be valuable, not to mention possible return for the Federal Government, the Air Force, NASA, jobs. We are getting some of those properties now turned around, relocating businesses. And even our nature conservancy, we had some of those folks in. Preserving some of it, it all doesn't have to be developed to the hilt. But unlimited possibilities with a little bit of creativity.

I know you have limited GSA authority over that. This committee does not. And when I chaired Transportation, we focused mainly with you. But the rest is, like you said, what, 13 percent or 11 percent of all the properties?

Mr. GELBER. Thirteen percent for GSA.

Mr. MICA. So, again, the realm is huge. I have sat with DOD and Post Office, and my mind just spins from the amount of property that they have that we could better utilize and dispose. But great ideas and looking at cross-pollenization of agencies utilizing space would be remarkable.

Thank you, finally, to Mr. Sullivan for appearing. We look forward to working with you. Any impediments you see to the 280 buildings that are identified on the list I brought here. Some properties are rough, some economies are rough and it is hard to dispose of them. But it also costs the taxpayers to keep them on the roll, so we have to balance that and try to see what we can do to best utilize them. So we look forward to working with you.

And also thank them for the action on—that will make a big difference in central Florida. We are a growth area. We have more veterans coming, and after the cold winter we will have even more, and the improvement of the economy coming to central Florida. That is one of the issues we face with our veterans; we have lots of assets in the north and those people are now in the south. They are Phoenix, where we had the huge problem of backup. They are in Texas, they are in Florida, some of the warmer States, and the populations are changing. So that is important that we move those assets around. And if we have encumbrances or restrictions by law or anything you see, we want you to let us know.

Mr. SULLIVAN. Absolutely we will, sir. And just to let you know, the same tools of the contractors that are on the GSA tool you raised earlier in the hearing is some of the same ones we use for our long-term leasing. So we are tapping into that expertise through a different vehicle to help us with our long-term out-leasing of property.

Mr. MICA. Well, there are multiple hearings being conducted at this point we have heard from several members of the subcommittee this morning.

Without objection, we are going to leave the record open for 10 days. We may have additional questions that we will submit to you, and those responses will be incorporated into the proceedings of this hearing.

There being no further business before the Subcommittee on Government Operations, I thank our witnesses. This hearing is adjourned.

[Whereupon, at 11:53 a.m., the Subcommittee was adjourned.]

APPENDIX

MATERIAL SUBMITTED FOR THE HEARING RECORD

Question from Chairman Mica

What is the current status of the Dyer Courthouse in Miami, the Cotton Annex in Washington, D.C., and the Warehouse located at 49 L Street SE in Washington, D.C.?

GSA is in negotiations with Miami-Dade College (MDC) on a long-term outlease of the Dyer Building under section 111 of the National Historic Preservation Act. The outlease would enable MDC to utilize the Dyer Building for educational purposes while also preserving the security of Federal tenants housed in the C. Clyde Atkins U.S. Courthouse, which is connected to Dyer. Both GSA and MDC are optimistic that a mutually beneficial solution will be reached.

The Cotton Annex was included, along with the GSA Regional Office Building, as part of a two-stage solicitation on April 7, 2014. The Request for Qualifications (RFQ) seeks qualified offerors interested in acquiring both properties in exchange for construction services at the GSA Headquarters Building and the St. Elizabeths campus that will further GSA's and the Department of Homeland Security's (DHS) consolidation efforts. GSA is in the process of reviewing RFQ responses, and selecting a shortlist of qualified offerors to participate in the next stage of the solicitation, a Request for Proposals.

GSA is currently examining possible exchange opportunities for the warehouse located at 49 L Street, and has begun discussing with the District of Columbia exchanging the warehouse for construction services at the St. Elizabeths campus that will further DHS consolidation efforts. GSA will keep the Committee apprised.

Question from Representative Meadows

Mr. Gelber testified that GSA currently holds 1,000 building worth $100 million in value, or 13% of federal real property holdings. Are these accurate numbers? What is the confirmed number of properties and the total value of those properties?

GSA appreciates the opportunity to clarify these figures. GSA's inventory consists of 9,002 assets, 1,576 of which are owned facilities and the remaining of which are leased properties. On a square footage basis (and not a value one), GSA's total inventory of owned and leased assets is approximately 13 percent of the Government-wide total (CFO Act agency total):

- GSA total owned and leased inventory – 427 million square feet
- Government-wide total owned and leased inventory – 3.3 billion square feet

In terms of Replacement Value (RPV), GSA's RPV for federally owned buildings is 8 percent of the Government-wide total as reported by agencies in the Federal Real Property Profile:

- GSA federally owned[1] buildings Value – $68 billion
- Government-wide total for owned[2] buildings Value* – $852 billion

* = Replacement Value does not represent Fair Market Value. Instead, Replacement Value represents the estimated cost to replace the asset with a newly constructed asset of the same size at the same location at current building standards and codes. Generally, this number is dramatically higher than the FMV of existing facilities.

[1] Includes Federal Government-owned, foreign government-owned, museum trust, and state government-owned.
[2] Ibid.

COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM
U.S. HOUSE OF REPRESENTATIVES
SUBCOMMITTEE ON GOVERNMENT OPERATIONS
"Federal Real Property: Eliminating Waste and Mismanagement of Real Property Assets"
July 29, 2014

Question for James Sullivan, Director, Office of Asset Enterprise Management

Question Submitted by Congressman Gerald Connolly, Ranking Member

Question 1. Can the VA provide the committee with its real property data, including the market value of each asset, and explain the discrepancies between its internal data and the FRPP data?

VA Response: The Department of Veterans Affairs (VA) is pleased to provide the information requested by the committee. VA is providing the attached spreadsheet, which includes VA's real property data. This data set includes information submitted to the Federal Real Property Profile (FRPP) per the published guidance, as well as additional data elements not reported to FRPP but used for internal real property management by VA.

FRPP data is reported once per year for over 11,000 VA assets. Achieving 100 percent consistency in the entire data set is difficult, and some data discrepancies are found during report preparation. However, such discrepancies generally occur due to the timing of reporting. For example, FRPP is generally reported in December of each year with data from the past fiscal year. A building that may have been fully occupied during most of the year and vacated only in the last week of the fiscal year would be reported to FRPP as unutilized. This type of scenario can result in inconsistent data between FRPP and VA's internal systems at any given point in time. In addition to these potential inconsistencies, there are a few data elements that may be different between FRPP and VA's internal data, but are not a true data discrepancy. Below are a few examples of these elements, and we would be happy to discuss these or any other FRPP data elements with the committee.

- Repair Needs – VA's internal system records repair needs at an individual deficiency level, which is at a more granular level than what is reported to FRPP. These individual deficiencies are then "assigned" to and rolled up to a specific building, structure, or land parcel for FRPP reporting purposes. Some of these individual deficiencies exist in VA's internal system at the site level (i.e. not tied to a specific asset), which results in differences between what is reported to FRPP and VA's internal system.

- Utilization Indicator – VA stores detailed space data for each building in its internal system, including the amount of space that is occupied and the amount of space that is vacant. This is then used to determine the utilization. VA does

this for all buildings in our inventory; however, only buildings with certain usage codes (e.g. office, warehouse, and hospital) have utilization reported for FRPP based upon the annual FRPP guidance provided by the Office of Management and Budget and General Services Administration.

- Operating Costs – VA's internal financial system tracks costs at the facility or campus level. In order to meet FRPP reporting requirements, VA prorates this facility cost down to the individually-owned buildings, based on their usage and square footage.

These data elements represent examples of where there could be differences between VA internal data and FRPP data, but these should not be considered discrepancies. VA's internal systems are used to generate the FRPP submission. Since the source of VA's FRPP submission comes directly from our internal systems, the data is consistent except where specific business rules are used to meet FRPP reporting requirements, such as in the examples above.

The attached spreadsheet comprises VA's 2013 Real Property data with their FRPP required fields (highlighted in yellow) and non-FRPP fields (highlighted in blue). The spreadsheet contains 7,681 buildings, 647 land records, and 2,971 structure assets, totaling 11,207 undisposed assets and 92 assets disposed during fiscal year 2013. This is consistent with VA's 2013 FRPP reporting. FRPP data elements are numbered in the attached spreadsheet, aligning with the 2013 FRPP Data Dictionary, to allow for ease of reference. Descriptions of the non-FRPP reported fields within the spreadsheet are as follows:

- Admin/Network/Station Number/Station Name – Identifies the VA Administration and specific geographical identifier for where the asset resides;
- Function/Name (Buildings Only) – Text description of the name or function of the asset;
- Year Built (Buildings Only) – Demonstrates the age of our infrastructure; applies to owned buildings only;
- Vacant Square Feet (SF) (Buildings Only) – Provides insight to the amount of unused SF; applies to owned buildings only; and
- Enhanced-Use Lease (EUL) Indicator (Buildings Only) – denotes a building that was reused via an EUL but is still required to be reported to FRPP as part of VA's inventory; these buildings are no longer under VA control and VA has little or no maintenance responsibility; however, they must be reported per FRPP guidance.

Market value is not included in the attached spreadsheet. VA does not have market value data for many of its assets, as market values constantly change and depend highly on the intended use (i.e., sale versus reuse) of the asset. The FRPP Replacement Value, which is included in the attached spreadsheet, is the cost to rebuild the building from scratch, including the same services currently in that building today, but in compliance with current laws, codes, and standards. It assumes the building is newly-constructed and does not consider the current condition of the building. When

VA prepares to take a real estate action, such as an EUL, sale or transfer, a market value would be established for that action and all associated assets. However, maintaining market value for more than 11,000 assets on a regular and recurring basis would be cost prohibitive and information VA would need to redo or update when taking an underlying real property action.

Questions for the Record

David Mader
Controller, Office of Management and Budget

Response to Chairman Mica and Ranking Member Connolly
House Committee on Oversight and Government Reform
Subcommittee on Government Operations
July 29, 2014

"Federal Real Property: Eliminating Waste and Mismanagement of Real Property Assets"

Question: What are OMB's suggestions for legislative fixes to speed up the real property disposal process?

Response: OMB appreciates the committee's interest in the disposal of unneeded real property assets and looks forward to working with the Subcommittee on this important issue. The principles OMB believes would form the best foundation for legislative fixes are listed below. These principles could be used to craft legislative fixes to speed up disposal of real property. The principles are:

- Disposal costs recaptured by the disposing agency
- Legislative relief from some aspects of the public benefit conveyance process
- Multiple properties bundled and sold as a single transaction
- Retention of a portion of the net proceeds for use in agency real property management

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