

NATIONAL STRATEGY FOR THE EFFICIENT USE OF REAL PROPERTY

2015 - 2020

Reducing the Federal Portfolio through Improved
Space Utilization, Consolidation, and Disposal

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In 2013, the Administration issued the *Freeze the Footprint (FTF)* policy to freeze the Federal Government's real estate footprint and restrict the growth of excess or underutilized properties. *Freeze the Footprint* was the first government-wide policy that established and required federal agencies to identify offsets (i.e., disposals) of existing property to support new property acquisitions, and that set a timeline for agencies to freeze their real property footprint. The policy was a success. Now federal agencies have frozen, reduced, or are on a path to freeze their baseline by the end of FY 2015. Agencies achieved a 21.4 million square foot reduction between FY 2012 and FY 2014. And in FY 2014 alone, for all domestic owned building types, the government disposed of 7,350 buildings, 47 million square feet of space, and eliminated \$17 million of annual operation and maintenance cost as a result of Freeze the Footprint.

Building on this success, today the Administration has issued the [National Strategy for Real Property](#) (National Strategy) and the [Reduce the Footprint](#) policy. With the establishment of the National Strategy and OMB's new Reduce the Footprint (RTF) policy agencies will be required not only to continue to freeze but also reduce their real property footprint over the next several years. The RTF policy will supersede the current FTF requirements by requiring agencies to reduce, rather than freeze, their footprint beginning in FY 2016.

Through the National Strategy, OMB has established a clear strategic framework to guide agencies' real property management, to increase efficient real property use, control costs, and reduce real property holdings. The National Strategy outlines three key steps to improved real property management:

- **freeze** growth in the inventory,
- **measure** performance to identify opportunities for efficiency improvements through data driven decision-making, and ultimately,
- **reduce** the size of the inventory by prioritizing actions to consolidate, co-locate, and dispose of properties.

Over time, application of the National Strategy will improve the utilization of government owned buildings, lower the number of excess and underutilized properties, and improve the cost effectiveness and efficiency of the portfolio. Consolidating properties and collocating agency office space is not only commonsense, but will provide more convenient access to the public and allow for upgraded facilities to provide more modern work environments for federal employees to conduct their business.

Complementing the National Strategy, the RTF policy requires agencies to:

1. Set annual square foot reduction targets for federal domestic buildings; and
2. Adopt space design standards to optimize federal domestic office space usage.

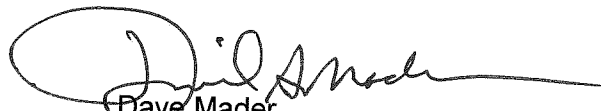
Under the RTF OMB has, for the first time, established government-wide policy to use property as efficiently as possible and to reduce agency portfolios through annual reduction

targets. The policy is an impetus for real property management transformation that will provide value to the taxpayer.

Issuance of the RTF builds upon ongoing success in other key real property program elements. OMB has partnered with GSA and the Federal Real Property Council to implement new and enhanced analytical tools within the Federal Real Property Profile database that support data driven decision-making. These new tools will provide detailed data on properties' annual cost, location, size, and lease expiration, among other data elements, in a structured format that fully supports agency management's ability to identify efficiency opportunities and to use data to prioritize and implement them. When fully implemented in the fourth quarter of FY2015, the system will provide agencies with greater management capability to seize the efficiency and cost opportunities that their portfolios present over the next five years.

The National Strategy establishes a new strategic framework through which the government can manage its real property. The framework and the RTF policy build upon and expand the successes the Administration has achieved to date. While we are making progress in reducing space and disposing of unneeded assets using existing authorities, we will need the support of our partners in Congress to identify additional flexibilities and resources to further our efforts. The President's FY2016 Budget specifically addresses these issue by requesting funding for GSA's consolidation program through appropriation of \$200 million of Federal Building Fund monies to support smart investments in Federal facilities. The budget also re-proposes the Civilian Property Realignment Act, which would create an independent board of private and public sector real estate experts to analyze the real estate portfolio government-wide and recommend to Congress which properties should be disposed, consolidated, co-located or reconfigured.

We look forward to working collaboratively with all stakeholders to achieve a more efficient and effective delivery of government services through improved management and utilization of real property.



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Executive Summary

The Federal government is the largest real property owner in the United States and its inventory is vast and complex. The domestic building inventory contains 300,000 buildings requiring approximately \$21 billion of annual operation and maintenance expenditures including approximately \$6.8 billion of annual lease costs. The Federal government must continue to improve its management and use of Federal assets to maximize the use of scarce budgetary resources in order to improve the efficiency and reduce costs associated with Federal office and warehouse usage. Office space consolidations and agency co-locations will provide a benefit to the public but also by providing federal employees with modern updated facilities to allow them to better serve the public.

The five-year National Strategy employs a three-step policy framework to improve the efficiency and cost effectiveness of Federal office and warehouse space. First, it **freezes** growth in the Federal real property footprint. Second, it **measures** the costs and utilization of individual real property assets to support more efficient use of Federal space. Third, it identifies opportunities to **reduce** and promote the more efficient use of the Federal office and warehouse footprint through asset disposals and better space utilization. This framework provides the context within which all agencies will manage their real property footprint to improve efficiency. Over time the framework will improve utilization of government-owned buildings, lower the number of excess and underutilized properties, and improve the overall efficiency of the portfolio.

Within the National Strategy's three-step framework, the following specific priority actions will be implemented to improve the use of Federal office and warehouse space:

Freeze

- Continue the existing Freeze the Footprint (FTF) policy through 2020 to control the increase to the Federal government's office and warehouse square footage.

Measure

- Analyze office and warehouse space by assessing the efficiency of existing space.
- Improve the quality of data in the Federal Real Property Profile, the government's real property database of record, to identify opportunities for disposal and consolidation.

Reduce

- Accelerate disposal of excess and unutilized property.
- Explore opportunities for legislative pilot programs.
- Execute opportunities to improve space utilization.

Introduction

The Federal government is the largest real property owner in the United States and its inventory is vast and complex. The government-wide inventory consists of approximately 1.1 million separate assets, defined as buildings, land parcels, or structures. The domestic building inventory is as diverse as the Federal mission and includes hospitals, office buildings, warehouses, laboratories, housing, data centers, and museums. The inventory contains 300,000 buildings requiring approximately \$21 billion of annual operation and maintenance expenditures, including approximately \$6.8 billion of annual lease costs. High costs can hinder agencies' mission delivery capabilities because the funding used to operate inefficient and unneeded buildings is not employed for direct mission support. As technology advances, agencies are requiring fewer buildings to implement their mission due to such initiatives as Internet-based service delivery, employee telework, and electronic dissemination of information.

Over the last several decades agencies have accumulated properties in excess of what the government needs to effectively meet its mission. This has resulted in a large number of excess properties and underutilized or unutilized properties in the portfolio. In 2003, the Government Accountability Office (GAO) designated Federal real property as a high-risk government operation, and over the last decade GAO has issued several reports recommending strategies to improve real property management. GAO and Congress have helped focus attention on long standing Federal real property challenges, as inefficiency within the Federal real property portfolio has been a persistent issue that several administrations have attempted to address. In 2010, President Obama issued a Memorandum to the heads of all executive agencies, titled "Disposing of Unneeded Federal Real Estate" which directed them to take aggressive action to reduce their real property footprint. In 2012, the Office of Management and Budget (OMB) issued Memorandum M-12-12: "Promoting Efficient Spending to Support Agency Operations" to lay the foundation for reducing the size of the Federal portfolio by directing agencies to freeze the growth in their real property inventories of office and warehouse space. As a result of Memorandum M-12-12 and the attendant "Freeze the Footprint" implementation policy, the Federal government reduced its overall office and warehouse space by more than 10 million square feet between Fiscal Year (FY) 2012 and FY 2013.

Despite this recent success and a renewed government-wide focus to improve the portfolio's efficiency, significant work remains to address the long-standing challenges that successive Administrations have worked to overcome. This National Strategy sets forth a framework to effectively address these challenges.

The Real Property Challenge

GAO designated Federal real property as a high-risk government operation in 2003 citing numerous reasons since that time including the government's retention of excess and underutilized properties, an over reliance on costly leasing to meet long-term space needs, and the use of unreliable data to support decision-making. The high-risk designation remains in

effect. Now, agencies confront significant changes to how they deliver their missions that exacerbate these challenges. For example, in the second decade of the 21st century, the Federal government does not use real property assets in the same way it did in the middle of the 20th century. The advent of electronic payment systems, employee telework, dissemination of information and the provision of services to citizens over the Internet, and other digital technologies has changed the dynamics of the portfolio resulting in a need for less space.

Agencies are seeking to execute their missions in a more fiscally constrained environment. Limited funding to replace expiring leases, construct new facilities, and repair government-owned facilities makes it a challenge to dispose of unneeded properties and consolidate into government-owned or more efficient, less costly leased space. Sound management practice requires that all real property actions be prioritized to realize the greatest efficiency, reduce portfolio costs, and conserve resources for service and mission delivery. In a fiscally constrained environment, implementing, maintaining, and leveraging best management practices is critical for effective portfolio management. Office space consolidations and agency co-locations will provide a benefit to the public but also by providing federal employees with modern updated facilities to allow them to better serve the public.

The National Strategy is designed to overcome the persistent historic challenges the real property program confronts to ensure the portfolio is positioned for long-term fiscal sustainability and effective mission delivery.

Policy Framework: Freeze, Measure, Reduce

The five-year National Strategy employs a three-step policy framework to improve the real property portfolio's efficiency and cost effectiveness. First, **freeze** growth in the real property portfolio. Second, **measure** the costs and utilization of individual real property assets to support their more efficient use. Third, identify opportunities to **reduce** the size of the portfolio through asset disposal. These three steps provide the context within which all agencies will manage their real property to improve efficiency. Over time, the framework will improve utilization of government-owned buildings to reduce reliance on leasing, lower the number of excess and underutilized properties, and improve the cost effectiveness and efficiency of the portfolio.

The first step in the framework is to **freeze** Federal real property growth. Implemented through OMB Memorandum M-12-12: "Promoting Efficient Spending to Support Agency Operations" issued in 2012, this step required agencies to freeze the growth in their real estate inventory ("Freeze the Footprint" or FTF). OMB issued FTF implementation guidance in 2013 that requires agencies to freeze growth in their office and warehouse portfolios through FY15. The "freeze" step targets office and warehouse space for two reasons. First, office and warehouse square footage comprise over eighty-percent of the government's total domestic leased building portfolio. Second, over ninety-percent of the government's domestic annual lease expenditures are for office and warehouse leases. The government avoids significant future costs by limiting growth to this section of the leased portfolio every year the freeze remains in place.

The second step in the policy framework is to **measure** real property costs and utilization to improve the portfolio's efficiency. The "measure" step targets office and warehouse assets for the same reasons these assets are subject to the "freeze" policy step. Calculating performance at the individual asset level provides valuable information on efficiency and helps identify inefficient locations that are ripe for action.

The third step in the policy framework is the primary goal of the National Strategy – to **reduce** the size of the portfolio by eliminating inefficient, unneeded, and excess assets through consolidation, collocation, and improved space utilization. The portfolio contains owned facilities that are not needed to execute agency missions or provide service to the public. Such facilities are generally inactive or underutilized and they can be disposed through sale, demolition, and public benefit conveyance or be made more efficient through consolidation.

Priority Actions within the Freeze, Measure, Reduce Framework

The National Strategy's policy framework is to **freeze** growth in the portfolio, **measure** the cost and utilization of individual real property assets to support more efficient use, and identify opportunities to **reduce** the the portfolio through asset disposal to and increase its efficiency. Within this framework, specific policy actions will be pursued to support each step of the framework.

1) Freeze Policy Actions

Continue the Freeze the Footprint Policy

The existing FTF policy will be continued through 2020 to eliminate an increase to the portfolio's amount of office and warehouse square footage. The FTF policy set a baseline for each agency's total office and warehouse space and provides agency management the opportunity to avoid future real property costs by decreasing office and warehouse space. The policy provides a valuable foundation to foster a government-wide management culture that values controlling the size and cost of the real property portfolio and managing it efficiently.

2) Measure Policy Actions

Analyze Office and Warehouse Space

Federal agencies control large portfolios of office and warehouse space. Both owned and lease space present opportunities to analyze both the utilization of the space and the costs incurred in managing such space. The government has made significant progress in controlling lease costs. The government strives to lease commercial space at or below the rates that are paid in the private sector. Lease terms can be as short as a few months or as long as twenty years. Opportunity exists for GSA to further assist agencies in controlling lease costs. As the current portfolio of leases expires replacement leases, if necessary, can be targeted for space reductions. Opportunity also exists for agencies with direct lease authority to dispose of inefficient leases by consolidating into government-owned space to control lease costs. Disposal of owned office and

warehouse space eliminates annual operation and maintenance costs and accumulated deferred maintenance, which also reduces portfolio costs. Tools are in place through the Administration's Benchmarking initiative that allow agencies to review their current footprint. GSA also offers a tool to agencies, through the Client Portfolio Program (CPP) and Local Portfolio Program (LPP) that can assist agencies with reviewing their GSA-controlled assets to identify opportunities for savings and greater efficiencies. Agencies will be well positioned to develop strategies and take the appropriate action. GSA stands the ready to assist agencies with implementing those decisions.

Improve FRPP Data Quality

The government has worked diligently to improve FRPP data quality over the last several years. Since 2010, GSA, with support from the Federal Real Property Council and OMB, has revised and modified several FRPP data definitions based upon user feedback and internal data evaluation to improve data completeness and accuracy. Ongoing evaluation of FRPP data will continue to generate a more accurate and reliable suite of real property data each year.

Using agency data to implement and support policy initiatives also improves data completeness and quality as well. Using FRPP data to support performance benchmarking and FTF policy implementation is a catalyst for data improvement because agency performance measures, which are publicly available on Performance.gov, rely upon this data for their accuracy.

Additional data quality improvements in the FRPP will be realized over the next two years due to three primary activities. First, in FY15, the data element definitions will be revised to improve clarity and support consistent data quality. Second, FRPP will benefit from an enhanced data validation and verification platform when it is deployed in FY15 that will enable agencies to identify and correct data anomalies. Finally, the database will fully migrate to a new technology platform in FY16 that has improved data management and analysis capability. Additional methods to improve data quality will be identified through these three primary activities and will be implemented as needed to enhance data quality.

3) Reduce Policy Actions

Accelerate Disposal of Excess and Unutilized Property

The government disposes of thousands of unneeded buildings every year through demolition, sale, public benefit conveyance, and other methods. These disposals reduce annual operation and maintenance costs by tens of millions of dollars per year and free maintenance staff to pursue other duties. Additionally, disposal sales return tens of millions in proceeds to the government annually. In 2013, the government disposed of 7,379 owned domestic buildings and reduced annual operating costs by over \$96 million.

The financial benefits that disposals provide to the government can be enhanced by increasing the number of disposals executed each year. Enhancing the number and rate of asset disposals is a priority action of the National Strategy. Disposal sales that have the greatest potential to

generate proceeds and eliminate operation and maintenance costs are natural priorities for agencies and these properties are the focus of the legislative pilot program discussed below.

Execute Opportunities to Improve Space Utilization

Agencies will identify opportunities to improve space utilization and reduce costs through the analytics applied. Policies and statutes are in place to facilitate action to implement identified opportunities. Title 40 provides GSA with the statutory authority to act as the government's disposal agent. Agencies that have independent authority to dispose of real property, such as the Veterans Administration, can still use GSA as its disposal agent. GSA works collaboratively with landholding agencies to dispose of unneeded assets, however, the disposal process can be lengthy and time consuming.

Agencies will identify opportunities to consolidate within their owned and leased assets that can frequently be executed within a short time frame. Programs such as GSA's Consolidation Activities program provide a way for GSA and its partner agencies to reduce the government's footprint and the cost to the agency.

As part of its ongoing effort to improve space utilization, optimize inventory, decrease reliance on leased space, and reduce the government's environmental footprint, GSA is working with partner agencies to identify consolidation opportunities within its inventory of real property assets. These opportunities are presented through surveys and studies, partnering with client agencies, and through agency initiatives such as Client Portfolio Planning (CPP) and Total Workplace. The President's FY2016 budget includes a \$200 million request for GSA to continue identifying and implementing these high-impact consolidation opportunities.

Alternatively, agencies that reside in GSA-controlled space typically have the option of returning unneeded space, assuming it is marketable to another user, to GSA for appropriate action upon four months written notice (after the agency's initial year of occupancy). This option also enables agencies to reduce their footprint and associated rental costs.

Explore Potential for Legislative Pilot Programs

The provision of targeted legislative relief through the legislative pilot program can be used to test whether such relief is capable of significantly speeding asset disposals and consolidation projects. Administrative burden can increase the cost and time required to execute disposals significantly. For example, there are more than twenty required steps in the process to sell or otherwise dispose of owned Federal property. The process requirements are in place for good reasons, such as ensuring environmental protection, the preservation of significant historic properties, and accurate documentation of land title. Applying these steps uniformly without flexibility for location, asset type and size, and potential private or public sector re-use options, often creates inefficiencies and slows or limits the number of disposals executed. Targeted legislative relief for the current government-wide disposal process could be developed and implemented to assess their potential benefits to real property management. Examples of relief include allowing disposing agencies to recapture their disposal costs and some aspects of the public benefit conveyance process.

The Administration has previously proposed the Civilian Property Realignment Act (CPRA) as a tool to help improve management of the government's real estate portfolio and accelerate the disposal of properties. A legislative sale pilot program, based upon some of the principles embodied in CRPA, will generate the experience and evidence required to help establish the basis for new legislation.

Implementation

Organizational Responsibilities

All members of the Federal real property community - OMB, GSA, and Federal agencies - have responsibility to enhance the efficiency and cost effectiveness of the government-wide real property portfolio. OMB will continue to refine existing policy, in close coordination with the Federal Real Property Council and GSA, to institutionalize the Freeze – Measure – Reduce policy framework across the government. Policy will be tailored to focus government-wide efforts on priority areas, such as reducing inefficient leased office and warehouse space and accelerating disposals of unneeded assets. GSA will work with submitting agencies to improve the data quality of FRPP to improve the government's ability to drive decisions through data analysis and support the implementation and evaluation of government-wide policy. GSA will also work with agencies through its CPP and LPP programs to identify and prioritize efficiency opportunities with the GSA portfolio of assets and support their implementation. Agencies are responsible for fully implementing government-wide policy and instituting a planning process to identify, budget for, and implement efficiency opportunities, particularly opportunities to dispose of leased office and warehouse space and unneeded assets. Agencies can leverage their detailed knowledge of mission requirements to identify strategies for utilizing real property most efficiently.

The National Strategy, as it is implemented over the next five years, will identify opportunities to address underutilized leased office and warehouse space and unneeded properties, which are the highest risks to the real property portfolio. The realization of these opportunities will be dependent upon agency budgets. Once opportunities have been identified, agencies should prioritize those with the highest return on investment through the annual budgeting process.

Conclusion

The Federal government has an opportunity to realize significant efficiency gains and cost savings in its real property portfolio. The National Strategy sets forth the framework to realize this opportunity by **freezing** growth in the real property portfolio, **measuring** the costs and utilization of individual real property assets to assess efficiency, and identifying opportunities to **reduce** the portfolio through asset disposal. Agencies will identify efficiency and disposal opportunities within this framework, and direct resources to the high-risk projects that most benefit the portfolio. Institutionalizing the freeze – measure – reduce framework government-wide, and implementing the specific policy actions outlined here, will ensure that the real property portfolio is positioned for long-term fiscal sustainability and effective mission delivery.