Committee on Transportation and Infrastructure
U.S. House of Representatives
Washington, DC 20515

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May 17, 2013

**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**: Subcommittee Hearing on "Saving Taxpayer Dollars: Freezing the Federal Real Estate Footprint"

## PURPOSE

The Subcommittee on Economic Development, Public Buildings and Emergency Management will meet on Wednesday, May 22, 2013, at 10:00 a.m. in 2167 Rayburn House Office Building to receive testimony to examine efforts by federal agencies to freeze and reduce their real estate footprint. At this hearing, the Subcommittee will hear from the General Services Administration (GSA), the Department of Homeland Security (DHS), the Department of Health and Human Services (HHS), and the Nuclear Regulatory Commission (NRC).

## BACKGROUND

### Committee Actions to Freeze the Real Estate Footprint

The Committee on Transportation and Infrastructure has jurisdiction over public buildings and, pursuant to the Public Buildings Act, authorizes the acquisition of space, including by purchase, lease, or construction, that exceeds a certain cost threshold currently set at $2.79 million per year. In recent years, the Committee, on a bipartisan basis, has made efforts to reduce the costs of real property and federal space. In particular, the Committee has worked to ensure federal agencies reduce their real estate footprint, improve their utilization of existing space, and dispose of unneeded space.[1] Since 2011, the Committee has cut existing GSA lease authorizations by $923 million over the terms of the leases. Because of the Committee's efforts,

[1] Federal real property has been on the Government Accountability Office (GAO) High Risk list for a decade, due to significant waste in the management of federal real estate. For example, in fiscal year 2009, the Federal Government spent $1.7 billion in annual operating costs for under-utilized buildings and $134 million, annually, for excess buildings.

many of the fiscal year 2013 lease requests submitted by GSA already incorporated space reductions and improved utilization rates.

Determining the costs and usage of buildings involves a number of key data points. For example, gross square footage (gsf) is the total area of the exterior footprint multiplied by the number of floors. Rentable square footage (rsf) is typically defined as the office space square footage plus common areas (e.g., hallways, bathrooms, atriums). Rentable square footage is the square footage on which the rent is based. The usable square footage (usf) is the space for use by the tenant's personnel and furnishings, including joint space, and special use space. Usable square footage is a metric typically used to evaluate how efficiently an agency uses its space. The "all-in" utilization rate is determined by dividing the total usable square footage by the number of personnel in a building. For example, the proposed consolidated FBI headquarters would result in an "all-in" utilization rate of 170 usf per person.

Below are examples of recent leases approved by the Committee and the corresponding improvements in "all-in" utilization rates for leased space related to a variety of agencies.

| **Agency** | **Previous Utilization Rate** | **Committee Approved Utilization Rate** |
|---|---|---|
| Interior Department (Fish & Wildlife) | 243 usf/person | 190 usf/person |
| National Labor Relations Board | 307 usf/person | 200 usf/person |
| Dept. of Defense (Northern VA) | 261 usf/person | 176 usf/person |
| HHS (Admin. For Children and Families) | 209 usf/person | 170 usf/person |
| Dept. of Commerce (Economic Analysis) | 226 usf/person | 197 usf/person |
| Dept. of Homeland Security (Immigration and Customs Enforcement) | 218 usf/person | 156 usf/person |

**Administration's Directives on Freezing the Real Estate Footprint**

In addition to the Committee's actions to reduce GSA's real estate inventory, the Administration has taken steps toward that end. In June 2010, the Administration issued a Presidential Memorandum related to disposing of unneeded federal real estate. As part of that memorandum, federal agencies were directed to:

- take immediate steps to make better use of existing real property assets as measured by utilization and occupancy rates, annual operating cost, energy efficiency, and sustainability;
- increase occupancy rates in current facilities through innovative approaches to space management and alternative workplace arrangements, such as telework; and

- identify offsetting reductions in inventory when new space is acquired.

More recently, on March 14, 2013, the Office of Management and Budget 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. In addition, the memorandum requires federal agencies to offset any proposed new growth in space with corresponding reductions in existing total office or warehouse space.

**Examples of Agency Actions in Response to Congressional and Administration Directives**

Generally, since 2012, most federal agencies submitting requests for space to the Committee (including leases, construction, or purchase) have incorporated square footage reductions or savings on their own initiative or have worked with the Committee to identify space reductions, consolidations, and savings.

At the hearing, the Subcommittee will receive testimony from four federal agencies to better understand their efforts to freeze and reduce their space footprint. In particular, GSA, as the "landlord" for many other federal agencies will provide testimony about its efforts to work with tenant agencies to improve their office space utilization and reduce their real estate footprint. In addition, DHS, HHS, and NRC will provide testimony on how they are managing their real estate footprint. Below are more specific details on recent actions by HHS, DHS, and NRC on space utilization.

*Department of Health and Human Services*

HHS houses approximately 37,000 personnel in over 8 million usable square feet located in 97 office buildings in the National Capital Region (NCR). HHS's mission requires a variety of types of space, including standard office space as well as laboratories and other special use space.

In 2011, HHS issued department-wide guidance on improving space utilization and established an "all-in" target utilization rate of 170 usable square feet. The "all-in" rate includes all office, office support space and a pro-rated share of any joint use space that is included in each tenant's assigned useable square feet. Under this guidance offices greater than 250 usable square feet are reserved for agency heads or equivalents (i.e., Deputy Assistant Secretary or higher), and no private office is allowed to exceed 350 usable square feet.

In addition to establishing guidelines and limitations on space, HHS's guidance establishes a process through which space is evaluated and the need for new space is approved within the department. HHS is currently in the process of implementing the guidance.

*Department of Homeland Security*

DHS is currently in more than 50 different locations within the NCR and intends to eventually consolidate to 10 locations. While funding for the permanent, consolidated DHS headquarters at St. Elizabeths in Washington, D.C. has been delayed, DHS is currently evaluating its existing locations to develop an interim plan that improves utilization, reduces its footprint, and lowers its rental payments. DHS has modified its staffing projections from what used to be "significant" growth to slow or no growth. In addition, DHS is evaluating and testing ways to improve space utilization, including by use of increased staff mobility, hoteling, use of existing space for needed interim or swing space, and consolidations.

*Nuclear Regulatory Commission*

Since 2007, GSA, on behalf of the NRC, expanded its office space holdings in the NCR significantly beyond the cost and square footage limitations authorized by the Committee. Specifically, in 2007 the Committee authorized a 10-year lease of 120,000 rentable square feet for a total cost of $38 million in order to house the NRC's projected increase in staff. Instead the NRC went around the Committee's normal resolution authorization process to obtain an authorization in a fiscal year 2008 appropriations bill and had GSA acquire a new, built to suit 358,000 rentable-square-foot building for a total of over $350 million dollars over 15 years, including tenant improvements and parking. In addition, GSA leased more than 200,000 rentable square feet of space in four smaller temporary locations.

Currently, the NRC's headquarters complex consists of one GSA-owned building (White Flint 1), one leased building (White Flint 2), and three temporary leased satellite buildings and warehouse space. These five office buildings total more than 726,000 usable square feet and currently house 3,250 people. The current utilization rate is equal to 223 usf (useable square feet per person). In addition, the NRC last year took possession of a newly constructed, build to suit leased building (White Flint 3) the NRC intended to replace its three satellite locations and accommodate its projected increase in personnel. However, as a result of the dramatic decrease in the price of natural gas and the nuclear disaster in Fukushima, Japan, the NRC's projected expansion of domestic nuclear power plants and NRC staffing levels never materialized. In fact, the NRC's staffing levels declined. With White Flint 3, the total usable square footage of NRC space is now more than 1 million.

In addition to the new $350 million White Flint 3 building, GSA submitted a lease renewal prospectus for White Flint 2 to the Committee in 2010. If the Committee were to authorize the lease renewal and the NRC relinquished its three satellite offices as originally planned, the NRC's utilization rate would increase from 223 to 275 usable square feet per person and the NRC's real estate footprint would increase by more than 150,000 rentable square feet. This would be in conflict with the President's directive to freeze agencies' real estate footprints at fiscal year 2012 levels and the Committee's bipartisan efforts to bring agencies in line with accepted office utilization rates.

In an effort to evaluate the NRC's lease request, the Committee has requested briefings and basic information about the NRC's current facilities, number of workstations, actual personnel on board, and other information in order to ensure the NRC's space utilization rates and real estate footprint are in compliance with the President's and Committee's cost reduction initiatives. As of May 10, 2013, a number of important information requests were still outstanding after more than a year.

Given the sizable increase in the NRC's space footprint with no corresponding increase in staffing, the Committee has been working to identify a solution to bring the NRC space utilization in line with both the Administration's and the Committee's standards on improving space utilization rates and freezing and reducing the real estate footprint.

**WITNESS LIST**

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