



U.S. General Services Administration

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House Committee on Oversight and Governmental Reform
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Disposal of Federal Real Property: Legislative Proposals
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Good morning Chairman Issa , Ranking Member Cummings, and members of the Committee. My name is David Foley and I am the Deputy Commissioner of the U.S. General Services Administration's Public Building Service.

I am honored to join you today to discuss GSA's asset management strategies, our role in disposition government-wide, the unique challenges of Federal real property disposals, and how a civilian property realignment initiative can help address those challenges and meet our obligation to taxpayers to spend every dollar as effectively as possible.

GSA's Asset Management -

First, I would like to discuss our role with respect to assets that GSA directly controls. GSA is one of the largest and most diversified public real estate organizations in the world. Our inventory consists of over 9,600 owned and leased assets with approximately 370 million square feet of space across all 50 states, 6 territories, and the District of Columbia.

As the Federal government's landlord, we have a robust asset management program to track utilization of our inventory, strategically invest in our assets, and aggressively dispose of unneeded assets. GSA leads the market with low vacancy rates and high utilization; less than 3 percent of our portfolio is classified as an under- or non-utilized asset.

When we find underutilized space, we evaluate whether the asset is worth reinvestment or should be disposed of, looking at the cost to reinvest and to maintain, and whether or not there is a long-term Federal need.

Where there is a continuing Federal need, GSA works aggressively to renovate and reuse the asset to achieve greater utilization and avoid costly leasing. Since we began a restructuring initiative in 2002, GSA has led a number of critical consolidation projects and completed more than 140 major modernization projects. These facilities provide more efficient workspace for tenant agencies, and these consolidations reduce space and operational costs for the Federal government.

GSA's Real Property Disposition -

When we determine that a GSA property, which could be composed of one or more assets, is not worthy of reinvestment and no longer meets a long-term

Federal need, GSA initiates the disposal process. We aggressively work to identify and target unneeded assets for disposal.

An underutilized asset must be distinguished from an unneeded asset. An asset could be underutilized for a variety of reasons, while still being in the taxpayers' best interest to retain in the Federal inventory. For instance, of the 1.9 million square feet of underutilized space in GSA's inventory in the nation's capital, 1.7 million square feet is currently categorized as underutilized because it is undergoing modernization and will provide renovated, highly utilized, and cost-efficient space upon completion of these projects.

Since 2002, we have disposed of more than 200 GSA properties valued at \$467 million and covering more than 9.5 million square feet. These dispositions represent an elimination of and almost \$484 million in future anticipated repair needs.

Since GSA gained the authority to retain sales proceeds in 2005, GSA's disposal actions have returned almost \$227 million in receipts to PBS's Federal Buildings Fund.¹ The Thaddeus J. Dulski Federal Office Building in Buffalo, NY is an example of an effective disposition. In 2005, GSA excessed this building, which had a high vacancy rate and a need for costly renovations. This underperforming asset was sold to a private developer in 2006 and generated \$6 million for the Federal Buildings Fund. The building was renovated as a mixed-use hotel, commercial and residential property that has helped keep jobs in downtown Buffalo, while adding to the tax base for the city. The funds received from the sale have been reinvested into our portfolio to help maintain well functioning and welcoming buildings. A similar incentive, which allows for agency reinvestments into their real property portfolio, is contemplated in the Administration's proposal.

GSA's Role as the Disposal and Repositioning Agency of the Government –

In addition to managing our own inventory, GSA has authority to dispose of most properties that other Federal agencies control. In this capacity, GSA provides strategic direction and oversees the development of programs related to the utilization and disposal of Federal excess and surplus real property.

GSA develops tailored disposal strategies specific to an asset's characteristics, environmental issues, community interests, stakeholder concerns, and market conditions. Similarly, when preparing a property for public sale, GSA develops

¹ This figure includes revenue generated through use of all GSA disposal authorities. GSA has generated approximately \$140 million for the Federal Buildings Fund using Section 412 authority alone.

marketing plans that optimize the public offering. We use tools and techniques designed to reach very broad audiences and we target specific niche interests.

While GSA has the expertise to navigate properties through this disposal process, each individual landholding agency is responsible for making their own asset management decisions on whether that asset is excess to their needs.

The Disposal Process –

Knowledge of the Property Act disposal process and of the guiding environmental and historic statutory requirements that must be followed during the disposal process is critical to understanding some of the unique challenges of this system. For each disposition we manage, GSA has to meet certain requirements in the existing framework of authorities. These requirements include evaluating the property for Federal and public benefit use, identifying and addressing any environmental issues with the property, and special consideration for historic properties.

The disposal process begins when a Federal agency determines that it no longer has a mission need for an asset, or assets, and reports a property as “excess” to its needs. In this instance, a property could be composed of multiple assets. We should draw a distinction here between property reported as legally excess through the disposal process and property that is designated as excess in GSA’s Federal Real Property Profile (FRPP) database. Not all of the properties listed in the FRPP will turn into Reports of Excess and be disposed of since some may be demolished or have cleanup requirements that are too costly or timely.

When we accept a Report of Excess, GSA surveys other Federal agencies to determine if there could be another Federal need for the property. After a 30 day period of agency consultation, if we identify no valid need for the property within the Federal government, it is considered “surplus” to the Government’s needs and offered to public organizations primarily state, county, and city entities. These entities can acquire the property through a negotiated sale at fair market value or through a public benefit conveyance for specific uses including homeless assistance, parks and recreational purposes, historic monuments, public health needs, educational purposes, correctional institutions, and law enforcement needs.

Public benefit conveyances may be discounted up to 100 percent of the fair market value. Determining if a property meets the criteria for public benefit conveyance, as well as working with state or local community through this phase often adds time to the process. Local stakeholder interests can lead to delays in this process when various stakeholders try to advocate for a particular use of the property. GSA, however, works with the applicable Federal agencies to conduct

public benefit assessments, where appropriate, and works with the local community while proceeding through the disposal process, trying to minimize any delays.

If there is no viable public benefit interest or negotiated sale interest in the property, GSA is then required to conduct a public sale of the property. Through aggressive marketing and public outreach, sometimes employing the services of private sector brokers, GSA conducts the sale through an online auction, public outcry auction, or sealed bid. The market exposure for each asset will vary based on the asset's condition, amenities, limitations, location, and other factors. Typically, GSA and its brokers develop marketing plans which include the appropriate sales method. Once we determine which sales method to use, we begin the marketing through local print media, and a variety of electronic notices. For all sales methods, the marketing continues up to the point of award. This process can be sixty to one-hundred and eighty days.

In addition to these process requirements, dispositions must comply with a variety of environmental and historic preservation requirements. For example, the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA) of 1980 imposes requirements on transfers of Federal real property to non-federal entities, including, when necessary, characterization and remediation of the asset's hazardous substances. The National Environmental Policy Act (NEPA) requires landholding agencies to identify and analyze environmental impacts associated with deeming a property as excess and disposing of the asset, and to consider possible mitigation measures for such impacts. The NEPA review is often used as the process that provides a framework to fully address, or assist in addressing, the other environmental and historic preservation requirements. The process for the disposition of properties also must be in compliance with Section 106 of the National Historic Preservation Act, which requires GSA to consider the effects of its proposed disposal undertakings on historic properties. Even when GSA receives special legislation to dispose of a property directly to sale, appropriate historic and environmental issues must be addressed.

The Federal civilian disposition process is an iterative and deliberate process with a number of statutory requirements that seek to strike a balance between social and economic policy objectives.

These requirements were designed to ensure properties are disposed of consistently and in the best interest of the American taxpayer, and GSA develops disposal strategies specific to the asset's characteristics, within existing statutes. The Administration's proposal also seeks to find the appropriate balance while stressing further flexibility.

Although the disposal process can be time consuming, this process is often delayed further with the associated stakeholder interests and community expectations. These variables often manifest themselves into competing interests that create inefficiencies and drive increased time and costs. The Administration's civilian property realignment initiative would streamline the process, while minimizing external stakeholder influences that could delay or interfere with effective, strategic asset management.

Federal Real Property Disposition Reform -

GSA supports the Administration's goals and those of this committee and other members of Congress to dispose of unneeded Federal real property and streamline the current disposal process. While GSA works hard to mitigate time and cost delays of disposing of unneeded properties, the Administration's proposal addresses the key challenges that exist with the current process which should streamline and accelerate the disposal process. GSA supports the Administration's proposal.

Based on our experience, we believe that a reform to real property asset management must address these central challenges:

- 1) Incentivizing disposals by enabling agencies to realize the benefits of proceeds
- 2) Addressing the upfront costs associated with disposals and consolidations
- 3) Resolving competing stakeholder interests that can slow down or prevent good asset management decisions

The Administration proposed legislation earlier this year for a Civilian Property Realignment Act designed to accelerate the disposal and consolidation of the Federal government's civilian properties and optimize the utilization of the Federal inventory. This initiative will create an independent Board that aims to increase the number of properties available for disposal, streamline the disposal process and seek new disposal opportunities to help the Government realize financial savings, and look for opportunities to consolidate and co-locate similar functions within the government. It will take these actions in an environmentally conscious manner, consistent with the law and protective of public health and the environment. The initiative expands upon the June 2010 Presidential Memorandum that directed Federal civilian agencies to increase efforts to dispose of unneeded Federal real estate and to maximize the utilization of the current inventory to achieve billions in savings.

The Administration's efforts anticipate working with Congress to create a successful initiative, and we welcome the efforts of OMB, this committee, and

other Members of Congress to successfully reform and improve Federal real property management.

Given GSA's expertise in asset management and our statutory authority over government-wide property disposal, we welcome the opportunity to be a part of the ongoing dialogue on how to improve utilization and disposal of real property. GSA's experiences in working with partner Federal agencies to dispose of real property, as well as challenges we have identified in the domestic Federal disposition process, can help inform the ongoing process of establishing a successful civilian property initiative that accomplishes what we are all hoping to achieve: meeting our responsibility to taxpayers to spend every dollar effectively and find ways to do more with less.

Thank you for the opportunity to appear before you today, and I welcome any questions you have.