



Committee on Transportation and Infrastructure
U.S. House of Representatives

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June 12, 2015

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SUMMARY OF SUBJECT MATTER

TO: Members, Subcommittee on Economic Development, Public Buildings, and
Emergency Management
FROM: Staff, Subcommittee on Economic Development, Public Buildings, and
Emergency Management
RE: Legislative Hearing on “Saving Taxpayer Dollars in Federal Real Estate:
Reducing the Government’s Space Footprint”

PURPOSE

The Subcommittee on Economic Development, Public Buildings, and Emergency Management will hold a hearing on Tuesday, June 16, 2015, at 1:00 p.m. in 2167 Rayburn House Office Building to examine the issue of underutilized and vacant federal properties, costs to the taxpayer, challenges to selling or disposing of unneeded real property, and methods by which the federal government can reduce its space footprint and save taxpayer dollars by addressing those challenges.

BACKGROUND

Reducing the Real Estate Footprint

Both the Committee and the Administration have been working to reduce the costs of office space by improving the space utilization rates of agencies and reducing their real estate footprint. Large real estate acquisitions, over \$2.85 million annually, must be authorized by the House Committee on Transportation and Infrastructure and the Senate Committee on Environment and Public Works. Since the beginning of last Congress, through efforts to get the General Services Administration’s (GSA) tenant agencies to improve their space utilization, the Committee has authorized projects that will potentially result in up to \$2.5 billion in savings to the taxpayer through lease cost avoidance, reduction of previously-authorized projects, and consolidations.

The Administration has also issued directives to reduce the amount of real estate used by federal agencies. On June 10, 2010, the Administration issued a memorandum directing agencies to accelerate efforts to identify and eliminate excess properties. On March 14, 2013, the Office of Management and Budget (OMB) issued a Management Procedures Memorandum prohibiting agencies from increasing the total square footage of their domestic office and warehouse inventory compared to their fiscal year 2012 baseline -- in effect requiring agencies to freeze

their federal real property footprint. More recently, on March 25, 2015, OMB issued a directive for agencies to reduce their office and warehouse space by aggressively disposing of properties and making more efficient use of space. At the same time, the Administration released the *National Strategy for the Efficient Use of Real Property*, which proposed a five-year, three-step strategy to improve the efficiency and cost-effectiveness of federal real estate. The three step approach includes freezing the footprint, improving the quality of data to more accurately analyze and measure opportunities, and reducing the footprint through accelerated disposals and improved space utilization.

Opportunities to Reduce Costs

Given the vast real estate holdings of the federal government, poor asset management and missed market opportunities cost taxpayers significant sums of money. For this reason, in 2003, the Government Accountability Office (GAO) placed real property management on its list of “high risk” government activities, where it remains today. Among the reasons GAO lists federal real property as high risk is “excess and underutilized real property” and “unreliable property data.” While significant attention has been paid to addressing these issues, GAO noted in its most recent “High Risk series” report that, “the federal government continues to maintain too much excess and underutilized property.”¹

The high risk activities related to federal real property are significant; however, consistent and accurate data continues to be a challenge in measuring the full costs to the taxpayer. Considerable amounts of vacant or underperforming real estate assets can translate into significant costs associated with the operation, maintenance, and security.

Domestically, the federal government owns more than 254,000 buildings² comprising a total of 2.5 billion square feet of space with an annual operating cost of \$14.4 billion.³ The total amount of real estate space underutilized or vacant has not been accurately ascertained likely due in large measure to poor data and inconsistent reporting requirements.⁴ For example, in fiscal year 2009, the number of underutilized buildings was 45,190, comprising 341 million square feet of space costing \$1.66 billion.⁵ However, in fiscal year 2010, there were 77,000 buildings comprising 490 million square feet listed as underutilized or vacant, costing \$1.66 billion annually.⁶ While those were global numbers (domestic and non-domestic), in the most recent Federal Real Property Summary Data Set, which accounts for only domestic properties, 5,000 buildings are listed as underutilized or vacant; however, the report on whether properties are being fully utilized or not does not include all property categories and reflects only 43 percent of the total buildings. The same fiscal year 2014 Data Set lists 31,465 “assets” as not currently

¹ *GAO High Risk Series*, GAO-15-290 (2015), p. 135.

² This figure excludes land and 477,000 structures, costing \$7.8 billion annually, such as utility systems, roads and bridges, and parking structures.

³ FY 2014 Federal Real Property Profile Summary Open Data Set.

⁴ See *Federal Real Property: Excess and Underutilized Property in an Ongoing Challenge*, GAO-13-573T (April 2013); *Federal Real Property: Strategic Focus Needed to Help Manage Vast and Diverse Warehouse Portfolio*, GAO-15-41 (November 2014).

⁵ *Federal Real Property: The Government Faces Challenges to Disposing of Unneeded Buildings*, GAO-11-370T, (February 2011).

⁶ *FY 2010 Federal Real Property Report*, Federal Real Property Council, p. 6. See also *Disposal of Unneeded Federal Buildings: Legislative Proposals in the 112th Congress*, Congressional Research Service, August 6, 2012.

needed, including buildings and structures. GAO had confirmed that some of its previously reported data on the costs associated with maintaining excess or underutilized properties and the total may be unreliable due to poor reporting procedures by several federal agencies. OMB has recently developed new metrics for the Federal Real Property Profile to produce more uniform and reliable data on real property.

Hurdles to Reducing the Real Estate Footprint

Over the years, the issue of getting federal agencies to sell or dispose of underutilized and unneeded properties has been a focus of GAO investigations, congressional hearings, and actions by administrations. Various hurdles to disposing of properties have been identified, including:

- Upfront costs to agencies – Preparing the properties for disposal costs money. For example, there are costs related to surveys, environmental assessments, and cleanup.
- Cumbersome disposal process – The current disposal process can be cumbersome and time-consuming, particularly for larger, more valuable assets, creating a disincentive for agencies to dispose of unneeded properties.
- Land-banking of high value assets – Either as a result of the costs, disposal process, or because an agency believes it may require space at some unspecified point in the future, agencies may hold on to higher value assets. One example is the Cotton Annex in Washington, D.C., that sat vacant for years, pending a potential need or use for the property.
- Real estate activities may be required – Many valuable properties used by agencies may be underutilized; however, in order to make properties available for sale or disposition, money may be needed to relocate, consolidate, or acquire space to move the agency operations.
- Poor data and property management – Agencies may not maintain accurate data about their properties and space utilization, making it more difficult to identify properties available for disposal.⁷ In addition, agencies may not be in a position to determine if use of the property is optimized. For example, if a small government building sits in a larger, valuable plot of land, the building itself may be fully utilized, but the property underutilized, and may provide more value to the taxpayer if sold and the agency consolidated into other space.
- Prioritization – Other than the GSA, property management is not a part of the core mission of most agencies, and, as such, working to identify and make available underutilized properties may not be a priority.

Legislative Proposals

There have been various administrative and legislative proposals over the years to overcome the hurdles identified. In recent years, both the Administration and various Members of Congress have put forward proposals. In 2011, the Administration issued proposed legislation, entitled the Civilian Property Realignment Act, to sell or dispose of unneeded properties through a pilot program. The Administration's proposal would have established an independent

⁷ *Federal Real Property: Better Guidance and More Reliable Data Needed to Improve Management*, GAO-14-757T (July 2014).

commission to review properties government-wide and develop a block of recommendations that would go into effect unless disapproved by Congress. At the time, Congressman Jeff Denham introduced similar legislation. Also, in 2011, Chairman Jason Chaffetz of the Oversight and Government Reform Committee introduced the Excess Federal Building and Property Disposal Act, which would have established a pilot program to create an expedited disposal process and directed OMB and GSA to identify high value properties to be disposed of through that process.

CONCLUSION

The hearing will focus on the scope of the problem of underutilized and vacant properties, challenges that need to be overcome to address the problem, and possible solutions.

WITNESS LIST

The Honorable Jeff Denham
Chairman, Subcommittee on Railroads, Pipelines, and Hazardous Materials
Committee on Transportation and Infrastructure

The Honorable Jason Chaffetz
Chairman, Oversight and Government Reform

The Honorable David Mader
Controller
Office of Management and Budget

Mr. David J. Wise
Director, Physical Infrastructure Team
U.S. Government Accountability Office

Mr. Norman Dong
Commissioner
Public Buildings Service
U.S. General Services Administration

Maria Foscarinis
Executive Director
National Law Center on Homelessness and Poverty