



U.S. General Services Administration

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Committee on Transportation and Infrastructure
Subcommittee on Economic Development, Public Buildings, and
Emergency Management
“Saving Taxpayer Dollars: Freezing the Federal Real Estate Footprint”
May 22, 2013

Introduction

Good morning Chairman Barletta, Ranking Member Norton, and members of the Subcommittee. I am Dorothy Robyn, Commissioner of GSA's Public Buildings Service. I appreciate being invited here today to discuss GSA's effort to save taxpayer dollars and shrink the federal footprint.

Under new leadership, GSA has refocused on its mission of delivering the best value in real estate, acquisition, and technology services to government and the American people.

In the real estate area, GSA faces major challenges. Our inventory's average age is 47 years – close to the 50-year life expectancy of most commercial office buildings. These buildings are maintained and renovated through the Federal Buildings Fund, which is supported by rents collected from the agencies we house. However, in recent years, we have not had access to all of the annual revenues collected by the Fund, limiting resources available to maintain and restore these assets and meet the needs of partner Federal agencies. This limitation has, in part, led to an increased reliance on leased space to house our federal colleagues, even though leasing is often more expensive than ownership.

Although the limits on the Federal Buildings Fund prevent us from taking many steps that would save taxpayers money, GSA is taking a threefold approach to addressing these challenges. First, we are working with agencies to reduce space requirements and shrink their footprint. We help our Federal partners optimize their existing portfolios, identify underutilized assets, and dispose of excess properties. Second, we are reducing our buildings' operating costs. Investments here include "smart" building technology and energy-efficiency retrofits. Third, GSA is leveraging private capital to deliver better and more efficient space to our partner federal agencies. One example is our proposal to consider an exchange of the FBI's aging J. Edgar Hoover Building for a new, consolidated headquarters within the National Capital Region.

My testimony today will focus primarily on the first of these initiatives: reducing space requirements and shrinking the federal footprint.

The Administration's Efforts to Freeze the Federal Real Property Footprint

Over the past four years, this Administration has moved aggressively to ensure that Federal agencies dispose of unneeded properties and make more efficient use of the Government's real estate assets. The Freeze the Footprint initiative is the latest in a series of actions the Administration has taken to this end.

In June 2010, President Obama issued a memorandum, “Disposing of Unneeded Federal Real Estate,” that required civilian agencies to achieve \$3 billion in savings from sales, reduced operating costs, and improved utilization of existing inventory by the end of FY12. The agencies exceeded the goal, achieving \$3.5 billion in cost savings and avoidance. GSA accounted for \$350 million of that total by selling excess assets, eliminating operating costs associated with those assets, foregoing repair and alteration investments, and avoiding costly leases by using federally owned space.

In May 2012, Acting OMB Director Jeffrey Zients issued a memorandum entitled “Promoting Efficient Spending to Support Agency Operations,” which directed, in part, that agencies not increase the size of their civilian real estate inventory. In March, OMB Controller Danny Werfel issued guidance that outlined specific agency actions to freeze the federal real estate footprint and gave GSA (along with OMB) a central role in assisting and monitoring agency implementation of the policy.

Specifically, OMB’s March guidance directs each agency to submit a draft Real Property Cost Savings and Innovation Plan that contains four key elements. First, each agency must lay out a three-year plan to maintain or reduce its FY 2012 real property footprint. GSA is responsible for calculating and reporting to each agency its baseline measure using a combination of Federal Real Property Profile data, GSA occupancy agreements, and agency leasing agreements (for those agencies with independent leasing authority). Second, each agency must document its current leasing costs as well as provide a plan to control these costs moving forward. Third, each agency must produce an analysis of its actions to increase space utilization and efficiency. Fourth, agencies must describe the internal controls and procedures in place to implement and comply with the Freeze the Footprint policy.

GSA will work with OMB to monitor agencies’ domestic office and warehouse space and help agencies maintain or reduce their current footprints. Agencies will be required to submit annual evaluations of their management and utilization of real property. GSA will analyze these reports to measure compliance, validate agency data, and provide analysis and recommendations to OMB about each agency’s performance. (Information on agency progress will be available on www.Performance.gov.) As part of the effort to monitor opportunities for agencies to maintain or reduce their current footprints, GSA is also working with OMB to improve the quality of data in the Federal Real Property Profile and identify robust performance metrics.

GSA's Role in Freezing the Footprint

Although GSA directly manages only about 375 million of the nearly 3.3 billion square feet of space under the government's control, we have the statutory authority to acquire, manage, utilize and dispose of real property for most federal agencies. Thus, GSA is well positioned to drive change in this area—and, in fact, has been actively working to do so. As one illustration, in our prospectus-level lease program this fiscal year alone, GSA and our partner federal agencies reduced space needs from a proposed requirement of 3.4 million square feet to just 3.1 million square feet, a reduction of nearly 10 percent.

The design of many of today's federal workspaces reflects a time when the government processed and stored paper and completed daily tasks in regimented and predictable ways. While today's federal employees can accomplish their work in increasingly mobile and flexible ways, the physical office environment has remained largely static. This forces many federal employees to adapt to physical office space inefficiencies and utilize a workplace that doesn't effectively support the kind of work they do, resulting in inefficient agency operations and a real estate portfolio that is larger than needed for those operations.

At GSA, we believe good workplace design supports the work that you do. Cost savings are not the only reason we seek to reduce real property footprints. Improving the utilization of real estate also can encourage a vibrant, collaborative, and productive workplace.

GSA is a government-wide leader in its efforts to maximize and increase efficiency in its utilization of space. We are committed to delivering the best value in real estate by creating workspaces that support collaboration, improve productivity, and optimize utilization. To this end, GSA is implementing innovative workplace strategies, including right-sizing individual and collaborative spaces, desk-sharing, and open-plan design. At the same time, GSA is supporting telework policy and training while providing the technology support to encourage mobility.

One impediment to improved space utilization is the need for upfront funding to reconfigure space. For this reason, the President's FY 2014 Budget Request for GSA includes \$100 million for the reconfiguration and renovation of GSA-owned space to support our ongoing work with federal agencies to improve their space utilization, decrease their reliance on costly leased space, and reduce the government's environmental footprint. To ensure that these funds have a broad and immediate impact, GSA has proposed criteria that ensure no single project will exceed \$10 million in costs and all projects will provide a payback in less than five years.

Additionally, we have requested funding in the FY 2014 Budget for a number of larger repair and alteration projects designed to renovate buildings and allow for federal agencies to consolidate their space needs, co-locate with other federal agencies, and move out of costly leases and into federally owned space. For example, at the Charles F. Prevedel Federal Building in Overland (St. Louis), Missouri, GSA is pursuing interior space alterations and building systems upgrades that will allow the Veterans Benefits Administration to consolidate operations and eliminate leases projected to cost more than \$3.3 million annually. Execution of this project also will make space for second order moves that allow numerous agencies move from leased space into the Robert A. Young Federal Building in downtown St. Louis.

The President's FY 14 budget request for GSA also includes funding for the ongoing construction of the consolidated Department of Homeland Security Headquarters at St. Elizabeths in Washington, D.C. When the Coast Guard Headquarters portion of the campus is complete later this fiscal year, it alone will eliminate five leases and convert nearly one million square feet of space from leased to federally owned space. When the entire project is complete, St. Elizabeths will house 14,000 seats and consolidate more than 50 DHS leases into one campus location. Through implementation of flexible workplace strategies, the 14,000 seat limitation can be leveraged to accommodate more than 14,000 employees. The 30-year, present value cost of this construction project is about \$530 million less than the cost of leasing. In other words, this project carries an annual cost advantage of more than \$30 million.

Reducing the Footprint of GSA-Occupied Space

Of course, GSA's role in freezing the Federal government's real property footprint starts with the space we occupy ourselves. At GSA, we will not only meet, but exceed, the Freeze the Footprint requirement by shrinking the amount of office and warehouse inventory that GSA occupies by 15 percent through FY 2015. Over the next three years, GSA will reduce its occupancy of government-owned and leased office space by more than 1 million usable square feet.

As an example, we are significantly increasing utilization of GSA's Headquarters Building at 1800 F Street Northwest through a multi-phase modernization and consolidation project. The modernization will ultimately reduce GSA's occupied space in the National Capital Region (NCR) by nearly 38 percent. Upon completion of Phase One, GSA will vacate six leased locations across the National Capital Region and nearly double the capacity of its Headquarters Building by using open offices, shared workspaces, telework, and mobility practices. Phase Two of the project, which is to be funded in a future fiscal year, will modernize the remainder of the Headquarters Building and allow consolidation of approximately 1,700 additional GSA

employees from the NCR Regional Office Building to our 1800 F Street Headquarters. In the meantime, we have consolidated two expiring leases into GSA's Regional Office Building for a reduction of 42,523 rentable square feet and annual lease savings of approximately \$1.7 million.

Disposal of Real Property

GSA is the primary real property disposal agent for the federal government, and it has long worked aggressively to identify and target unneeded assets for disposal. The majority of GSA disposals involve property that is not under our jurisdiction or control. In fact, we just sold a 427-acre portion of the former Twin Cities Ordnance Plant, in Arden Hills, Minnesota, on behalf of the Department of the Army. The negotiated sale amounted to \$28 million and eliminated 110 buildings and 1.7 million square feet of space from the federal inventory.

Since 2008, we have disposed of 94 GSA-managed properties and received \$129.5 million in receipts for the Federal Buildings Fund, while avoiding more than \$153.6 million in liability costs. Additionally, we have disposed of more than 650 properties on behalf of other Federal agencies, generating \$230.5 million in proceeds.

GSA provides strategic direction and oversees the development of programs related to the utilization and disposal of excess and surplus real property across the federal government. GSA has the specialized skills to assist agencies by developing tailored disposal strategies specific to an asset's characteristics, environmental issues, community interests, market conditions, and other factors that influence the repositioning of the unneeded asset. Similarly, when preparing a property for public sale, GSA develops marketing plans that optimize the public offering. We use tools and techniques designed to reach very broad audiences and we target specific niche interests.

Civilian BRAC

Despite our efforts to use space more efficiently and reduce costs, a number of challenges impede agencies' ability to better utilize their inventory and dispose of unneeded assets, as the Government Accountability Office has repeatedly pointed out.¹ These challenges include the high upfront costs of property disposal, the legal requirements prior to and during the disposal process, and stakeholder resistance.

¹ *Federal Real Property: National Strategy and Better Data Needed to Improve Management of Excess and Underutilized Property*. GAO-12-645 (June 20, 2012).

We need a civilian BRAC process to help address these challenges. The Department of Defense's (DOD) BRAC process has yielded significant savings and helped overcome such barriers as red tape and competing stakeholder interests. A year ago, as a senior DOD official, I testified in support of the Department's request for additional BRAC rounds:

Of all the efficiency measures that the Department has undertaken over the years, BRAC is perhaps the most successful and significant.... The first four rounds of BRAC (1988, 1991, 1993, and 1995) are producing a total of about \$8 billion in annual recurring savings, and the comparable figure for BRAC 2005 is \$4 billion. This amount (\$12 billion) represents the additional costs that the Department would incur every year for base operating support, personnel, and leasing costs had we not had BRAC. These annual savings, or avoided costs, are equivalent to what the Department would spend to buy 300 Apache attack helicopters, 124 F/A-18E-18E/F Super Hornets, or four Virginia class submarines.²

Replicating the BRAC process for civilian agencies would further expedite the disposal process and result in additional savings.

In 2011, President Obama proposed a Civilian Property Realignment Act designed to emulate critical characteristics of the BRAC process for the Federal government's civilian properties. The Administration reiterated its support for this proposal in the President's FY 2014 Budget. This proposal has two key features. First, it would create an independent Board of private and public sector leaders to overcome the obstacles to reducing the Federal real estate inventory through sales and consolidations. The Board's actions would increase the number of properties available for disposal, streamline the disposal process, seek new opportunities to help the government realize financial savings, and look for opportunities to consolidate or co-locate similar functions within government. An independent, impartial Board is essential to navigating competing stakeholder interests. Second, the Board would bundle and deliver its recommendations to sell unneeded high-value assets and consolidate other assets in the real estate inventory to Congress for an all-or-nothing, up-or-down vote. Unless Congress disapproves the package as a whole, the Board's recommendations would become effective. This provision prevents the removal of individual properties from the process and further insulates that process from stakeholder resistance.

² Statement of Dr. Dorothy Robyn, Deputy Under Secretary of Defense (Installations and Environment), before the House Armed Services Committee Subcommittee on Readiness (March 8, 2012), *available at* http://www.acq.osd.mil/ie/download/robyn_BRAC_hearing_testimony%2008mar2012.pdf.

We hope to work with Congress to develop this or a similar proposal that addresses these ongoing challenges in managing federal real property.

Conclusion

Thank you for inviting me to appear before you today. Given GSA's expertise in asset management and our statutory authority over government-wide property disposal, we look forward to continuing this dialogue on how to improve utilization and disposal of real property. We welcome the efforts of OMB, this Subcommittee, and other Members of Congress to reform and improve Federal real property management. I am pleased to take your questions.