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FEDERAL REAL PROPERTY

Improved Cost Reporting Would Help Decision Makers Weigh the Benefits of Enhanced Use Leasing

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Highlights

Highlights of GAO-13-14, a report to the Chairman, 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

The federal government owns underutilized properties that are costly to operate, yet challenges exist to closing and disposing of them. To obtain value from these properties, some agencies have used EULs, which are generally long-term agreements to lease property from the federal government in exchange for cash or non-cash consideration. However, agencies also incur costs for EUL programs. We have previously reported that agencies should include all costs associated with programs' activities when assessing their values. This report addresses (1) the extent to which agencies attribute the full benefits and costs of their EULs in their assessments of their EUL programs and (2) the experiences of agencies in using their EUL authority.

GAO reviewed property data and documents from the largest civilian federal real property agencies including four agencies that use EULs—VA, NASA, the Department of State, and the Department of Agriculture—and applicable laws, and regulations and guidance. GAO visited nine sites where agencies were using EULs.

What GAO Recommends

To promote transparency about EULs, improve decision-making regarding EULs and ensure more accurate accounting of EUL benefits, GAO recommends that OMB coordinate with affected agencies to ensure that agencies consistently attribute all relevant costs associated with EULs to their EUL programs. Agencies generally agreed with our findings and recommendation.

View GAO-13-14. For more information, contact David Wise at (202) 512-2834 or wised@gao.gov.

What GAO Found

Agency officials told us that enhanced use leases (EUL) help them utilize their underutilized property better; commonly cited benefits include enhanced mission activities, cash rent revenue, and value received through in-kind consideration. However, some agencies we reviewed do not include all costs associated with their EULs when they assess the performance of their EUL programs. Guidance from the Office of Management and Budget (OMB) does not specify what costs agencies should include in their EUL evaluations, resulting in variance among agencies. For example, the Department of Veterans Affairs (VA) and the Department of State do not consistently attribute EUL-related costs of consultant staff who administer the leases, and VA does not attribute various administrative costs that offset EUL benefits. Without fully accounting for all EUL costs, agencies may overstate the net benefits of their EUL programs.

Based on recent agency experiences, EULs may be a viable option for redeveloping underutilized federal real property when disposal is not possible or desirable, but two agencies raised issues pertaining to EUL use that affect their use or budgetary treatment. First, National Aeronautics and Space Administration (NASA) officials said that the limit on its authority to receive in-kind consideration as part of its EUL program has limited its ability to encourage the use of EULs for underutilized NASA property. Specifically, NASA officials said prospective lessees are reluctant to make costly capital improvements to a property that will have to be returned to the government at the end of the lease without other compensation, such as a reduction in cash rent. Second, VA and CBO disagree on the extent to which VA should account for the budget impacts for EULs that could include long-term government commitments. VA has made multi-year commitments with certain EULs without fully reporting them in its budget. Assessing and recognizing the budget impacts of EULs is complicated and may be interpreted differently by agencies with EUL authority. In particular, VA EULs can include long-term commitments that are recognized in the federal budget in different ways.

Sources: Swinerton Builders (left) and GAO (right).

Federal Real Property leased through an EUL agreement between VA and Clark County, Washington to construct a Crisis Triage Center in Vancouver, Washington. Left photo: the vacant site in July 2004. Right photo: the developed site in May 2012.