

STATEMENT OF

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BEFORE THE

**COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE
SUBCOMMITTEE ON ECONOMIC DEVELOPMENT, PUBLIC
BUILDINGS, AND EMERGENCY MANAGEMENT
U.S. HOUSE OF REPRESENTATIVES**

***“Can a Civilian BRAC Commission Consolidate Federal
Office Space and Save Taxpayers Billions?”***

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Good morning, Chairman Denham, Ranking Member Norton, and members of this Subcommittee. My name is Martha Johnson, and I am the Administrator of the U.S. General Services Administration (GSA) and I am honored to join you here today.

In the President's FY2012 budget, the Administration announced an effort to accelerate the disposal and consolidation of the Federal government's civilian properties. This initiative anticipates working in partnership with Congress to increase the number of properties available for disposal and streamline the disposal process to help the Government realize financial savings. It 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.

I appreciate the opportunity to come here today to discuss GSA's management of its assets, GSA's role in the disposition of property government-wide, and how that fits into the broader Federal government real property portfolio. GSA's experiences working with partner Federal agencies to execute the Presidential Memorandum, and some of the unique challenges of the Federal disposition process, can help inform the process of creating 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.

The Federal Real Property Portfolio –

While GSA has a large real estate portfolio to manage, the broader Federal government portfolio is far more extensive. GSA manages the Federal Real Property Profile (FRPP) which is the Government's inventory database of Federal owned and leased assets including buildings, land, and structures. The FRPP is the "single, comprehensive, and descriptive database of all real property under the custody and control of all executive branch agencies, except when otherwise required for reasons of national security," in accordance with Executive Order 13327.

In FY2009, 24 agencies reported a total of 429,000 building assets worldwide. These assets are broken down in different categories such as utilization or status. In FY2009, 55,000 assets government-wide were identified as being under and not utilized. These assets could include buildings that are under modernization and structures or buildings in the middle of a campus as well as land and other structures such as sheds, fences and flag poles. Agencies described 14,000 assets government-wide as excess, indicating the agency had no further mission need for the asset.

GSA's Asset Management –

Of the 429,000 building assets reported in the FY2009 FRPP, GSA controls around 9,000. In square footage, this comprises about 8.3 percent of the total government's portfolio.

As the Government's landlord, we supply office space to other Federal agencies in support of their mission. We have a robust asset management program to track the utilization of our inventory, strategically invest in our assets where needed, and aggressively dispose of unneeded assets.

Because of our efforts, we lead the market with our vacancy rates and utilization; less than 3 percent of our portfolio has been classified as an under- or non-utilized asset. Since 2002, GSA has disposed of over 200 GSA properties totaling more than 9.5 million square feet. These dispositions represent 5.3 percent of GSA's owned portfolio and eliminate almost \$484 million in anticipated repair needs.

Although we work diligently to identify unneeded assets for disposal, it is important to note that not all properties labeled as underutilized are available for sale. In fact, the majority of GSA's properties labeled as underutilized in the FRPP are not candidates for disposition. More than half of these properties are undergoing major building modernizations, being backfilled with tenants from leased space, or assigned to agencies with new requirements. When we find underutilized space in areas where there is a continuing Federal need, GSA works aggressively to renovate and reuse the asset to achieve greater utilization.

Of the 14,000 assets categorized as excess in the FRPP, GSA, as a land holding agency, identified 138 assets as excess to our own agency needs and has placed 114 of these assets into the disposal process. The other 13,862 assets are from agencies other than GSA, constituting the vast majority of excess Federal assets.

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 government-wide. GSA provides strategic direction and oversees the development of programs related to the utilization and disposal of Federal excess and surplus real property government-wide.

GSA's disposal authority was provided in recognition of the expertise related to repositioning property. GSA develops tailored disposal strategies specific to an asset's characteristics, environmental issues, community interests, political concerns, market conditions and other factors impacting 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.

While GSA has the expertise to successfully 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.

In the last 10 years, GSA has disposed of over 3,300 assets, valued at \$8.5 billion. Of these 3,300 government-wide assets, 206 were GSA owned assets and were valued at \$467 million of the \$8.5 billion.

The Disposal Process –

The Property Act disposal process, and the guiding environmental and historic statutory requirements that must be followed during the disposal process, are 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, 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 and reports the property as “excess” to its needs. It should be noted here that a property reported excess in the disposal process is not the same as being reported excess in the FRPP database. Not all of these will turn into Reports of Excess and be disposed of since some may be demolished or have too costly or timely of cleanup requirements.

GSA assists agencies without disposal authority to dispose of the asset. After a 30 day period, if there is no valid need for the property within the Federal government, it is considered “surplus” and offered to other public organizations, such as the state, county, and city. These local 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. Due to the positive impact and value to the local community, 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 the local community through this phase, often adds time to the process. Local political interests also can delay this process when various stakeholders try to advocate for a particular use of the property. GSA, however, strives to conduct public benefit assessments and work with the local community while proceeding through the disposal process, trying to minimize any delays.

GSA is then authorized to conduct a public sale of the property if there is no viable public benefit interest or negotiated sale interest in the property. Through aggressive marketing and public outreach, GSA conducts the sale through an online auction, public outcry auction, or sealed bid.

In addition to these process requirements, dispositions must comply with a variety of environmental and historic preservation requirements, which may require considerable time and funding. The Comprehensive Environmental Response, Compensation, and Liability Act of 1980, for example, imposes requirements on transfers of Federal real

property to non-federal entities, including characterization and remediation when necessary of the asset's hazardous substances. The National Environmental Policy Act also requires landholding agencies to identify, and analyze any impacts associated with deeming a property as excess and disposing of the asset, and possible mitigation measures to such impacts. Properties in the disposal process must also 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, historic and environmental issues can still delay the execution of the transaction.

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 ensure properties are disposed of consistently and in the best interest of the American taxpayer. This process, however, can be time consuming with the associated political interests, community expectations, environmental factors, and regulatory reviews. These variables often manifest themselves into competing interests that create inefficiencies and drive increased time and costs.

Experiences under the Presidential Memorandum –

As a significant Federal asset manager and the agency with government-wide disposal authority, GSA has helped lead efforts to achieve the goals outlined in the President's June 2010 Memorandum titled "Disposing of Unneeded Federal Real Estate." This memorandum charges civilian agencies to more effectively utilize space, reduce operating costs, and dispose of unneeded real property to save \$3 billion by the end of 2012. The Administration has identified \$1.7 billion in savings of the \$3 billion targeted so far and is aggressively working for more savings.

As part of this effort, GSA has worked with agencies to maximize the utilization of existing facilities and to find properties they no longer need. We have developed an array of strategies to support new ways of working, with the goal of reducing physical space, increasing space utilization, reducing the cost of space, and increasing its flexibility. We continue to work with Federal agencies to increase the number of unneeded Federal properties in the disposal pipeline.

President's FY2012 Budget: Civilian Property Realignment Initiative –

The President's proposal for a civilian property realignment initiative outlines a number of key goals that aim to address these issues. This initiative includes increasing efficiencies and streamlining the current legal framework to accelerate the disposal and realignment of civilian real property in the Federal government's inventory. The proposal will also reduce operating and maintenance costs associated with the disposed properties to save taxpayers money, as well as eliminate the local political constraints that sometimes prevent properties from being sold. Furthermore, this initiative aims to incentivize agencies to remove these properties from their inventory by enabling upfront funding to

assist agencies in preparing an asset for disposition and providing agencies with the ability to retain proceeds.

The proposed Civilian Property Realignment Act (CPRA), highlighted in Section 735 of the Government-Wide General Provisions of the FY2012 President's Budget Request, expands upon the June 2010 Presidential Memorandum that directed Federal civilian agencies to increase efforts and timeliness in removing excess and surplus properties for a savings of \$3 billion by the end of 2012. The President's initiative through CPRA is to reduce the administrative burden and eliminate funding and political obstacles associated with identifying and disposing of unneeded assets.

The CPRA authority looks to provide greater incentive for agencies to identify and dispose of unneeded property, increase the number of properties slated for disposal, increase efficiencies in the disposal process, and enable GSA to work with agencies to develop disposition strategies. This initiative intends to help implement large-scale consolidations across common assets and among agencies, which will reduce the Government's footprint, decrease operating and maintenance costs, boost sales proceeds and improve energy efficiency.

It is important to note that CPRA is envisioned as a partnership with Congress. The proposal in the President's Budget outlines some key goals of this civilian property realignment act.

Conclusion –

The Administration is interested in pursuing legislative authorities that will increase the number of assets available for disposal and expedite the disposition process. The President's proposed Civilian Property Realignment Act will help Federal agencies accomplish this goal, while improving the efficiency and effectiveness of Federal disposals, and saving taxpayer funds. GSA is looking forward to working with partners in the Administration and members of Congress to assist in this effort.

I appreciate the leadership of both the Chairman and the Ranking Member on this matter, and their sincere interest in moving this issue forward. Thank you for the opportunity to come here today. I welcome any of your questions.