GAO Highlights

Highlights of GAO-13-744, a report to the Committee on Homeland Security and Governmental Affairs, U.S. Senate

September 2013

FEDERAL REAL PROPERTY

Greater Transparency and Strategic Focus Needed for High-Value GSA Leases

Why GAO Did This Study

Overreliance on costly leasing is one reason that federal real property has remained on GAO's high-risk list. GAO's work has shown that building ownership often costs less than leasing, especially for long-term space needs. For leases with a net annual rent above a threshold—$2.79 million in fiscal year 2012—GSA is required to submit a prospectus, or proposal, to Congress. GAO was asked to review these high-value leases. This report (1) identifies their characteristics and what GSA has done to reduce their cost and (2) assesses the extent to which GSA's capital-planning approach supports informed leasing decisions. GAO reviewed GSA data for all 218 active high-value leases as of November 2012 and selected 12 leases for case studies based on expiration dates, locations, and tenant agencies. GAO reviewed relevant legislation and guidance, interviewed agency officials, and compared GSA actions to leading practices.

What GAO Recommends

GSA should enhance the transparency of decision making for high-value leases by (1) including more information in the prospectus to Congress, such as the agency's prior and future need for the space, major investments needed, and an appropriate analysis of the cost of leasing versus the cost of ownership; (2) reporting to congressional committees about certain leases without a prospectus; and (3) prioritizing potential ownership solutions for current high-value leases to help create a long-term strategy for targeted ownership investments. GSA concurred with the recommendations.

View GAO-13-744. For more information, contact David Wise at (202) 512-2834 or wised@gao.gov.

What GAO Found

The General Services Administration's (GSA) 218 high-value leases GAO reviewed represented only about 3 percent of the total number of GSA leases, yet made up about one-third of its leased portfolio in terms of cost and size. GSA has reduced the costs of its high-value leases in line with the administration's goal to reduce real property costs. GSA's efforts include helping agencies improve space utilization. However, for leases nearing expiration, GSA and tenant agencies have faced challenges in funding space renovations and moving costs. This lack of funds has contributed to delays and some cases in which GSA continues to occupy space after the lease expires.

GSA officials stated that for most high-value leases, federal ownership would be more cost effective over the long term, but GSA did not have the funding available to purchase, renovate, or construct a building. GAO found that GSA's capital-planning approach lacks transparency and a strategic focus that could support more informed decision making in this area. Specifically, GSA does not follow capital-planning practices involving alternatives evaluation, project prioritization, and long-term capital planning:

- GSA's lease prospectuses do not discuss the length of time of the space need or alternative approaches to meeting it—which are key to understanding whether leasing or owning would be more cost-effective. Twenty-seven of the prospectuses (for leases expiring from 2012 through 2027) contained an analysis that showed potential savings of over $866 million if the spaces were owned rather than leased. GSA and OMB have decided the analysis is no longer necessary in light of the lack of capital funding for acquisitions and construction. GAO's case studies highlighted long-term, mission critical space needs, such as a lease for the Environmental Protection Agency in Seattle for space it has occupied for over 40 years. Another high-value lease is for the State Department's diplomatic security bureau in Virginia. State invested at least $80 million in security upgrades into a facility that GSA leased for 10 years.
- Further, GAO found that nine ongoing high-value leases did not go through the prospectus process. For example, GSA mistakenly did not prepare a prospectus for a 10-year Los Angeles lease for the U.S. Army Corps of Engineers. GSA did not notify Congress of these leases, further limiting transparency.
- GSA has not systematically prioritized which space needs currently in high-value leases it would be most beneficial to move to federally-owned solutions. GSA has not incorporated space needs that are the highest priority for ownership investment into a long-term capital plan.

This lack of information on the long-term consequences, including costs and risks, of high-value leases could inadvertently contribute to the federal government's overspending on long-term space needs. In contrast, a strategic vision incorporating leading practices for capital decision making could better position the government to save money over time. Increased transparency could promote collaboration with decision makers, which could help GSA address challenges and identify cost savings opportunities as leases expire.