



Testimony before the Subcommittee on
Transportation and Public Assets,
Committee on Oversight and
Government Reform, House of
Representatives

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FEDERAL REAL PROPERTY

Efforts Made, but Challenges Remain in Reducing Unneeded Facilities

Statement of Dave Wise,
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GAO Highlights

Highlights of [GAO-16-869T](#), a testimony before the Subcommittee on Transportation and Public Assets, Committee on Oversight and Government Reform, House of Representatives

Why GAO Did This Study

In 2003, GAO added “Federal Real Property” to GAO’s biennial High-Risk list, in part, due to long-standing challenges federal agencies face in managing federally owned real property, including disposal of excess and underutilized property. Continuing to maintain these unneeded facilities puts the government at risk for wasting resources due to ongoing maintenance costs as well as lost revenue from failing to sell excess property. Despite implementing policies and systems that may help federal agencies manage real property, the federal government continues to maintain excess and underutilized property. In fiscal year 2015, federal agencies reported over 7,000 excess or underutilized real property assets.

This testimony addresses (1) efforts by the federal government to address excess and underutilized properties since 2012, (2) long-standing challenges to managing and disposing of federal real property and (3) potential solutions to address these long-standing challenges.

This statement summarizes the results of a number of previous GAO reports on real property utilization and management that were issued from 2011 through 2016. GAO also included some updates based on follow-up, conducted on the status of GAO’s recommendations in 2015 and 2016.

View [GAO-16-869T](#). For more information, contact Dave Wise at (202) 512-2834 or wise@gaio.gov.

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What GAO Found

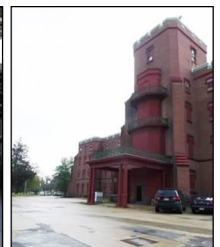
Since 2012, the administration has taken steps to reform real property management and address the long-standing challenge of reducing excess and underutilized property. For example, in 2015, the Office of Management and Budget (OMB) issued government-wide guidance—the National Strategy for the Efficient Use of Real Property—which GAO found in 2016 could help agencies strategically manage real property.

However, GAO’s work has found that significant challenges persist in managing real property in general and excess and underutilized property in particular. They include:

- a lack of reliable data with which to measure the extent of the problem,
- a complex disposal process,
- costly environmental requirements,
- competing stakeholder interests, and
- limited accessibility of some federal properties.

Properties in the Washington, D.C., area such as the Cotton Annex building, vacant General Services Administration (GSA) warehouses, and buildings on the St. Elizabeths campus (pictured below) illustrate the challenges for disposal and re-utilization of vacant federal buildings. For example, GAO found in 2014 that real property data indicated some GSA warehouses were utilized when they had been vacant for as long as 10 years.

Examples of Vacant Federal Buildings



Source: GAO. | GAO-16-869T

In addition to the steps already taken by the administration, further action by federal agencies to implement GAO’s previous recommendations could help to address some of these challenges. For example, GAO has made recommendations to GSA and other federal agencies that, if implemented, would increase the federal government’s capacity to manage its portfolio and document the progress of reform efforts. GAO highlighted its highest priority open recommendations to GSA in an August 2016 letter to GSA. Among those are three recommendations related to excess and underutilized property, including a recommendation to assess the reliability of data collected and entered into GSA’s Federal Real Property Profile database by individual federal agencies. Additionally, real property reform bills that could address the long-standing problem of federal excess and underutilized property have been introduced in Congress. Specifically, two bills have been passed by the House of Representatives in 2016, but neither has been enacted yet.

Chairman Mica, Ranking Member Duckworth, and Members of the Subcommittee:

Thank you for the opportunity to discuss our work on the management of excess and underutilized federal real property. In 2003, we added “Federal Real Property” to our biennial high-risk list, in part, due to long-standing challenges federal agencies face in managing federally owned real property, including disposal of excess and underutilized property.¹ Despite implementing policies and systems that may help federal agencies manage real property, the federal government continues to maintain too much excess and underutilized property. According to the General Services Administration’s (GSA) Federal Real Property Profile (FRPP) database, in fiscal year 2015, 23 federal agencies reported over 7,000 excess or underutilized real property assets. These properties represent wasted resources as they are costly to maintain and, in some cases, could be exchanged for other needed properties or sold to generate revenue for the federal government.

Despite recent progress in implementing policies and systems to help GSA and federal agencies more effectively manage real property, the federal government continues to face substantial challenges to reducing underutilized space and disposing of excess property. For this hearing, you asked us to discuss the current state of excess, surplus, and underutilized properties in the federal government. My testimony will address (1) efforts by the federal government to address excess and underutilized properties since 2012, (2) long-standing challenges to managing and disposing of federal real property and (3) potential solutions to address these long-standing challenges. My testimony summarizes the results of a number of our previous reports on real property utilization and management issued from 2011 through 2016. These reports, cited throughout this statement, include more detailed information on the scope and methodology for our reviews. This testimony also includes some updates based on follow-up, conducted in 2015 and 2016, on recommendations contained in some of these prior reports. To conduct the updates, we reviewed documents and interviewed officials from the Department of Homeland Security (DHS) and GSA. The work on which this statement is based was conducted in accordance with generally accepted government auditing standards. Those standards

¹GAO, *High-Risk Series: an Update*, [GAO-15-290](#) (Washington, D.C.: Feb. 11, 2015).

require that we plan and perform audits 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 obtained provided a reasonable basis for our findings and conclusions based on our audit objectives.

The Administration Has Taken Steps to Reform Real Property Management

Since 2012, the government has made efforts to improve real property management. As we reported in 2016, the Office of Management and Budget (OMB) issued government-wide guidance—the *National Strategy for the Efficient Use of Real Property*—in 2015, which aligns with many of the desirable characteristics of effective national strategies that GAO has identified, including describing the purpose, defining the problem, and outlining goals and objectives. We concluded that the strategy is a major step forward that could help agencies strategically manage real property by establishing a government-wide framework for addressing real property challenges.² Prior to issuing the *National Strategy*, OMB issued a 2012 Freeze the Footprint policy and subsequently issued its 2015 Reduce the Footprint policy, which directs agencies to, respectively, restrict growth and take action to reduce square footage in their real estate inventory. As part of the implementation of these policies, agencies were required to submit a plan to OMB detailing how the agency intended to maintain or reduce the square footage of its real property inventory.³ We found that the agencies we reviewed in 2016 had outlined approaches to manage any growth in their portfolio, better utilize existing space, and identify and dispose of space no longer needed to support the agency's mission.

²GAO, *Federal Real Property: Improving Data Transparency and Expanding the National Strategy Could Help Address Long-standing Challenges*, [GAO-16-275](#) (Washington, D.C.: Mar. 31, 2016).

³The *Freeze the Footprint* implementation memorandum required agencies to develop and submit a Revised Real Property Cost Savings and Innovation Plan, as well as Annual Agency Evaluations, describing the agency's overall approach in managing its real property usage and spending. *Reduce the Footprint* changed this requirement to require a Real Property Efficiency Plan to describe the agency's overall strategic and tactical approach in managing its real property, provide a rationale and justification for its optimum portfolio and drive the identification and execution of real property disposal, efficiency improvements, general usage, and cost saving measures.

Agencies Face Long-standing Challenges in Disposing of Excess and Underutilized Real Property

Despite this progress, significant challenges to managing real property in general and excess property in particular, remain.

- *Lack of Reliable Data:* A lack of reliable data makes it difficult to accurately measure the amount of excess property. As we reported in 2015, this undermines efforts to effectively reform real property management and to judge progress in addressing the associated challenges.⁴ The data used to manage the government's real property, the Federal Real Property Profile (FRPP), are unreliable due to challenges with the accuracy and consistency of data reported by federal agencies. For instance, in 2014, we reported that GSA's interpretation of utilization definitions (interpreting the terms unutilized and underutilized to apply only to properties in the disposal process) leads GSA to identify nearly all of its warehouses as utilized despite, in some cases we identified, being vacant for as long as 10 years.⁵ Additionally, in 2015, we found that the federal government's reported results from the Freeze the Footprint policy for fiscal year 2012 were overstated.⁶ Many reported reductions from the four agencies we reviewed were the result of actions other than actual space reduction, such as the re-categorization of space to another use or data errors. While we found in March 2016 that OMB and GSA have taken positive steps such as issuing guidance and implementing data validation procedures to improve the quality of FRPP data, we also found that GSA had not analyzed agencies' collection or reporting practices or the limitations of the data.⁷ Certain key FRPP data elements, such as utilization status, continue to be inconsistently reported by agencies. As a result, we concluded that FRPP data may not fully reflect the extent of real property challenges faced by agencies or the progress they have made in addressing challenges in these areas. Furthermore, we found that the current lack of transparency regarding how agencies collect and report FRPP data increases the risk of using the data to guide decision-making, thereby limiting the data's usefulness. We made several recommendations,

⁴[GAO-15-290](#).

⁵GAO, *Federal Real Property: Strategic Focus Needed to Help Manage Vast and Diverse Warehouse Portfolio*, [GAO-15-41](#) (Washington, D.C.: Nov. 12, 2014).

⁶[GAO-15-290](#).

⁷[GAO-16-275](#).

which I will discuss later in my testimony, for improving the reliability of these data.

- *Complex Disposal Process:* Legal requirements can make the property disposal process lengthy and complicated. As the federal government's property disposal agent, GSA follows a prescribed process for the disposal of federal properties reported as excess by federal agencies. This process includes requirements that the property be screened first for potential use by other federal agencies, then by homeless providers and state and local governments for other public uses. However, we found in 2011 that this process can be challenging for federal agencies.⁸ For example, the McKinney-Vento Homeless Assistance Act requires the federal government to go through a screening process for excess, surplus, underutilized, and unutilized properties for suitability for homelessness services.⁹ We found that as of March 2014, at least 40,000 properties were screened under the Act but only 81 of them were being used by homelessness assistance providers.¹⁰ Requirements associated with the National Historic Preservation Act can also present a challenge. For example, VA officials we spoke to for a 2012 report told us that they were unable to demolish a 15,200-square-foot building at Menlo Park, California, that has been used as both a residence and a research building during its 83-year history.¹¹ The building had been scheduled for demolition since 2001, but VA could not demolish it because of an historical designation.
- *Costly environmental requirements:* Agency disposal costs can outweigh the financial benefits of property disposal. Environmental requirements provide that necessary environmental remediation be

⁸For more information on the process of disposing of federal real property and associated challenges, see GAO, *Federal Real Property: The Government Faces Challenges to Disposing of Unneeded Buildings*, [GAO-11-370T](#) (Washington, D.C.: Feb. 10, 2011).

⁹The Stewart B. McKinney Homeless Assistance Act, Pub. L. No. 100-77, title V, 101 Stat. 482, 509-511 (1987), was renamed the McKinney-Vento Homeless Assistance Act in 2000. Pub. L. No. 106-400, 114 Stat. 1675 (2000).

¹⁰GAO, *Federal Real Property: More Useful Information to Providers Could Improve the Homeless Assistance Program*, [GAO-14-739](#) (Washington, D.C.: Sept. 30, 2014)

¹¹GAO *Federal Real Property: National Strategy and Better Data Needed to Improve Management of Excess and Underutilized Property*, [GAO-12-645](#) (Washington, D.C.: June 20, 2012).

completed prior to disposing of a property.¹² However, as we found in 2012, the required environmental assessments and remediation can be expensive and time-consuming.¹³ For example, the Department of Energy (DOE) is responsible for remediation of contaminated nuclear weapons manufacturing and testing sites that include thousands of excess buildings contaminated with radiological or chemical waste. In June 2012, we reported that DOE officials told us that because their decontamination and disposal funds are limited, they might not be able to dispose of these buildings for many years.¹⁴ In addition, in 2014 we reported that officials from the Departments of Energy and Interior told us that in many cases the cost of cleanup of old warehouses outweighs the potential sale or salvage price.¹⁵

- *Competing Stakeholder interests:* Stakeholder interests can conflict with property disposal or reuse plans. We found in 2012 that—in addition to Congress, OMB, and real property holding agencies—several other stakeholders have an interest in how the federal government carries out its real property acquisition, management, and disposal practices. These stakeholders may include state, local, and tribal governments; business interests in the local communities; historic preservation groups; and the general public. For example, in the case of VA, veterans' organizations have had an interest in being consulted on plans to reuse or demolish VA's historic buildings and on how those plans affect the services provided to veterans. In cases like these, final decisions about a property may reflect competing interests and broader stakeholder considerations that may not align with what an agency views as the most cost effective or efficient alternative for a property.¹⁶

¹²The federal government is not permitted, with exceptions for deferral in certain cases, to transfer the deed of a property unless it can be determined that all remedial actions necessary to protect human life and the environment have been taken. 42 U.S.C. § 9620(h)(3).

¹³[GAO-12-645](#).

¹⁴For additional information on DOE real property disposal, see GAO, *DOE Real Property: Better Data and a More Proactive Approach Needed to Facilitate Property Disposal*, [GAO-15-305](#) (Washington, D.C.: Feb. 25, 2015).

¹⁵[GAO-15-41](#).

¹⁶GAO, *Federal Real Property: Improved Data Needed to Strategically Manage Historic Buildings, Address Multiple Challenges*, [GAO-13-35](#) (Washington, D.C.: Dec. 11, 2012).

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- *Limited Accessibility of Federal Properties:* As we found in 2012, the locations of some federal properties can make property disposal difficult.¹⁷ For example, because DOE must locate buildings in remote areas that include acreage that can serve as security and environmental buffer zones for nuclear-related activities, officials reported that they demolish most excess buildings rather than resell or reuse them. Similarly, Interior officials reported that most of their buildings are located on public domain lands, lands held in trust, or in remote or inaccessible areas, and VA officials reported that most of their buildings are located on medical center campuses. Because these buildings may not be easily accessible, sales or conveyances of these buildings can be challenging. For example, in 2014 we found that almost 80 percent of excess properties identified by the Department of Housing and Urban Development as suitable and available for public conveyance for homeless assistance were available for off-site use only—meaning that a homeless assistance provider would need to physically move the building in order to use it, which may not be feasible or worth the cost to homeless assistance providers.¹⁸

As discussed above, issues with the reliability of FRPP data—particularly the utilization variable—make it difficult to quantify the overall number of vacant and underutilized federal buildings. However, we have reported on some vacant properties in the Washington, D.C., area that illustrate the challenges associated with disposing of or repurposing vacant property.

- *The Cotton Annex:* This building, controlled by GSA as the federal government's property disposal agent and located just a couple blocks off the National Mall in Washington, D.C., is approximately 118,000 gross square feet and has been vacant since 2007 (see fig. 1). We found in 2016 that GSA's recent attempt to exchange the property for construction services failed when GSA was unable to obtain sufficient value from the exchange, making the fate of this unneeded building unclear.¹⁹

¹⁷ [GAO-12-645](#).

¹⁸ [GAO-14-739](#).

¹⁹ GAO, *Federal Real Property: Observations on GSA's Canceled Swap Exchange Involving Buildings in the Federal Triangle South Area*, [GAO-16-571R](#) (Washington, D.C.: June 16, 2016).

Figure 1: The Cotton Annex has been Vacant Since 2007



Source: GAO. | GAO-16-869T

- St. Elizabeths: The west campus of St. Elizabeths, a National Historic landmark in Washington, D.C., is comprised of 61 buildings on about 182 acres (see fig. 2). Many buildings have been vacant for extended periods of time and are in badly deteriorated condition. As we reported in 2014, GSA developed a plan to establish a consolidated headquarters for the Department of Homeland Security on the site in 2009.²⁰ Since then, GSA has completed construction of a new

²⁰For additional information, see GAO, *Federal Real Property: DHS and GSA Need to Strengthen the Management of DHS Headquarters Consolidation*, [GAO-14-648](#) (Washington, D.C., Sept. 19, 2014) and Department of Homeland Security, *National Capitol Region Real Property Strategic Plan: Business Case Analysis (Revised): Joint GSA/DHS Real Property Strategic Plan for DHS Headquarter organizations, incorporating a revised St. Elizabeths construction plan and updated workplace standards* (Washington, D.C.: March 3, 2015).

headquarters building for the Coast Guard, but most of the project has been delayed. The estimated timeline for completing the project has been extended multiple times, from an initial estimated completion date of 2016, to an estimated completion date of 2021 based on a scaled back plan as of 2015. As discussed below, we made recommendations for addressing these issues.

Figure 2: Images of Vacant Buildings on St. Elizabeth's campus



Source: GAO. | GAO-16-869T

- **GSA Warehouses:** In 2014, we found that some GSA warehouses listed in FRPP as utilized had been vacant for as long as 10 years.²¹ GSA only lists warehouses as unutilized if they are already in the disposal process. This interpretation of utilization in FRPP caused

²¹[GAO-15-41](#).

GSA to list as utilized some warehouses that had been vacant for years. For example, see figure 3. We made a recommendation, discussed below, for improving GSA's management of its warehouses.

Figure 3: Vacant GSA Warehouses Identified as Active and Utilized in the Fiscal Year 2013 FRPP: Warehouses in Washington, DC Had Been Vacant since 2009 (left) and 2004 (right)



Source: GAO. | GAO-16-869T

Implementing GAO Recommendations Could Address Challenges Related to Excess and Underutilized Property

In recent years, we have made recommendations to GSA and other federal agencies that, if implemented, would increase the federal government's capacity to manage its portfolio and document any progress of reform efforts. The Comptroller General highlighted our highest-priority recommendations to GSA in an August 1, 2016, letter to the GSA Administrator. Of the six open recommendations, the letter included the following three related to excess and underutilized property

- In April 2016, we recommended that, to improve the quality and transparency of FRPP data, GSA, along with OMB and federal agencies, (1) assess the reliability of the data by determining how individual agencies collect and report data for each field, (2) analyze the differences in collecting and reporting practices used by these agencies, and (3) identify and make available to users the limitations of using FRPP data.²² GSA and OMB partially agreed with our

²²[GAO-16-275](#).

recommendation, but GSA noted that it is the responsibility of individual agencies to ensure reliability of the data and compliance with FRPP definitions. OMB also noted that FRPP data are currently only being used by the individual agencies entering the data, and that the data are reliable for (and the limitations known by) the individual agencies. GSA has taken some action to implement the recommendation, including collecting information on individual agencies' internal guidance and the processes used to collect data. In June, 2016 GSA staff briefed us on additional steps they are taking to improve FRPP's usefulness as an analytical management tool. We are currently assessing the reliability of the federal government's fiscal year 2014 property disposal statistics.

- In November 2014, we recommended that GSA articulate a strategy for its role in promoting effective and efficient warehouse management practices across the federal government, a process that could include developing and disseminating warehouse management guidance and supporting agencies as they assess their warehouse portfolios.²³ GSA agreed with our recommendation and is taking steps to implement it. Specifically, GSA has created an online resource page on Warehouse Asset Management Best Practices and, according to GSA officials, is in the process of developing a Guide for Strategic Warehouse Planning, which GSA plans to complete in 2016.
- In September 2014, we recommended that GSA and DHS work jointly with regard to the DHS headquarters project on the St. Elizabeths campus, to (1) conduct a comprehensive needs assessment and gap analysis of current and needed capabilities and an alternatives analysis that identifies the costs and benefits of leasing and construction alternatives and (2) update cost and schedule estimates for the remaining portions of the project.²⁴ According to agency documents and our interviews with DHS and GSA officials, DHS and GSA have made progress in developing an enhanced plan for the project. In March 2015, DHS issued its *National Capitol Region Real Property Strategic Plan: Business Case Analysis*, which outlines a revised construction plan for the St. Elizabeths campus as well as updated workplace standards for the department. Additionally, according to GSA officials and agency documents, GSA is leading

²³ [GAO-15-41](#).

²⁴ [GAO-14-648](#).

efforts to revise the project's cost and schedule estimates that take into account GAO's leading cost-estimation practices. However, this recommendation remains open until these efforts are completed and the results assessed.

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

Finally, several real property reform bills have been introduced in Congress that could address the long-standing problem of federal excess and underutilized property. For example, the Federal Assets Sale and Transfer Act of 2016 could help address stakeholder influence by establishing a Public Buildings Reform Board to identify opportunities for the federal government to significantly reduce its inventory of civilian real property and reduce its costs.²⁵ Additionally, the Public Buildings Report and Savings Act of 2016 would promote consolidations and disposals by requiring, among other things, that GSA (1) justify to Congress any new or replacement building space in the prospectus, including reasons that it cannot be consolidated or collocated into other owned or leased space and (2) dispose of specific properties in Washington, D.C., including the Cotton Annex.²⁶ Although both bills have passed the House of Representatives, neither one has been enacted yet.

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

²⁵H.R. 4465, 114th Cong. (2016).

²⁶H.R. 4487, 114th Cong. (2016).

GAO Contacts and Staff Acknowledgements

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), Katie Hamer (Analyst in Charge), Luqman Abdullah, David Lutter, Sara Ann Moessbauer, Josh Ormond, Michelle Weathers, and Crystal Wesco.

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