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FEDERAL REAL PROPERTY

GSA Needs to Determine Its Progress toward Long-term Sustainability of Its Portfolio

GAO Highlights

Highlights of GAO-15-609, a report to congressional requesters

Why GAO Did This Study

GSA is the primary steward of the federal government's owned portfolio of buildings, many of which do not generate sufficient revenue to fund their own operations, repairs, and capital needs. In 2001, GSA developed a portfolio-restructuring strategy to identify and dispose of those buildings that were a fiscal and managerial drain on the portfolio's resources.

GAO was asked to review GSA's efforts to address buildings with poor financial performance. This report discusses (1) how GSA addresses the effects of consistently poor-performing buildings and the challenges presented by and the extent GSA has sustained losses from these buildings; and (2) the progress, if any, GSA has made toward building a portfolio of strong performing buildings, including the extent to which GSA's quantitative building measures provide useful information. GAO analyzed relevant laws and agency documentation and data for fiscal years 2002–2013—the most recent available data—and interviewed GSA officials and real estate experts representing 11 private-sector professional, industry, and trade organizations selected based on past GAO work and reviews of GSA documents.

What GAO Recommends

GSA should assess progress made toward a sustainable portfolio by identifying the gap between its current performance and the level necessary for sustainment. As part of this effort, GSA should update its tiering and core asset analysis procedures to provide more precise measures for identifying any performance gap. GSA agreed with the recommendation.

View GAO-15-609. For more information, contact David Wise at (202) 512-2834 or wised@gao.gov.

What GAO Found

In 2002, the General Services Administration (GSA) implemented "tiering"—a series of quantitative tests designed to separate strong income-producing buildings from poorly performing buildings. From 2002 to 2013, almost 20 percent of GSA's buildings with at least 5 years of data were designated as poor financial performers at least 75 percent of the time they were tiered. All 11 of GSA's regions have taken steps to improve the financial performance of these buildings, including eliminating federal tenants' leases, filling vacant space, and reducing operations and maintenance costs. However, some challenges lie beyond GSA managers' ability to address, including rent limitations and poor market conditions. Average annual losses of almost $36 million (for fiscal years 2009 to 2013) were attributable to 116 of GSA's 251 consistently poor-performing buildings; 33 of these buildings accounted for almost 93 percent of the overall loss.

Average Annual Losses among General Services Administration's Consistently Poor-Performing Buildings with Negative Net-Operating Income (NOI), Fiscal Years 2009 to 2013

Range of losses	Number of buildings in this range	Buildings combined total average negative NOI (in millions)	Buildings percent of total negative NOI
$1 to $100,000	83	$2.6	7.3%
$100,001 to $1,000,000	27	$6.6	18.5%
$1,000,001 and greater	6	$26.4	74.2%
Total	116	$35.6	100.0%

Source: GAO analysis of General Services Administration (GSA) data. | GAO-15-609

Note: GAO reviewed 12 years of annual tiering data on 1,283 of GSA's buildings (those in GSA's 2014 inventory with at least 5 years of tiering data). GAO found 251 buildings that have been assessed through GSA's measures as non-performing or under-performing at least 75 percent of the time. GAO refers to this group of 251 buildings as "consistently poor performing buildings.

GSA's progress toward a sustainable portfolio is unclear because GSA has not assessed the gap between the performance the portfolio needs to exhibit to be sustainable and its current performance. Since GSA adopted a 2001 strategy to restructure the portfolio to consist primarily of strong income producers, it has disposed of almost 370 assets comprising about 18-million square feet. However, without assessing progress made toward sustainability, GSA cannot say whether it has done enough to fully address the problem the restructuring strategy was developed to address—that of too few funds for too many buildings. In addition, GSA's quantitative building measures—tiering and core asset analysis (analysis that complements tiering and identifies assets needed long-term)—may not be sufficient for assessing progress toward a sustainable portfolio. Experts GAO interviewed identified several limitations of GSA's tiering method, including that it may be outdated and does not enable comparison of asset efficiency. Further, GSA's core asset analysis may be imprecise as in 2013, GSA managers justified categorizing as core assets about 74 percent of the 345 buildings that failed core asset tests. If GSA refined its quantitative measures—tiering and core asset analysis—the measures would be better suited to address the Office of Management and Budget's new *National Strategy for the Efficient Use of Real Property,* which emphasizes efficiency measures and the long-term sustainability of the federal portfolio.