



Testimony

Subcommittee on Economic Development,
Public Buildings, and Emergency Management,
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FEDERAL REAL PROPERTY

Continued Efforts, Legislation, and Implementing GAO Recommendations Could Address Challenges

Statement of Dave Wise,
Director, Physical Infrastructure Issues

GAO Highlights

Highlights of [GAO-15-689T](#), a testimony before the Subcommittee on Economic Development, Public Buildings, and Emergency Management, House of Representatives

Why GAO Did This Study

The federal government's real property holdings are vast and diverse, costing billions of dollars annually to operate and maintain. GAO added federal real property management to its High-Risk List in 2003 because the government retained more property than it needed, relied on leasing in cases where ownership would cost less, and lacked reliable real property data to support decision making. Since then, the government has given high-level attention to the issue, including establishing FRPP to track federal buildings and structures government wide. However, in 2012, GAO found that the federal government did not follow sound data collection practices in designing and maintaining the FRPP, thereby limiting its usefulness for supporting sound decision making. This statement focuses on (1) executive and legislative efforts to reform federal real property management, (2) the extent to which real property management challenges remain, and (3) steps that could help the government address management challenges.

This statement draws from previously issued GAO reports from June 2012 to February 2015 and recent interviews with OMB and GSA officials.

View [GAO-15-689T](#). For more information, contact Dave Wise at (202) 512-2834 or wised@gao.gov.

June 2015

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What GAO Found

In recent years, the federal government has taken steps to improve the management of its real property. Recent reform efforts include two from the Office of Management and Budget (OMB):

- The 2012 "Freeze the Footprint" policy, which instructed agencies to keep the total square footage of their domestic office and warehouse inventory at a baseline level established using the Federal Real Property Profile (FRPP)—a governmentwide database of federal real property.
- The 2015 "National Strategy for the Efficient Use of Real Property" and a similarly named "Reduce the Footprint" policy. The policy requires executive branch agencies to finalize plans by September 2015 for setting annual space reduction targets and office-space use standards.

In addition, several reform bills introduced in recent years could help address certain real property management challenges; however, none have been enacted. For example, the Excess Federal Building and Property Disposal Act would have created a pilot project for expedited disposal of a limited number of high value properties through public auction, and the Civilian Property Realignment Act would have addressed competing stakeholder interests in real property management by establishing an independent commission to group all disposal and consolidation recommendations into one proposal.

Despite these efforts, federal real property management remains on GAO's High-Risk List because several key underlying challenges remain. The government continues to retain excess and underutilized property, rely on leasing when ownership would be less costly, and utilize unreliable data for its property-related decision making. For example, GAO found in 2014 that agencies do not apply a consistent definition for warehouse utilization, limiting the FRPP data's usefulness.

The path forward will include a multipronged approach including implementing OMB's National Strategy and improvements to the reliability of real property data, possible legislation to address certain challenges, and implementation of GAO's prior recommendations related to real property management. Key recommendations that GAO has made to the General Services Administration (GSA) in recent years that have not been fully implemented include:

- taking specific steps to improve the reliability and usefulness of FRPP as a decision-making tool for GSA and landholding agencies;
- developing a 5-year capital plan to more fully consider and document investment choices and discuss priorities;
- prioritizing long-term ownership solutions for current high-value leases; and
- articulating a clear strategy for GSA's role in promoting effective and efficient practices in federal warehouse management throughout the government.

Implementing these recommendations would increase the federal government's capacity to manage its portfolio and document the progress of its reform efforts.

Chairman Barletta, Ranking Member Carson, and Members of the Subcommittee:

Thank you for the opportunity to discuss our work on how the federal government's real property management practices could be improved. The federal government's real property holdings are vast and diverse, costing billions of dollars annually to operate and maintain. This portfolio is comprised of hundreds of thousands of buildings—such as office buildings, storage warehouses, courthouses, hospitals, and laboratories—and a similar number of permanent structures—such as roads, dams, and parking garages—across the country. In 2003, we added “Federal Real Property Management” to our biennial high-risk list because the federal government retains more property than it needs, relies on leasing in cases where ownership would be more cost effective in the long run, and lacks reliable real property data to support decision making.¹ In 2004, the President issued Executive Order 13327 establishing the Federal Real Property Council (FRPC), requiring it to work with the General Services Administration (GSA) to establish and maintain a single, comprehensive real property database.² This database was intended to describe the nature, use, and extent of all real property under the custody and control of executive branch agencies in order to promote the efficient and economical use of the nation's real property assets and assure management accountability for implementing reforms. The FRPC created the Federal Real Property Profile (FRPP) to meet this requirement and began collecting data in 2005. However, in a 2012 report,³ we found that the federal government did not follow sound data collection practices in designing and maintaining the FRPP, raising concern that the database was not a useful tool for describing the nature,

¹GAO, *High-Risk Series: An Update*, [GAO-03-119](#) (Washington, D.C.: January 2003).

²Federal 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.

³GAO, *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).

use, and extent of excess and underutilized federal real property, thus limiting its usefulness to agency officials charged with making management decisions.

For this hearing, you asked us to discuss why federal real property management is on the high-risk list and potential executive and legislative actions that could address longstanding challenges. My testimony today focuses on (1) recent executive and legislative branch efforts to reform federal real property management, (2) the extent to which real property management challenges remain, and (3) steps that could help the government address management challenges. My remarks today are based primarily on GAO reports and testimonies, issued between June 2012 and February 2015, including the 2015 update to our High-Risk Series. We also interviewed Office of Management and Budget (OMB) and GSA staff to obtain updated information on federal efforts to improve real property management and address existing GAO recommendations. More detailed information about the scope and methodology of our prior work can be found in the reports listed at the end of this statement. We conducted the work this testimony is based on 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 provides a reasonable basis for our findings and conclusions based on our audit objectives.

The Administration and Congress Have Taken Recent Steps to Reform Real Property Management

Executive Action

Since federal real property management was placed on GAO's High-Risk List, the government has given the issue high-level attention. In 2012, OMB introduced the "Freeze the Footprint" policy, instructing agencies to not increase the total square footage of their domestic office and

warehouse inventory compared to their FRPP baseline for fiscal year 2012.

In 2015, OMB issued its “National Strategy for the Efficient Use of Real Property” and its “Reduce the Footprint” policy. The Reduce the Footprint policy requires agencies to (1) set annual square foot reduction targets for domestic federal buildings; and (2) adopt space design standards to optimize federal domestic office space usage. The National Strategy states that its goals are to (1) freeze growth in the real property portfolio; (2) measure performance to support more efficient use; and (3) reduce the size of the portfolio through asset consolidation, co-location, and disposal. The Reduce the Footprint policy requires that agencies submit their final plan to OMB by September 2015. Each agency’s plan is to include descriptions of the internal controls to be used to comply with the policy, use of performance benchmarks and reduction targets for office and warehouse space, and documentation of cost reductions generated.

Legislation

Since 2011, there have been several real property reform bills introduced in Congress that addressed challenges outside of federal agency control, such as the property disposal process and competing stakeholder interest in real property management. For example, the Excess Federal Building and Property Disposal Act would have created a pilot project for expedited disposal of a limited number of high value properties through public auction.⁴ In addition, the Civilian Property Realignment Act was developed to establish a framework to address the underlying challenge of competing stakeholder interests by establishing an independent board to streamline the disposal process and group all disposal and consolidation recommendations into one proposal for Congress to consider in its entirety.⁵ Although both bills passed the House of Representatives in 2012, neither one was enacted.

Federal Real Property Management Challenges Remain

⁴H.R. 665, 112th Cong. (2011).

⁵H.R. 1734, 112th Cong. (2011).

Excess and underutilized property

Despite previous and current administrations' efforts to reduce excess and underutilized properties, our recent work has demonstrated that significant real property management challenges remain. The government continues to hold on to more real property than it needs. Retaining unneeded real property results in operational, maintenance, and security costs which could otherwise be directed to other uses. In July 2014, the Administration released the first year results of the Freeze the Footprint policy, indicating that it reduced the federal government's office and warehouse space between fiscal years 2012 and 2013—exceeding its expectations. However, in our 2015 report, we found that the data behind these results were unreliable, resulting in a potential overstatement of the progress made to date in reducing the federal government's real property footprint. Specifically, we examined data from four of the six agencies claiming the largest reductions in the first year of implementation of the Freeze the Footprint policy and found that the actual space reductions at all four were overstated.

- At least one of the two largest reported space reductions for each of the four selected agencies was either overstated or did not represent a reduction in square footage at all.
- Some of the largest reported space reductions were due simply to the timing of the fiscal year 2012 baseline for reporting.
- Some reported space reductions represented data errors or re-measurements of space, not actual reductions.
- Some properties credited as having been disposed of by agencies were simply returned to GSA and remained part of the existing federal inventory.

Further, we also reported in 2015 that according to agency officials, some of the space reductions achieved in the first year of the Freeze the Footprint policy were the result of efforts underway before the policy began. Although not directly attributable to the Freeze the Footprint policy, such reductions did represent progress in reducing excess and underutilized space. In addition, officials at the four agencies noted that the policy served as an incentive to reduce office and warehouse space going forward.

Costly Leasing

The federal government continues to rely heavily on leasing of properties where it would be more cost effective in the long run for the federal government to own. In our February 2015 High-Risk update, we reported that the federal government has taken steps to limit the federal real property footprint by trying to consolidate high-value leases and smaller

leases as they expire, moving some high-value leases into government-owned space, and helping agencies use space more efficiently.⁶ However, we also reported that GSA lacked an action plan and transparent data to demonstrate progress in achieving this goal. In 2013, we found that high-value leases accounted for over one-third of GSA's annual rent paid to private sector landlords and more than a quarter of the total lease square feet while representing just 3 percent of GSA leases.⁷ GSA, however, had not yet determined which of those leases would be the best candidates for ownership investments. We made recommendations to GSA that we discuss later in this statement.

Data reliability

Despite ongoing efforts to improve the reliability and usefulness of real property data, the federal government continues to face challenges with the accuracy and consistency of the FRPP. Consistent and accurate data are necessary in order for managers to effectively manage real property. In 2012 we reported that FRPP data did not consistently describe excess and underutilized federal real properties accurately.⁸ While the government has taken some steps to improve FRPP, additional improvements are needed. Specifically, since the 2012 report, we have identified additional areas of weaknesses in FRPP data related to space reductions reported by agencies, maintenance needs, the utilization of warehouse space, and how agencies track structures. For example, in our November 2014 report,⁹ we found that agencies do not apply a consistent definition for warehouse utilization, limiting the data's usefulness (See Figure 1). We made recommendations to GSA that we discuss later in this statement.

⁶GAO, *High-Risk Series: An Update*, [GAO-15-290](#) (Washington, D.C.: February 2015).

⁷GAO, *Federal Real Property: Greater Transparency and Strategic Focus Needed for High-Value GSA Leases*, [GAO-13-744](#) (Washington, D.C.: September 2013).

⁸[GAO-12-645](#).

⁹GAO, *Federal Real Property: Strategic Focus Needed to Help Manage Vast and Diverse Warehouse Portfolio*, [GAO-15-41](#) (Washington, D.C.: November 2014).

Figure 1: Vacant GSA Warehouses Identified as Active and Utilized in the FRPP. Warehouses in Washington, D.C., Have Been Vacant Since 2009 (left) and 2004 (right)



Source: GAO. | GAO-15-689T

Implementing GAO Recommendations Would Increase Agencies' Capacity to Manage Real Property and Document Progress

We believe that the path forward is comprised of three important steps, two of which I have already discussed. First, the implementation of OMB's new National Strategy and the related efforts are critical. Second, legislation could help address some of the challenges facing the management of federal real property where Congressional action is needed, such as the property disposal process and competing stakeholder interests. Finally, in recent years, we have made a number of recommendations to GSA that, if implemented, would increase the federal government's capacity to manage its portfolio and document the progress of its reform efforts. Some of our priority recommendations that have not been fully implemented include:

- In a June 2012 report,¹⁰ we recommended that GSA take four specific steps to make the FRPP database a better decision-making tool.
 - Ensure that all data collection requirements are clearly defined and that data reported are consistent across agencies.

¹⁰ [GAO-12-645](#).

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- Design and utilize performance measures to assess the extent to which the federal government makes efficient and economical use of its real property assets.
 - Reduce the data collection burden on federal agencies by limiting the number of measures to those that are deemed essential.
 - Report on the data it collects.

GSA agreed with our recommendation and is implementing measures in FRPP for fiscal year 2015 aimed at improving its reliability and usefulness. This effort continues to be a work in progress.

- In July 2012, we recommended that GSA develop a 5-year capital plan to help ensure that long-term goals are fully considered and documented when making decisions to fund capital projects.¹¹ We recommended that, to enhance transparency, allow for more informed decision making related to GSA's real property priorities, and make a stronger case for its capital investment priorities, GSA should develop and publish a comprehensive 5-year capital plan. Although GSA agreed with this recommendation, officials told us that the unstable budget environment of recent years has limited the agency's ability to develop such a plan.
- In a September 2013 report, we recommended that GSA articulate a better case for increasing federal investments in real property ownership when it is more cost effective than leasing.¹² Specifically, we recommended that GSA should develop and use clear criteria to rank and prioritize potential long-term ownership solutions for current high-value leases among other capital investments and use this ranking to create a long-term, cross-agency strategy that facilitates prioritizing targeted ownership investments. GSA agreed with this recommendation and we believe it could use OMB's newly issued National Strategy as a tool to implement needed steps.
- In November 2014, we recommended that GSA develop a clear strategy to manage the federal government's warehouse portfolio, including developing and disseminating management guidance, promoting lessons learned and best practices, and leading agencies

¹¹GAO, *Federal Buildings Fund: Improved Transparency and Long-term Plan Needed to Clarify Capital Funding Priorities*, [GAO-12-646](#) (Washington, D.C.: July 2012).

¹²[GAO-13-744](#).

as they assess their warehouse portfolios.¹³ GSA agreed with the recommendation and is developing property guidance and research on best practices in warehouse and inventory management.

We will continue to monitor the implementation of these and our other real property recommendations.

Chairman Barletta, Ranking Member Carson, and Members of the Committee, this completes my prepared statement. I would be pleased to respond to any questions that you may have at this time.

GAO Contacts and Staff Acknowledgments

For further information regarding this testimony, please contact David Wise at (202) 512-2834 or wised@gao.gov. In addition, contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this statement. Individuals who made key contributions to this testimony are Keith Cunningham (Assistant Director), Alex Lawrence, Mary Pitts, Crystal Wesco, and Chad Williams.

¹³[GAO-15-41](#).

Related GAO Reports

GAO, High-Risk Series: An Update, [GAO-15-290](#) (Washington, D.C.: February 2015).

GAO, Federal Real Property: Strategic Focus Needed to Help Manage Vast and Diverse Warehouse Portfolio, [GAO-15-41](#) (Washington, D.C.: November 2014).

GAO, Capital Financing: Alternative Approaches to Budgeting for Federal Real Property, [GAO-14-239](#) (Washington, D.C.: March 2014).

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

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).

GAO, Federal Real Property: More Useful Information to Providers Could Improve the Homeless Assistance Program, [GAO-14-739](#) (Washington, D.C.: September 2014).

GAO, Federal Real Property: Greater Transparency and Strategic Focus Needed for High-Value GSA Leases, [GAO-13-744](#) (Washington, D.C.: September 2013).

GAO, Federal Buildings Fund: Improved Transparency and Long-term Plan Needed to Clarify Capital Funding Priorities, [GAO-12-646](#) (Washington, D.C.: July 2012).

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).

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

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