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# Highlights

Highlights of [GAO-08-197](#), a report to the Subcommittee on Federal Financial Management, Government Information, Federal Services, and International Security, Committee on Homeland Security and Governmental Affairs, U.S. Senate

## Why GAO Did This Study

In January 2003, GAO designated federal real property as a high-risk area, citing the government's overreliance on costly, long-term leasing as one of the major reasons. GAO's work over the years has shown that building ownership often costs less than operating leases, especially for long-term space needs. GAO was asked to identify (1) the profile of domestically held, federally leased space including the overall amount and type of space agencies lease, and any related trends; (2) the factors that drive agencies to lease space that may be more cost-effective to own; and (3) any actions taken by the administration and alternative approaches proposed to address this issue. GAO reviewed fiscal year 2006 Federal Real Property Profile (FRPP) leasing data and relevant documents and interviewed officials from the General Services Administration (GSA), the Office of Management and Budget (OMB), and the U.S. Postal Service (USPS). GAO also reviewed 10 building leases that were among those with the largest dollar value in 3 locations GAO visited.

## What GAO Recommends

OMB, in conjunction with the Federal Real Property Council (established by the administration to help support reform efforts in real property), and in consultation with key stakeholders, should develop a strategy to reduce agencies' reliance on leased space for long-term needs when ownership would be less costly. OMB generally agreed with the report and GAO's recommendation.

To view the full product, including the scope and methodology, click on [GAO-08-197](#). For more information, contact Mark Goldstein at (202) 512-2834 or [goldsteinm@gao.gov](mailto:goldsteinm@gao.gov).

## FEDERAL REAL PROPERTY

### Strategy Needed to Address Agencies' Long-standing Reliance on Costly Leasing

#### What GAO Found

Federal agencies rely extensively on leasing, occupying about 398 million square feet of leased building space domestically in fiscal year 2006, according to FRPP data. GSA, USPS, and the U.S. Department of Agriculture lease about 71 percent of this space, mostly for offices, with the military services leasing another 17 percent. GSA is increasing its use of leased space and predicts that in 2008 it will, for the first time, lease more space than it owns.

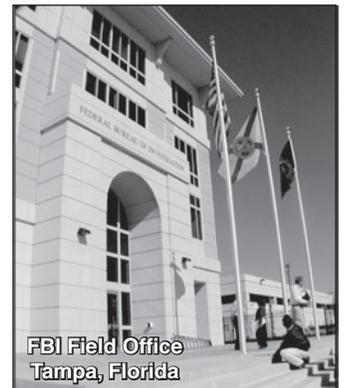
In the 10 GSA and USPS leases GAO examined, decisions to lease space that would be more cost-effective to own were driven by the limited availability of capital for building ownership and other considerations, such as operational efficiency and security. For example, for four of the seven GSA leases GAO analyzed, leasing was more costly over time than construction—by an estimated \$83.3 million over 30 years. Although ownership through construction is often the least expensive option, federal budget scorekeeping rules require the full cost of this option to be recorded up-front in the budget, whereas only the annual lease payment plus cancellation costs need to be recorded for operating leases, making them “look cheaper” in any year even though they generally are more costly over time. USPS is not subject to the scorekeeping rules and cited operational efficiency and limited capital as its main reasons for leasing.

While the administration has made progress in addressing long-standing real property problems, efforts to address the leasing challenge have been limited. GAO has raised this issue for almost 20 years. Several alternative approaches have been discussed by various stakeholders, including scoring operating leases the same as ownership, but none have been implemented. The current real property reform initiative, however, presents an opportunity to address the leasing challenge.

#### GSA Operating Leases for the Federal Bureau of Investigation (FBI) Field Offices in Chicago, Illinois, and Tampa, Florida



FBI Field Office  
Chicago, Illinois



FBI Field Office  
Tampa, Florida

Source: GSA.