

Statement for the Record

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**"Federal Asset Management: Eliminating Waste by Disposing of Unneeded
Federal Real Property"**

Hearing Before the

Subcommittee on Federal Financial Management, Government Information,
Federal Services, and International Security

U.S. Senate Homeland Security and Governmental Affairs Committee

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Chairman Carper, Ranking Member Brown, Members of the Subcommittee:

On behalf of the employees of VISTA TSI, I commend your efforts to shine a spotlight on the challenge of federal real property asset management, and to take meaningful and necessary steps to turn the challenge into clear opportunities that will benefit the taxpayer. We sincerely appreciate your invitation to share our views.

My statement outlines suggestions for consideration of the establishment of a Civilian Property Realignment Commission (CPRC). These concepts would positively impact excess property disposal and lead to significant re-thinking of the size and scope of facilities needed to support essential government functions, along with important changes in how federal agencies manage their substantial real property asset portfolios. Because of our organization's unique experience with every Defense Department Base Realignment and Closure (BRAC) round since 1988, and our long-standing work with civilian Federal agencies on their real property asset management challenges, we feel we can offer a useful perspective to Congress as it considers the mechanics of how an effective CPRC process can – and should – be developed and executed.

Summary

Perspective is important. The Office of Management and Budget (OMB) recently published a listing of 14,000 real property assets that have been deemed "excess." To the average American that sounds like a huge number of properties, the sale of which should yield substantial, short-term proceeds to the government. However, deeper analysis shows that many of these 14,000 assets likely have little value in the marketplace. In fact, the government should expect to *incur* costs in the near term to properly dispose of certain excess properties.

That understanding, however, should *not* discourage us from taking decisive action to right-size our federal asset portfolio. Most of these properties are incurring energy, operations, maintenance, and environment management costs every year. Regardless of what value the properties might realize in the market and any near-term net gain or expenditure for the government, the ultimate fiscal impact of real property realignment—and the most substantial benefit to the taxpayer—will come in the form of long-term cost avoidances resulting from reduced year-over-year sustainment costs. There is also the real potential for public or private reuse to benefit the local economy. This might not be as immediately satisfying to taxpayers, but successive rounds of DOD BRAC have clearly shown that the long-term fiscal benefits can be substantial. This is why the current Congressional and Administration focus on tackling this challenge is timely, appropriate, and necessary.

Specifically, Congress should establish a commission with Senate-confirmed members and a charter that lasts long enough to cause real property asset management reforms to become ingrained across the Federal government. I believe the commission should operate for no less than 8 years with official recommendations issued every 2 years during that period. I estimate it will take 2 or 3 "rounds" to achieve the maximum benefits where:

- Agencies, OMB, and the General Services Administration (GSA) truly get in sync with the process prescribed by the commission;
- Improvements in agencies' real property asset management business practices start becoming institutionalized; and
- Asset sale proceeds, property management cost avoidances, and other savings are realized to a degree consistent with Congress and taxpayer expectations.

Of critical importance is the development of standards—more appropriately termed “best practices”—and criteria against which the commission will evaluate agency recommendations on real property realignment. These best practices and criteria—if faithfully adhered to—will be key to creating lasting improvements to the framework of federal real property asset management.

Federal asset managers are doing respectable work within the existing rules and processes governing their portfolio and should not be singled out for creating the long-term build-up of excess properties. Improving and streamlining the *system* for identification, realignment and disposal of excess properties will greatly assist those managers—and their agency executives—in accomplishing desired outcomes.

Further, we do not collectively need “one size fits all” mandates established by law. For example, the real property assets needed by the Internal Revenue Service to process tax returns and collect revenues are very different from what the National Nuclear Security Administration needs to manage weapon modernization programs. Agencies must have the latitude to configure and manage their facilities to achieve the missions Congress entrusts to them, with the understanding that their actions should lead to better stewardship of publicly-funded resources in the process.

The commission's development of best practices and criteria can lead to the integration of performance improvements as part of regular business processes across all agencies to ensure “realignment” is not simply a one-time event. “Realignment” should be a constant process that causes agencies to match their real property holdings and configurations to their ever-evolving mission profiles and changing workplace realities.

This should not be viewed as a “fire sale” or an opportunity for a short-term windfall profit for the government. While near-term proceeds are very possible, this action should be treated as an opportunity to reconsider and change the way the federal government manages civilian real property assets.

A Challenge That Must Be Addressed

The federal government is our country's largest property owner with over 420,000 buildings containing nearly 3.4 billion square feet of space. Many of these properties have been accumulated without adequate consideration of what the Government already owns or what it actually needs—and can afford—to support legitimate government functions. In addition to capital costs spent to acquire all these properties in the first place, it now costs taxpayers billions of dollars every year to heat and cool,

operate, and maintain this vast inventory. Yet many voices confirm that the federal government maintains more real property assets than are needed to effectively—and efficiently—deliver its services and programs.

While many of these properties have already been identified as excess, there are many more that might be added to this list that are currently under-utilized or are in such bad shape that the cost to renovate exceeds the cost to replace. Further, creative thinking about alternative workplace configurations and consolidation of functions—both within and across agencies—has the potential to create significant additional portfolio reductions. Ultimately, the government-wide task is to manage spending while minimizing unnecessary future obligations for operating and maintaining unneeded federal real property assets.

VISTA TSI's Hands-On Experience

Our organization has had a series of contracts with and has been providing continuous support to the DOD since the mid-1980s that directly relate to right-sizing their real property inventory. Because of this experience and expertise, we were engaged to help with up-front facilities analysis processes as a prelude to every Defense BRAC round starting in 1988 and continuing through BRAC '91, '93, '95, and '05, along with implementation support subsequent to each of these rounds.

Our work was focused on helping to create critical decision support processes and systems that defined future workforce demographics (both military and civilian). We supported the calculation of facility needs for virtually every type of facility, compared those calculated requirements to existing building inventories, and achieved determinations of building excesses and deficits by specific type and location.

After each of the five BRAC rounds, we subsequently assisted with development of financial and implementation plan tracking systems for the execution of sequential BRAC decisions. We also were engaged to provide independent validations of BRAC military construction programs that had been created by various military commands responsible for BRAC implementation. In addition, we provided analytical support to the BRAC Commission during its deliberations. Accordingly, our organization has deep expertise with issues related both to the development of closure and realignment recommendations for each BRAC round and to the eventual implementation of the resulting BRAC decisions, once the Commission's work was done and approved by the President and Congress.

In addition to our DOD experience, we have considerable experience working with federal civilian agencies to develop and implement their Real Property Asset Management Plans. Further, we have assisted with agencies' 3-year rolling timeline reporting requirements to OMB, and have enabled annual real property data feeds to the Federal Real Property Profile (FRPP).

Recommendations and Observations

The following recommendations and observations are offered from an expert, informed perspective with the intent of maximizing the success of legislation that Congress ultimately approves.

- The 1990 Defense BRAC law, as amended, provides a sound framework around which to model a Civilian Property Realignment Commission (CPRC). A commission with Senate-confirmed commissioners that operates for at least 8 years is most likely to achieve Congressional intent. The CPRC concept should involve Presidential appointees who can devote significant time and energy to the work of the commission, including carefully weighing recommendations and conducting independent analyses, making site visits as necessary, holding public hearings, and deliberating on their final recommendations. Considering the scope of the commission's work, these duties require a significant time commitment.
- The CPRC should use proven methodologies to identify what real property assets agencies have in their inventory, what real property they need to perform their missions, and what they can do without. In approaching this problem, an essential starting point is the clarification of agencies' missions in the context of the real property assets they occupy, so we know what they truly do and do not need. First, the commission must have a current and accurate picture of the inventory and condition of the civilian facilities portfolio. Next, creative strategies should be adopted to address leading edge workplace practices and configurations that achieve increased levels of productivity while decreasing the need for real property assets. Generally accepted best practices and benchmarks should be used to guide how an agency might reconfigure their space to maximize utilization efficiencies. The ultimate goal would be to determine investment priorities for restoration, maintenance, co-location, construction, consolidation, remediation, and disposal.
- Similar to the DOD BRAC process, civilian property realignment activities should involve validating agencies' real property inventories, defining current and projected workforce demographics, establishing space standards, developing facility planning and facility condition standards, and implementing technology tools that enhance the ability to analyze facility requirements and support critical decision-making. Facility consolidation studies should be conducted and civilian department real property asset management plans should be updated consistent with Executive Order 13327 (Federal Real Property Asset Management). In addition, departments' input to the FRPP should be actively managed and updated to reflect changes in real property portfolios. One example of our assistance to DOD involved the development of tools to determine space requirements against workforce demographics and organizational structures and missions. These proven methodologies have yielded major savings and cost avoidances for DOD and should be applied to other federal agencies with relatively modest modifications to the methodology required.
- Recommendations from departments and agencies should be funneled through OMB to the commission, rather than directly to the commission. This would allow for quality control among Federal departments so that the commission is comparing a set of recommended closures and consolidations that has been normalized. It also permits the Executive Branch to review and provide guidance on real property investment and management based on an analytical evaluation across executive departments and agencies. As such, OMB would serve as a proxy for the same role that the Office of the Secretary of Defense performed for each of the Defense

BRAC rounds. However, OMB must be appropriately staffed to handle this type of activity, and it is not clear that qualified in-house capabilities exist at the moment.

- Doing this right requires time. Proposals currently on the table (H.R. 1734 and the OMB proposal) suggest relatively short timelines for analysis. At least in the first round, agencies should have a minimum of 240 days to submit recommendations to OMB. To comply with the intent of the legislation, innovative re-thinking of space requirements needs to occur across multiple civilian agencies. Based on years of practical experience—including with DOD BRAC—this is a time-consuming undertaking, and appropriate time should be allowed.
- At least in the first round, OMB should be given a *minimum* of 180 days after receiving agency recommendations to develop standards and criteria against which these recommendations will be reviewed. These benchmarks and criteria are central to the effectiveness of the commission, and are critical in the implementation of improved business processes which will yield the greatest benefits downstream. Sufficient time will be needed to sort out competing viewpoints on these benchmarks and criteria.
- Congress should consider mandating through OMB that civilian departments and agencies prepare workforce projections and planning criteria and publish them in the Federal Register. This is similar to the Defense BRAC law that required DOD to prepare and publish force structure plans and criteria for determining asset closure or realignment candidacy. This would help provide a consistent baseline for analysis and decision-making. It represents a good first step in establishing consistency in the way recommendations are developed among the many civilian departments and agencies.
- The commission should ensure that collaborative solutions are promulgated which cut across departments and agencies to realize space efficiencies and reduce overall space needs. This would be very similar to the “joint basing” evaluations that the military services conducted as part of Defense BRAC 2005. For joint basing, DOD developed common standards to provide uniform measures for joint facilities operations and maintenance support. This was not an easy task as each service had its own standards and numerous joint committees spent many months of effort resolving base support and facility issues to mutual satisfaction. However, results are showing that the joint basing initiative was worth the effort in terms of evolving synergies, efficiencies and cost savings/avoidance.
- I agree with the intent of provisions in Rep. Denham’s proposed legislation (H.R. 1734) and the OMB legislative proposal that waivers or streamlining of certain legal mandates are necessary to accelerate property disposal once excess assets are identified. Examples include requirements to screen property for use by other Federal agencies, by homeless providers, and by certain other public interests, as well as more efficient environmental and historic site processes. Many of the sequential process requirements associated with these mandates have contributed to the inability of agencies to move expeditiously when disposing of excess properties.
- Congress should consider the establishment of a “Resolution Trust Corporation (RTC)-type” entity to take possession of all designated properties so that disposal can be conducted in a manner that maximizes return where high-value properties help pay for properties that may

incur costs in order to effect disposal.¹ This would put the property disposal process under a single organization which could hire top professional talent, potentially pay for itself out of proceeds, and avoid disposal issues among departments and agencies that may not have sufficient skilled resources to implement large-scale disposal programs. An RTC-type entity could achieve positive, timely results if unencumbered by bureaucratic processes that can often delay property disposals as it would work outside the competing demands and parochial issues sometimes associated with federal agencies. It would also avoid the potential higher costs and longer timelines of having each executive department set up its own distinct CPRC disposal function. While GSA is very skilled as a customer-focused landlord and in providing real property services to multiple government agencies, its experience in bundling assets in creative ways to maximize returns on disposals is much more limited. Further, taking on such a role could place a substantial new and potentially conflicting requirement on GSA, detracting the organization from its primary mission. Accordingly, the RTC-like entity should be separate and distinct.

- Among the techniques pioneered by the RTC was the use of equity partnerships involving private-sector partners who acquired a partial interest in a pool of assets, subsequently controlling management and sale of the assets in the pool, and making distributions to the RTC based on the RTC's retained interest in a given asset pool. This technique permitted the RTC to benefit from management and liquidation efforts by their private sector partners, often realizing higher returns than when the RTC engaged in outright individual and bulk sales of these asset portfolios.
- The Federal Judiciary faces similar challenges with real property asset management. Addressing these challenges could be beneficial in reducing the Judiciary's demands on the Federal budget. To the extent practicable, the Judiciary should be encouraged to consider its real property holdings and configurations in the context of achieving maximum efficiency from its building infrastructure while still supporting its essential missions.

Conclusion

In the end, federal departments, agencies, and activities must ensure that they have accurate data to account for *what they own or lease, where it is, what its condition is, how it is being utilized, and how it compares to what is actually needed* to support essential agency missions and programs. If decision makers lack these data points—accurate and up-to-date—their ability to effectively manage real property assets is diminished.

Congress and the administration should be commended for tackling the real property management challenge. I would emphasize that we have an opportunity to engage stakeholders from across the spectrum to get federal real property management on the right track with lasting changes

¹ The RTC was set up in 1989 as a US Government-owned asset management company and essentially completed its work in just over five years. Although it resolved \$394 billion in assets (both real property and mortgage assets) from 747 insolvent thrift institutions, it had the ability to de-couple individual assets from their source institution and recombine them in ways that helped to maximize the return from their disposal.

and significant savings for the taxpayer. We appreciate the invitation to participate in this dialogue and to offer testimony at today's hearing.

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