LEGISLATIVE PROPOSALS TO REFORM THE GOVERNMENT'S APPROACH TO PROPERTY MANAGEMENT: S. 2805, THE FEDERAL PROPERTY ASSET MANAGEMENT REFORM ACT; AND H.R. 3285, THE FEDERAL ASSET MANAGEMENT IMPROVEMENT ACT

HEARING

BEFORE THE

SUBCOMMITTEE ON GOVERNMENT MANAGEMENT, INFORMATION, AND TECHNOLOGY

OF THE

COMMITTEE ON GOVERNMENT REFORM

HOUSE OF REPRESENTATIVES

ONE HUNDRED SIXTH CONGRESS

SECOND SESSION

ON

S. 2805

TO AMEND THE FEDERAL PROPERTY AND ADMINISTRATIVE SERVICES ACT OF 1949, AS AMENDED, TO ENHANCE FEDERAL ASSET MANAGEMENT, AND FOR OTHER PURPOSES

AND ON

H.R. 3285

TO AUTHORIZE PUBLIC-PRIVATE PARTNERSHIPS TO REHABILITATE FEDERAL REAL PROPERTY, AND FOR OTHER PURPOSES

JULY 12, 2000

Serial No. 106–237

Printed for the use of the Committee on Government Reform

Available via the World Wide Web: http://www.gpo.gov/congress/house
http://www.house.gov/reform

U.S. GOVERNMENT PRINTING OFFICE

72–934 DTP WASHINGTON : 2001

For sale by the Superintendent of Documents, U.S. Government Printing Office
Internet: bookstore.gpo.gov Phone: (202) 512–1800 Fax: (202) 512–2250
Mail: Stop SSOP, Washington, DC 20402–0001

COMMITTEE ON GOVERNMENT REFORM

DAN BURTON, Indiana, *Chairman*

BENJAMIN A. GILMAN, New York
CONSTANCE A. MORELLA, Maryland
CHRISTOPHER SHAYS, Connecticut
ILEANA ROS-LEHTINEN, Florida
JOHN M. MCHUGH, New York
STEPHEN HORN, California
JOHN L. MICA, Florida
THOMAS M. DAVIS, Virginia
DAVID M. MCINTOSH, Indiana
MARK E. SOUDER, Indiana
JOE SCARBOROUGH, Florida
STEVEN C. LATOURETTE, Ohio
MARSHALL "MARK" SANFORD, South Carolina
BOB BARR, Georgia
DAN MILLER, Florida
ASA HUTCHINSON, Arkansas
LEE TERRY, Nebraska
JUDY BIGGERT, Illinois
GREG WALDEN, Oregon
DOUG OSE, California
PAUL RYAN, Wisconsin
HELEN CHENOWETH-HAGE, Idaho
DAVID VITTER, Louisiana

HENRY A. WAXMAN, California
TOM LANTOS, California
ROBERT E. WISE, JR., West Virginia
MAJOR R. OWENS, New York
EDOLPHUS TOWNS, New York
PAUL E. KANJORSKI, Pennsylvania
PATSY T. MINK, Hawaii
CAROLYN B. MALONEY, New York
ELEANOR HOLMES NORTON, Washington, DC
CHAKA FATTAH, Pennsylvania
ELIJAH E. CUMMINGS, Maryland
DENNIS J. KUCINICH, Ohio
ROD R. BLAGOJEVICH, Illinois
DANNY K. DAVIS, Illinois
JOHN F. TIERNEY, Massachusetts
JIM TURNER, Texas
THOMAS H. ALLEN, Maine
HAROLD E. FORD, JR., Tennessee
JANICE D. SCHAKOWSKY, Illinois

BERNARD SANDERS, Vermont (Independent)

KEVIN BINGER, *Staff Director*
DANIEL R. MOLL, *Deputy Staff Director*
JAMES C. WILSON, *Chief Counsel*
ROBERT A. BRIGGS, *Clerk*
PHIL SCHILIRO, *Minority Staff Director*

SUBCOMMITTEE ON GOVERNMENT MANAGEMENT, INFORMATION, AND TECHNOLOGY

STEPHEN HORN, California, *Chairman*

JUDY BIGGERT, Illinois
THOMAS M. DAVIS, Virginia
GREG WALDEN, Oregon
DOUG OSE, California
PAUL RYAN, Wisconsin

JIM TURNER, Texas
PAUL E. KANJORSKI, Pennsylvania
MAJOR R. OWENS, New York
PATSY T. MINK, Hawaii
CAROLYN B. MALONEY, New York

EX OFFICIO

DAN BURTON, Indiana

HENRY A. WAXMAN, California

J. RUSSELL GEORGE, *Staff Director and Chief Counsel*
RANDY KAPLAN, *Counsel*
BRYAN SISK, *Clerk*
TREY HENDERSON, *Minority Counsel*

CONTENTS

	Page
Hearing held on July 12, 2000	1
Text of S. 2805	3
Text of H.R. 3285	36
Statement of:	
Barram, David, Administrator, General Services Administration, accompanied by David Bibb, Deputy Associate Administrator for Real Property, General Services Administration; and Becky Rhodes, Deputy Associate Administrator for Personal Property, General Services Administration	39
Ungar, Bernie, Director, Governmentwide Business Operations Issues, General Accounting Office; David Bibb, Deputy Associate Administrator, Office of Governmentwide Policy, General Services Administration; Rear Admiral Ronald F. Silva, Assistant Commandant for Systems and Chief Engineer, U.S. Coast Guard; Steven J. Weiner, president, Signet Partners; Maria Foscarinis, executive director, National Law Center on Homelessness and Poverty, accompanied by Laurel Weir, Policy Director; and Steve Perica, director of the Arizona State Agency for Surplus Property, president of the National Association of State Agencies for Surplus Property	41
Letters, statements, etc., submitted for the record by:	
Bibb, David, Deputy Associate Administrator, Office of Governmentwide Policy, General Services Administration, prepared statement of	59
Foscarinis, Maria, executive director, National Law Center on Homelessness and Poverty, prepared statement of	82
Horn, Hon. Stephen, a Representative in Congress from the State of California:	
Information concerning judicial review	106
Letter dated February 24, 2000	135
Prepared statement of	37
Perica, Steve, director of the Arizona State Agency for Surplus Property, president of the National Association of State Agencies for Surplus Property, prepared statement of	98
Silva, Rear Admiral Ronald F., Assistant Commandant for Systems and Chief Engineer, U.S. Coast Guard, prepared statement of	68
Ungar, Bernie, Director, Governmentwide Business Operations Issues, General Accounting Office, prepared statement of	43
Weiner, Steven J., president, Signet Partners, prepared statement of	75

LEGISLATIVE PROPOSALS TO REFORM THE GOVERNMENT'S APPROACH TO PROPERTY MANAGEMENT: S. 2805, THE FEDERAL PROPERTY ASSET MANAGEMENT REFORM ACT; AND H.R. 3285, THE FEDERAL ASSET MANAGEMENT IMPROVEMENT ACT

WEDNESDAY, JULY 12, 2000

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON GOVERNMENT MANAGEMENT,
INFORMATION, AND TECHNOLOGY,
COMMITTEE ON GOVERNMENT REFORM,
Washington, DC.

The subcommittee met, pursuant to notice, at 10:10 a.m., in room 2247, Rayburn House Office Building, Hon. Stephen Horn (chairman of the subcommittee) presiding.

Present: Representatives Horn, Ose, Turner, and Kanjorski.

Staff present: J. Russell George, staff director and chief counsel; Randy Kaplan, counsel; Bonnie Heald, director of communications; Bryan Sisk, clerk; Elizabeth Seong, staff assistant; Will Ackerly, Chris Dollar, and Davidson Hulfish, interns; Trey Henderson, minority counsel; and Jean Gosa, minority assistant clerk.

Mr. HORN. A quorum being present, the Subcommittee on Government Management, Information, and Technology will come to order.

Effective management of the Federal Government's real and personal property assets is an important issue involving billions of dollars and affecting hundreds of communities across our Nation. The government's worldwide real estate portfolio consists of more than 500,000 buildings and over half a billion acres of land. This property houses Federal workers; stores historic, cultural and educational artifacts; and provides services to the public. However, as agencies have streamlined their operations and realigned their missions, the need for this government property has lessened.

The National Research Council and the General Accounting Office have both reported that the physical condition, functionality and quality of Federal facilities is deteriorating. Management of Federal buildings is especially challenging, considering that roughly half of them are 40 to 50 years old. A March 2000 General Accounting Office report noted that the General Services Administration has struggled over the years to meet the repair and alteration needs of these buildings. Nevertheless, billions of dollars will be required to bring them up to usable standards.

The Federal Property and Administrative Services Act of 1949 is the general authority governing the government's approach to property management. This law established a framework for the purchase, use and disposal of real and personal property, as well as government services. Although it has been amended several times, Federal policies and methods regarding real property acquisitions and disposals have generally remained unchanged.

There is a concern that the Property Act no longer adequately meets the government's needs. In fact, increased funding pressures in recent years have led several agencies to seek authority to dispose of or lease unneeded property outside the Property Act and use the proceeds to further their core missions. At a subcommittee hearing in April 1999, we heard from witnesses representing some of those Federal departments and agencies that have been granted this specific legislative authority.

Today we will examine two legislative proposals designed to reform the government's approach to property management. The first bill is the product of an extensive review of the Property Act conducted by the General Services Administration in collaboration with other Federal agencies. This proposal, recently introduced in the Senate by Senators Fred Thompson and Joseph Lieberman as Senate bill 2805, contains a variety of provisions to improve the government's real and personal property management. For example, the bill would require agencies to develop asset plans to ensure that their real property holdings are consistent with their strategic mission goals and objectives. The bill would also grant agencies the authority to sell or exchange property so they could acquire property that is more suited to their mission. As an incentive, an agency would be authorized to retain the proceeds from a real property transaction and use it to help meet their capital asset needs.

The second proposal, H.R. 3285, the Federal Asset Management Improvement Act, introduced by Representative Pete Sessions of Texas, would authorize the General Services Administration or other agencies under delegated authority to enlist the private sector capital and expertise in public-private partnership ventures to develop or improve Federal real property.

[The texts of S. 2805 and H.R. 3285 follow:]

II

106TH CONGRESS
2D SESSION

S. 2805

To amend the Federal Property and Administrative Services Act of 1949, as amended, to enhance Federal asset management, and for other purposes

---

IN THE SENATE OF THE UNITED STATES

JUNE 28, 2000

Mr. THOMPSON (for himself and Mr. LIEBERMAN) (by request) introduced the following bill; which was read twice and referred to the Committee on Governmental Affairs

---

A BILL

To amend the Federal Property and Administrative Services Act of 1949, as amended, to enhance Federal asset management, and for other purposes

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 TITLE I—SHORT TITLE

4 This Act may be cited as the ''Federal Property Asset
5 Management Reform Act of 2000''.

6 TITLE II—DEFINITIONS

7 Section 3 of the Federal Property and Administrative
8 Services Act of 1949, as amended (40 U.S.C. § 472), is
9 amended by adding at the end the following:

1 ``(m) The term `landholding agency' means any Fed-
2 eral agency that, by specific or general statutory authority,
3 has jurisdiction, custody, and control over real property,
4 or interests therein. The term does not include agencies,
5 when they are acting as the sponsors of real property con-
6 veyances for public benefit purposes pursuant to section
7 203 of the Act (40 U.S.C. § 484).''.

8 TITLE IIIÐ LIFE CYCLE PLANNING AND
9 MANAGEMENT

10 Title II of the Federal Property and Administrative
11 Services Act of 1949, as amended, is amended by adding
12 at the end thereof the following new sections:

13 ``SEC. 213. (a) In accordance with the authorities
14 vested in the Administrator under section 205(c) of this
15 Act, the Administrator, in collaboration with the heads of
16 affected Federal agencies, shall establish and maintain
17 current asset management principles to be used as guid-
18 ance by such agencies in making major decisions con-
19 cerning the planning, acquisition, use, maintenance, and
20 disposal of real and personal property assets subject to
21 this Act and under the jurisdiction, custody and control
22 of such agencies.

23 ``(b) In order to accumulate and maintain a single,
24 comprehensive descriptive listing of all Federal real prop-
25 erty interests under the custody and control of each Fed-

1 eral agency, the Administrator, in coordination with the
2 heads of affected Federal agencies, shall collect such de-
3 scriptive information, except for classified information, as
4 the Administrator deems will best describe the nature, use,
5 and extent of the real property holdings of the United
6 States. For purposes of this section, real property holdings
7 include all public lands of the United States and all real
8 property of the United States located outside the States
9 of the Union, to include, but not be limited to the District
10 of Columbia, Puerto Rico, American Samoa, Guam, the
11 Trust Territory of the Pacific Islands and the Virgin Is-
12 lands. To facilitate the reporting on a uniform basis, the
13 Administrator is authorized to establish data and other
14 information technology standards for use by Federal agen-
15 cies in developing or upgrading agency real property infor-
16 mation systems.

17 ``(c) The listing compiled pursuant to this section
18 shall be public record; however, the Administrator is au-
19 thorized to withhold information, including the location of
20 classified facilities, when it is determined that withholding
21 such information would be in the public interest. Nothing
22 herein shall require the public release of information which
23 is exempt from disclosure pursuant to the Freedom of In-
24 formation Act (5 U.S.C. § 552).

1 ``(d) Nothing in this section shall authorize the Ad-
2 ministrator to assume jurisdiction over the acquisition,
3 management, or disposal of real property not subject to
4 this Act.

5 ``SEC. 214. (a) Within 180 days of the effective date
6 of this section, the head of each landholding agency shall
7 appoint, or designate from among persons who are em-
8 ployees within such agency, a Senior Real Property Offi-
9 cer. The head of any landholding agency who so desires
10 may also appoint a Real Property Officer for any major
11 component part of an agency, and such Real Property Of-
12 ficers, for the purposes of complying with this Act, shall
13 report to the Senior Real Property Officer.

14 ``(b) The Senior Real Property Officer for each agen-
15 cy shall be responsible for continuously monitoring agency
16 real property assets to:

17 ``(1) ensure that the management of each asset,
18 including but not limited to its functional use, occu-
19 pancy, reinvestment requirements and future utility,
20 is fully consistent with and supportive of the goals
21 and objectives set forth in the agency's Strategic
22 Plan required under section 3 of the Government
23 Performance and Results Act of 1993, Public Law
24 103–62 (5 U.S.C. § 306), consistent with the frame-
25 work provided by the real property asset manage-

1 ment principles published by the Administrator pur-
2 suant to section 213(a) of this Act, and reflected in
3 an agency asset management plan. The asset man-
4 agement plan shall be prepared according to guide-
5 lines issued by the Administrator, shall be main-
6 tained to reflect current agency program and budget
7 priorities, and be consistent with capital planning
8 and programming guidance issued by the Office of
9 Management and Budget;
10 ``(2) identify real property assets that can ben-
11 efit from the application of the enhanced asset man-
12 agement tools described in section 216 of this Act;
13 ``(3) ensure, in those cases where a real prop-
14 erty asset can benefit from application of an en-
15 hanced asset management tool, that any resulting
16 transaction will result in a fair return on the Fed-
17 eral Government investment and protect the Federal
18 Government from unreasonable financial or other
19 risks; and
20 ``(4) ensure that a listing and description of the
21 real property assets, under the jurisdiction, custody
22 and control of that agency, including public lands of
23 the United States and property located in foreign
24 lands, is provided to the Administrator, along with
25 any other relevant information the Administrator

1 may request, for inclusion in a government-wide list-
2 ing of all Federal real property interests established
3 and maintained in accordance with section 213(b) of
4 this Act.

5 ``(c) Except as otherwise provided by Federal law,
6 prior to a Federal agency acquiring any interests in real
7 property from any non-Federal source, the Senior Real
8 Property Officer of the acquiring agency shall give first
9 consideration to available Federal real property hold-
10 ings.''.

11 TITLE IVÐ ENHANCED AUTHORITIES FOR REAL
12 PROPERTY ASSET MANAGEMENT

13 SEC. 401. Title II of the Federal Property and Ad-
14 ministration Services Act of 1949, as amended, is amend-
15 ed by adding at the end thereof the following new sections:

16 **"SEC. 215. CRITERIA FOR USING ENHANCED ASSET MAN-**
17 **AGEMENT TOOLS.**

18 ``(a) Subject to the requirements of subsection (b) of
19 this section, the head of a landholding agency may apply
20 an enhanced asset management tool described in section
21 216 of this Title to a real property interest under the
22 agency's jurisdiction, custody and control when the head
23 of the agency has determined that such real property
24 interestÐ

1 ``(1) when used to acquire replacement real
2 property, is not excess property within the meaning
3 given in subsection 3(e) of this Act (40 U.S.C.
4 § 472(e));
5 ``(2) is used to fulfill or support a continuing
6 mission requirement of the agency; and
7 ``(3) can, by applying an enhanced asset man-
8 agement tool, improve the support of such mission.
9 ``(b) Before applying an enhanced asset man-
10 agement tool defined in section 216 to a real prop-
11 erty interest identified under subsection (a) of this
12 section, the head of the agency shall determine that
13 such application meets all of the following criteria:
14 ``(1) supports the goals and objectives set forth
15 in the agency's Strategic Plan required under sec-
16 tion 3 of the Government Performance and Results
17 Act of 1993, Public Law 103–62 (5 U.S.C. § 306)
18 and the agency's real property asset management
19 plan as required in section 214;
20 ``(2) is the most economical and cost effective
21 option available for the use of the real property; and
22 ``(3) is documented in a business plan which,
23 commensurate with the nature of the selected tool,
24 analyzes all reasonable options for using the prop-
25 erty; takes into account applicable provisions of law

including but not limited to the National Environmental Policy Act; and evidences compliance with the requirements of the Stewart B. McKinney Homeless Assistance Act, including (i) describing the result of the determination by the Department of Housing and Urban Development of the suitability of the property for use to assist the homeless; and (ii) explaining the rationale for the landholding agency's decision not to make the property available for use to assist the homeless.

"SEC. 216. ENHANCED ASSET MANAGEMENT TOOLS.

``(a) INTERAGENCY TRANSFERS OR EXCHANGES.Ð Any landholding agency may acquire replacement real property by transfer or exchange of real property subject to this Act with other Federal agencies under terms mutually agreeable to the agencies involved.

``(b) SALES TO OR EXCHANGES WITH NON-FEDERAL SOURCES.Ð Any landholding agency may acquire replacement real property by selling or exchanging a real property asset or interests therein with any non Federal source; provided that: (1) this transaction does not conflict with other applicable laws governing the acquisition of interests in real property by Federal agencies; (2) the agency first made the property available for transfer or exchange to other Federal agencies; and (3) the transaction

1 results in the agency receiving fair market value consider-
2 ation, as determined by the agency head, for the asset sold
3 or exchanged.

4 ``(c) SUBLEASES.Ð The head of any landholding
5 agency, by lease, permit, license or similar instrument,
6 may make available to other Federal agencies and to non-
7 Federal entities the unexpired portion of any government
8 lease for real property; provided that the term of any sub-
9 lease shall not exceed the unexpired portion of the term
10 of the original government lease of the property and the
11 sublease results in the agency receiving fair market rental
12 value for the asset. Prior to subleasing to any private per-
13 son or private sector entity, the Federal landholding agen-
14 cy shall give consideration to the needs of the following
15 entities with the needs of entities listed in paragraph (1)
16 being considered before the needs of entities listed in para-
17 graph (2):

18 ``(1) FIRST PRIORITY.Ð The needs of each of
19 the following entities, equally, shall be given first
20 priority by the agency:

21 ``(A) Federal agencies; and

22 ``(B) Indian tribes (as defined by section 4
23 of the Indian Health Care Improvement Act
24 (25 U.S.C. 1603)), urban Indian organizations
25 (as defined by that section), and tribal organi-

1 zations (as defined by section 4 of the Indian
2 Self-Determination and Education Assistance
3 Act of (25 U.S.C. 450b)) when the property is
4 to be used in connection with an Indian self-de-
5 termination contract or grant pursuant to the
6 Indian Self-Determination Act (25 U.S.C. 45f
7 et seq.); and
8 ``(C) urban Indian organizations (defined
9 as in subparagraph (B)) when the property is
10 to be used in connection with a contract or
11 grant pursuant to title V of the Indian Health
12 Care Improvement Act (25 U.S.C. 1651 et
13 seq.).
14 ``(2) SECOND PRIORITY.Ð The needs of each of the
15 following entities, equally, shall be given second pri-
16 ority by the agency:
17 ``(A) State and local governments; and
18 ``(B) Indian tribes, tribal organizations,
19 and urban Indian organizations (defined as in
20 paragraph (1)(B)) when the property is to be
21 used other than as described in paragraph (1).
22 ``(d) OUTLEASES.Ð The head of any landholding
23 agency may make available by outlease agreements with
24 other Federal agencies and non-Federal entities any un-
25 used or underused portion of or interest in any agency

1 real and related personal property after finding that (i)
2 there is no long-term mission requirement for the prop-
3 erty, but the Federal Government is not permitted to dis-
4 pose of it; or (ii) there is a continuing long-term mission
5 requirement for the property to remain in Government
6 ownership but no known agency need for the property over
7 the term of the outlease and (iii) the use of the real prop-
8 erty by the lessee will not be inconsistent with the statu-
9 tory mission of the landholding agency; provided that such
10 an outlease transaction is conducted competitively.

11 ``(1) OUTLEASE AGREEMENT.Ð Any outlease
12 agreements authorized under this subsection:

13 ``(A) shall be for a term no longer than 20
14 years; with the exception that property that
15 cannot be sold may be outleased for up to 35
16 years provided any such agency head deter-
17 mination of whether property cannot be sold
18 shall be based on criteria established by the Ad-
19 ministrator;

20 ``(B) shall result in the agency receiving
21 fair market value consideration, as defined by
22 the agency head, for the asset, including cash,
23 services, and/or in-kind consideration;

24 ``(C) shall not provide a leaseback option
25 to the Federal Government to occupy space in

1 any facilities acquired, constructed, repaired,
2 renovated or rehabilitated by the non-govern-
3 mental entity, unless the net present value, in-
4 cluding the market value of the land provided
5 through the outlease, of such an outlease and
6 leaseback arrangement is less expensive for the
7 Federal Government than a simple Govern-
8 ment-financed renovation or construction
9 project; provided further that any subsequent
10 agreements to leaseback space in such facilities
11 must be in accordance with the competition re-
12 quirements of title III of this Act (41 U.S.C.
13 § 253 et seq.) and meet the guidelines for oper-
14 ating leases set forth in Conference Report No.
15 105–217, to accompany the Balanced Budget
16 Act of 1997.

17 ``(D) shall provide (i) that neither the
18 United States, nor its agencies or employees,
19 shall be liable for any actions, debts or liability
20 of the lessee, and (ii) that the lessee shall not
21 be authorized to execute and shall not execute
22 any instrument or document creating or evi-
23 dencing any indebtedness unless such instru-
24 ment or document specifically disclaims any li-

1 ability of the United States, and of any Federal
2 agency or employee, thereunder; and
3 ``(E) may contain such other terms and
4 conditions as the head of the agency making
5 the property available deems necessary to pro-
6 tect the interests of the Federal Government.
7 ``(2) ORDER OF CONSIDERATION.Ð In making
8 property available for outlease, the landholding agen-
9 cy shall follow the order of consideration listed in
10 subsection (c) of this section.
11 ``(3) PREREQUISITES TO AGREEMENTS.Ð Prior
12 to the head of any landholding agency executing any
13 agreement authorized under subsection (d) of this
14 section which would result in the development or
15 major rehabilitation/renovation of Federal assets in
16 partnership with a non-Federal entity, the head of
17 such agency shall undertake an analysis of the pro-
18 posed arrangement or transaction, which provides
19 that any Federal real property, financial capital or
20 other resources committed to the transaction are not
21 placed at unreasonable financial risk or legal jeop-
22 ardy.
23 ``(4) OTHER AUTHORITIES.Ð The authority
24 under this subsection shall not be construed to affect
25 any other authority of any agency to outlease prop-

1 erty or to otherwise make property available for any
2 reason.

3 **"SEC. 217. FORMS OF CONSIDERATION.**

4 Notwithstanding any other provision of law, the
5 forms of consideration received from an enhanced asset
6 management tool as described in section 216 may include
7 cash or cash equivalents, in-kind assets, services, or any
8 combination thereof.

9 **"SEC. 218. TRANSACTIONAL REPORTS.**

10 For those transactions authorized under section 216
11 involving the sale, exchange or outlease to a non-Federal
12 source of any asset valued in excess of $2 million at the
13 time of the transaction, the head of the landholding agen-
14 cy sponsoring the transaction shall submit the business
15 plan required by subsection 215(b)(3) to the Office of
16 Management and Budget and to the appropriate Commit-
17 tees of the United States Senate and the House of Rep-
18 resentatives at least 30 calendar days prior to final execu-
19 tion of such transaction. The $2 million reporting thresh-
20 old in this subsection may be adjusted upward or down-
21 ward by the Administrator to reflect the annual inflation/
22 deflation factor as determined by the Department of Com-
23 merce Consumer Price Index.

1 **"SEC. 219. ANNUAL REPORTS.**

2 The head of each landholding agency shall include a
3 list of all transactions using enhanced asset management
4 tools under section 216 during the previous fiscal year
5 with the materials the agency annually submits under sec-
6 tion 3515 of title 31, United States Code.".

7 SEC. 402. Section 321 of the Act of June 30, 1932,
8 47 Stat. 412 (40 U.S.C. § 303b), is repealed.

9 SEC. 403. Section 203(b) of the Federal Property
10 and Administrative Services Act of 1949, as amended (40
11 U.S.C. § 484(b)), is amended to read as follows:

12 ``(b)(1) The care and handling of surplus personal
13 property, pending its disposition, and the disposal of such
14 property, may be performed by the General Services Ad-
15 ministration or, when so determined by the Administrator,
16 by the executive agency in possession thereof or by any
17 other executive agency consenting thereto.

18 ``(2) The responsibilities and authorities for the care
19 and handling of surplus real and related personal prop-
20 erty, pending its disposition, and for the disposal of such
21 property, provided to the Administrator elsewhere in this
22 Act, are hereby transferred to the head of the landholding
23 agency. The head of the landholding agency may request
24 the General Services Administration or any other entity
25 to provide disposal services, as long as the landholding
26 agency retains the authority to make disposal decisions

1 and agrees to reimburse the related disposal costs. The
2 head of the affected landholding agency may also delegate
3 the authority to manage the disposal process (including
4 responsibility for the related disposal costs) and to make
5 disposal decisions to the General Services Administration.
6 In the latter event, the landholding agency foregoes any
7 claim to any related disposal proceeds pursuant to section
8 204 of this Act and the General Services Administration,
9 after deducting any disposal expenses incurred, shall de-
10 posit any net proceeds in the Treasury. The Administrator
11 of General Services retains the authority to promulgate
12 general policies and procedures for disposing of such prop-
13 erty. These policies and procedures shall require that the
14 General Services Administration:

15 ``(A) notify the agencies responsible elsewhere
16 in this Act for sponsoring public benefit conveyances
17 of the availability of excess property as soon as it
18 has been declared excess and solicit their input on
19 whether their public benefit represents the highest
20 and best use of such property;

21 ``(B) serve as the central point of contact for
22 agencies, prospective donees, and the public on the
23 availability of surplus property as soon as it has
24 been declared surplus;

1 ``(C) assure that the agencies with the authority
2 to make disposal decisions give full consideration to
3 the public benefit uses or surplus Federal property
4 in making their disposal decisions; and
5 ``(D) serve as a clearinghouse for information
6 on all phases of the surplus property disposal proc-
7 ess, including appeals from sponsoring agencies and
8 prospective donees that insufficient consideration
9 was given to public benefit donations.''.
10 TITLE VÐ INCENTIVES FOR REAL AND PER-
11 SONAL PROPERTY MANAGEMENT IMPROVE-
12 MENT
13 SEC. 501. Section 204 of the Federal Property and
14 Administrative Services Act of 1949, as amended (40
15 U.S.C. § 485), is amended as follows:
16 (a) in paragraph (2) of subsection (h) by striking
17 ``(b)'' and inserting in lieu thereof ``(c)'', and by striking
18 the phrase ``, to the extent provided in appropriations
19 Acts,'';
20 (b) by revising subsection (i) to read as follows: ``Fed-
21 eral agencies may retain from the proceeds of the sale of
22 personal property amounts necessary to recover, to the ex-
23 tent practicable, the full costs, direct and indirect, in-
24 curred by the agencies in disposing of such property in-
25 cluding but not limited to the costs for warehousing, stor-

age, environmental services, advertising, appraisal, and transportation. Such amounts shall be deposited into an account available for such expenses without regard to fiscal year limitations. Amounts that are not needed to pay such costs shall be transferred at least annually to the general fund or to a specific account in the Treasury as required by statute.";

(c) by redesignating subsections (c), (d), (e), (f), (g), (h), and (i), as subsections (d), (e), (f), (g), (h), (i), and (j), respectively; and

(d) by striking subsections (a) and (b) and by inserting in lieu thereof the following subsections (a), (b), and (c):

"SEC. 204. PROCEEDS FROM TRANSFER OR DISPOSITION OF PROPERTY.

"(a)(1) AGENCY RETENTION OF PROCEEDS FROM REAL PROPERTY.Ð Proceeds resulting from the transfer or disposition of real and related property under this Title shall be credited to the fund, account or appropriation of the agency which made the property available and shall be treated as provided in subsections (b) and (c) of this section.

"(2) PROCEEDS FROM PERSONAL PROPERTY.Ð Proceeds from any transfer of excess personal property to a Federal agency or from any sale, lease, or other disposi-

1 tion of surplus personal property shall be treated as pre-
2 scribed in subsection (j) or permitted by law or otherwise.
3 ``(3) OTHER PROCEEDS.Ð All proceeds under this
4 title not deposited or credited to a specific agency account,
5 shall be covered into the Treasury as miscellaneous re-
6 ceipts except as provided in subsections (d), (e), (f), (g),
7 (h), (i), and (j) of this section or permitted by law or oth-
8 erwise.
9 ``(b) MONETARY PROCEEDS TO AGENCY CAPITAL
10 ASSET ACCOUNTS.Ð Monetary proceeds received by agen-
11 cies from the transfer or disposition of real and related
12 personal property shall be credited to an existing account
13 or an account to be established in the Treasury to pay
14 for the capital expenditures of the particular agency mak-
15 ing the property available, which account shall be known
16 as the agency's capital asset account. Subject to sub-
17 section (c), any amounts credited or deposited to such ac-
18 count under this section, along with such other amounts
19 as may be appropriated or credited from time to time in
20 annual appropriations acts, shall be devoted to the sole
21 purpose of funding that agency's capital asset expendi-
22 tures, including any expenses necessary and incident to
23 the agency's real property capital acquisitions, improve-
24 ments, and dispositions, and such funds shall remain
25 available until expended, in accordance with the agency's

1 asset management plan as required in section 214, with-
2 out further authorization: *Provided,* That monies from an
3 exchange or sale of real property, or a portion of a real
4 property holding, under subsection 216(b) of this Act shall
5 be applied only to the replacement of that property or to
6 the rehabilitation of the portion of that real property hold-
7 ing that remains in Federal ownership.''.

8 ``(c) TRANSACTIONAL AND OTHER COSTS.Ð Agencies
9 may be reimbursed, from the monetary proceeds of real
10 property dispositions or from other available resources in-
11 cluding from the agency's capital asset account, the full
12 costs, direct and indirect, to the agency of disposing of
13 such property, including but not limited to the costs of
14 site remediation or other environmental services, relo-
15 cating affected tenants and occupants, advertising, sur-
16 veying, appraisal, brokerage, historic preservation services,
17 title insurance, document notarization and recording serv-
18 ices and the costs of managing leases and providing nec-
19 essary services to the lessees.''.

20 SEC. 502. Nothing in Act shall be construed to repeal
21 or supersede any other provision of Federal law directing
22 the use of proceeds from specific real property trans-
23 actions or directing how or where a particular Federal
24 agency is to deposit, credit or use the proceeds from the

1 sale, exchange or other disposition of Federal property ex-
2 cept as expressly provided for herein.

3 SEC. 503. (a) Section 2(a) of the Land and Water
4 Conservation Act of 1965 as amended (16 U.S.C. § 4601±
5 5(a)), is superseded only to the extent that the Federal
6 Property and Administrative Services Act of 1949, as
7 amended, or a provision of this Act, provide for an alter-
8 native disposition of the proceeds from the disposal of any
9 surplus real property and related personal property sub-
10 ject to this Act, or the disposal of any interest therein.

11 (b) Subsection 3302(b) of title 31, United States
12 Code, is superseded only to the extent that this Act or
13 any other Act provides for the disposition of money re-
14 ceived by the Government.

15 SEC. 504. For purposes of implementing title V of
16 this Act, the following shall apply:

17 (a) For fiscal years 2001 through 2005, OMB shall
18 allocate by agency a prorata share of the baseline estimate
19 of total surplus real property sales receipts transferred to
20 the Land and Water Conservation Fund that were con-
21 tained in the President's Budget for Fiscal year 2001,
22 made pursuant to section 1109 of title 31 U.S. Code.
23 OMB shall notify the affected agencies and Appropriation
24 Committees of the U.S. House of Representatives and
25 Senate in writing of this allocation within 30 days of en-

1 actment of this Act and shall not subsequently revise the
2 allocation.
3 (b) On September 30 of each fiscal year, each agency
4 shall transfer to the Treasury an amount equal to its allo-
5 cation for that fiscal year, out of the proceeds realized
6 from any sales of the agency's surplus real property assets
7 during that fiscal year.
8 (c) If an agency's actual sale proceeds in any fiscal
9 year are less than the amount allocated to it by OMB for
10 that fiscal year, the agency shall transfer all of its sale
11 proceeds to the Treasury, and its allocation for the subse-
12 quent fiscal year shall be increased by the difference.
13 (d) On September 30, 2005, if an agency has trans-
14 ferred less sale proceeds to the Treasury than its total al-
15 location for the five years, the agency shall transfer the
16 difference out of any other funds available to the agency.
17 TITLE VIÐ STREAMLINED AND ENHANCED
18 DISPOSAL AUTHORITIES
19 SEC. 601. (a) Section 203 of the Federal Property
20 and Administrative Services Act of 1949, as amended (40
21 U.S.C. § 484), is amended in paragraph (k)(3) as
22 followsÐ
23 (1) by striking ``or municipality'' and inserting
24 in lieu thereof ``municipality, or qualified nonprofit

1 organization established for the primary purpose of
2 preserving historic monuments''; and
3 (2) by inserting after the first sentence ``Such
4 property may be conveyed to a nonprofit organiza-
5 tion only if the States, political subdivision, instru-
6 mentalities thereof, and municipality in which the
7 property is located do not request conveyance under
8 this section within thirty days after notice to them
9 of the proposed conveyance by the Administrator to
10 that nonprofit organization.''.
11 (b) Section 203 of the Federal Property and Adminis-
12 trative Services Act of 1949, as amended (40 U.S.C.
13 § 484), is amended by revising paragraph (k)(4)(C) to
14 read as followsÐ
15 ``(C) the Secretary of the Interior, in the
16 case of property transferred pursuant to the
17 surplus Property Act of 1944, as amended, and
18 pursuant to this Act, to States, political sub-
19 divisions, and instrumentalities thereof, and
20 municipalities for use as a public park or public
21 recreation area, and to State, political subdivi-
22 sions, and instrumentalities thereof, municipali-
23 ties, and nonprofit organizations for use as an
24 historic monument for the benefit of the public;
25 or''.

1 SEC. 602. (a) Section 203 of the Federal Property
2 and Administrative Services Act of 1949, as amended (40
3 U.S.C. § 484), is amended in subsection (c) as followsÐ
4 (1) by striking subparagraphs (3)(A), (3)(B),
5 (3)(C) and (3)(E);
6 (2) by redesignating subparagraph (3)(D) and
7 subparagraphs (3)(F) through (3)(I), as subpara-
8 graphs (3)(A) through (3)(E), respectively;
9 (3) by amending redesignated subparagraph
10 (3)(E) to read as follows:
11 ``(E) otherwise authorized by this Act or
12 other law or with respect to personal property
13 deemed advantageous to the Government.''; and
14 (4) by amending subparagraph (6)(A) to read
15 as follows:
16 ``(6)(A) An explanatory statement shall be pre-
17 pared of the circumstances of each disposal by nego-
18 tiation of any real property that has an estimated
19 fair market value in excess of the threshold value for
20 which transactional reports are required under sec-
21 tion 218.''; and
22 (5) by deleting subparagraphs (6)(C) and
23 (6)(D).
24 (b) Section 203 of the Federal Property and Adminis-
25 trative Services Act of 1949, as amended, is further

1 amended by adding to the end thereof the following new
2 subsection:
3 ``(s) The authority of any department, agency, or in-
4 strumentality of the executive branch or wholly owned
5 Government corporation to convey or give surplus real and
6 related personal property for public airport purposes
7 under subchapter II of title 49, United States Code, shall
8 be subject to the requirements of this Act, and any surplus
9 real property available for conveyance under that sub-
10 chapter shall first be made available to the Administrator
11 for disposal under this section, including conveyance for
12 any public benefit purposes, including public airport use,
13 as the Administrator, after consultation with the affected
14 agencies, deems advisable.''.
15 SEC. 603. Subsection 201(c) of the Federal Property
16 and Administrative Services Act of 1949, as amended (40
17 U.S.C. § 481(c)), is revised to read as follows:
18 ``(c) In acquiring personal property or related serv-
19 ices, or a combination thereof, any executive agency, under
20 regulations to be prescribed by the Administrator, subject
21 to regulations prescribed by the Administrator for Federal
22 Procurement Policy pursuant to the Office of Federal Pro-
23 curement Policy Act (41 U.S.C. § 401 et seq.), may ex-
24 change or sell personal property and may apply the ex-
25 change allowance or proceeds of sale in such cases in whole

1 or in part payment for similar property or related services,
2 or a combination thereof, acquired: *Provided,* That any
3 transaction carried out under the authority of this sub-
4 section shall be evidenced in writing. Sales of property
5 pursuant to this subsection shall be governed by sub-
6 section 203(e) of this title, and shall be exempted from
7 the provisions of section 5 of title 41.''.

8 SEC. 604. Subsection 202(h) of the Federal Property
9 and Administrative Services Act of 1949, as amended (40
10 U.S.C. § 483(h)), is amended to read as follows:

11 ``(h) the Administrator may authorize the abandon-
12 ment, destruction, or other disposal of property which has
13 no commercial value or of which the estimated cost of con-
14 tinued care and handling would exceed the estimated fair
15 market value.''.

16 SEC. 605. Subsection 203(j) of the Federal Property
17 and Administrative Services Act of 1949, as amended (40
18 U.S.C. § 484(j)), is further amended as follows:

19 (a) Paragraph (j)(1) is amended—

20 (1) by striking the phrase ``the fair and equi-
21 table distribution, through donation,'' and inserting
22 in lieu thereof ``donation on a fair and equitable
23 basis''; and

24 (2) by striking ``paragraphs (2) and (3)'' and
25 inserting in lieu thereof ``paragraph (2)''.

(b) Paragraph (j)(2) is deleted.

(c) Paragraph (j)(3) is renumbered (j)(2) and amended as follows:

(1) by deleting the introductory paragraph and inserting in lieu thereof the following:

``(2) The Administrator shall, pursuant to criteria which are based on need and utilization and established after such consultation with State agencies as is feasible, allocate surplus personal property among the States on a fair and equitable basis, taking into account the condition of the property as well as the original acquisition cost thereof, and transfer to the State agency property selected by it for purposes of donation within the StateÐ'';

(2) in subparagraph (B) byÐ

(A) deleting ``providers of assistance to homeless individuals, providers of assistance to families or individuals whose annual incomes are below the poverty line (as that term is defined in section 673 of the Community Services Block Grant Act),'';

(B) striking out ``schools for the mentally retarded, schools for the physically handicapped'' and by inserting in lieu thereof

1 ``schools for persons with mental or physical
2 disabilities'';
3 (C) striking the word ``and'' before ``librar-
4 ies''; and
5 (D) inserting ``and educational activities
6 identified by the Secretary of Defense as being
7 of special interest to the Armed Services,'' fol-
8 lowing the word ``region,''; and
9 (3) by adding a new subparagraph (C) to read
10 as follows:
11 ``(C) to nonprofit institutions or organiza-
12 tions which are exempt from taxation under
13 section 501 of title 26, and which have for their
14 primary function the provision of food, shelter,
15 or other necessities to homeless individuals or
16 families or individuals whose annual income is
17 below the poverty line (as that term is defined
18 in section 673 of the Community Services Block
19 Grant Act) for use in assisting the poor and
20 homeless.''.
21 (d) Paragraph (j)(4) is renumbered (j)(3) and
22 amended as follows:
23 (1) in subparagraph (C)(ii) by inserting before
24 the period at the end thereof the following: ``: *Pro-*
25 *vided,* That such requirement shall not apply to

1 property identified by the Administrator in subpara-
2 graph (E) of this paragraph as property for which
3 no terms, conditions, reservations, or restrictions
4 shall be imposed.";
5 (2) by deleting subparagraph (E) and inserting
6 the following new paragraph:
7 "(E) The State plan of operation shall pro-
8 vide that the State agency may impose reason-
9 able terms, conditions, reservations, and restric-
10 tions on the use of property to be donated
11 under paragraph (2) of this subsection and
12 shall impose such terms, conditions, reserva-
13 tions, and restrictions as required by the Ad-
14 ministrator. The Administrator shall determine
15 the condition, age, value, or cost of property for
16 which no terms, conditions, reservations or re-
17 strictions shall be imposed and for property so
18 identified, title shall pass to the recipient imme-
19 diately upon transfer by the State agency. If
20 the Administrator finds that an item or items
21 have characteristics that require special han-
22 dling or use limitations, the Administrator may
23 impose appropriate conditions on the donation
24 of such property.".
25 (c) Paragraph (j)(5) is renumbered (j)(4).

1 SEC. 606. (a) Section 501 of the Stewart B. McKin-
2 ney Homeless Assistance Act, as amended, and as codified
3 at section 11411 of title 42, United States Code, is amend-
4 ed as follows:

5 (1) in the first sentence of subsection (a), by in-
6 serting before the period the following:", and that
7 have not been previously reported on by an agency
8 under this subsection";

9 (2) in the second sentence of subsection (a), by
10 inserting after "to the Secretary" the following: ",
11 which shall not include information previously re-
12 ported on by an agency under this subsection";

13 (3) in subsection (b)(1), (c)(1)(A), and
14 (c)(2)(A), by striking "45" and inserting "30";

15 (4) in subsection (c)(1)(A)(i), by inserting after
16 "(a)" the following: "that have not been previously
17 published";

18 (5) in subsection (c)(1)(A)(ii), by inserting after
19 "properties" the following: "which have not been
20 previously published";

21 (6) by striking subsections (c)(1)(D) and (c)(4);

22 (7) in subsections (d)(1) and (d)(2), by striking
23 "60" and inserting "90";

24 (8) in subsection (d)(4)(A), by striking "after
25 the 60-day period described in paragraph (1) has ex-

pired." and inserting "during the 90-day period described in paragraph (1)." and by striking the remainder of the paragraph;

(9) in subsection (e)(3), by inserting the following sentence immediately after the first sentence: "The Secretary of Health and Human Services shall give a preference to applications that contain a certification that their proposal is consistent with the local Continuum of Care strategy for homeless assistance.";

(10) in subsection (h) heading, by striking "APPLICABILITY TO PROPERTY UNDER BASE CLOSURE PROCESS" and inserting "EXEMPTIONS"; and

(11) in subsection (h), by adding the following new paragraph at the end:

"(3) The provisions of this section shall not apply to buildings and property that are—

"(A) in a secured area for national defense purposes; or

"(B) inaccessible by road and can be reached only by crossing private property.".

(b) Within 30 days of the date of enactment of this section, the Secretary of Housing and Urban Development shall survey landholding agencies to determine whether the properties included in the last comprehensive list of

1 properties published pursuant to section 501(c)(1)(A) of
2 the Stewart B. McKinney Homeless Assistance Act remain
3 available for application for use to assist the homeless.
4 The Secretary shall publish in the Federal Register a list
5 of all such properties. Such properties shall remain avail-
6 able for application for use to assist the homeless in ac-
7 cordance with sections 501(d) and 501(e) of such Act (as
8 amended by subsection (a) of this section) as if such prop-
9 erties had been published under section 501(c)(1)(A)(ii)
10 of such Act.

11 TITLE VIIÐ MISCELLANEOUS

12 SEC. 701. SCOPE AND CONSTRUCTION.Ð The au-
13 thorities granted by this Act to the head of Federal agen-
14 cies for the management of real and personal property and
15 the conduct of transactions involving such property, in-
16 cluding the disposition of the proceeds therefrom, shall be
17 in addition to, and not in lieu of, any authorities provided
18 in any law existing on the date of enactment hereof. Ex-
19 cept as expressly provided herein, nothing in this Act shall
20 be construed to repeal or supersede any such authorities.

21 SEC. 702. SEVERABILITY.Ð Although this Act is in-
22 tended to be integrated legislation, should any portion or
23 provision of this Act be found to be invalid or otherwise
24 unenforceable by a court of competent jurisdiction, such
25 portion or portions of this Act shall be considered inde-

1 pendent and severable for all other provisions of this Act
2 and such invalidity shall not, by itself, invalidate any other
3 provisions of this Act, which remaining provisions shall
4 have the full force and effect of law.

5 SEC. 703. JUDICIAL REVIEW.Ð Any determination or
6 any asset management decision by an authorized agency
7 official to transfer, outlease, sell, exchange or dispose of
8 Federal real property or an interest therein in accordance
9 with applicable law shall be at the sole discretion of the
10 authorized agency official and shall not be the basis of
11 any suit, claim or action.

12 SEC. 704. NO WAIVER.Ð Nothing in this Act should
13 be construed to limit or waive any right, remedy, immu-
14 nity, or jurisdiction of any Federal agency or any claim,
15 judgment, lien or benefit due the United States of Amer-
16 ica.

17 SEC. 705. EFFECTIVE DATE.Ð This Act and the
18 amendments made by its provisions shall be effective upon
19 enactment except as otherwise specifically provided for
20 herein.

○

I

106TH CONGRESS
1ST SESSION

H. R. 3285

To authorize public-private partnerships to rehabilitate Federal real property, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

NOVEMBER 9, 1999

Mr. SESSIONS introduced the following bill; which was referred to the Committee on Government Reform

---

A BILL

To authorize public-private partnerships to rehabilitate Federal real property, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the "Federal Asset Management Improvement Act of 1999".

TITLE I—IMPROVED PROPERTY MANAGEMENT

SEC. 101. PERFORMANCE MEASUREMENT.

(a) PERFORMANCE MEASURES REQUIRED.—

1 (1) IN GENERAL.—The Administrator, in con-
2 sultation with the heads of executive agencies, shall
3 establish performance measures to determine the ef-
4 fectiveness of Federal property management. The
5 performance measures shall be designed to—
6 (A) enable the Congress and heads of exec-
7 utive agencies to track progress in the achieve-
8 ment of property management objectives on a
9 governmentwide basis; and
10 (B) allow for comparing the performance
11 of executive agencies against industry and other
12 public sector agencies in terms of performance.
13 (2) USE OF EXISTING DATA AND DATA COLLEC-
14 TION TOOLS.—In developing and implementing the
15 performance measures, the Administrator shall use
16 existing data sources and automated data collection
17 tools to the maximum extent practical.
18 (b) EXECUTIVE AGENCIES.—The head of each execu-
19 tive agency shall—
20 (1) monitor the performance of the agency
21 against the performance measures established under
22 subsection (a); and
23 (2) report the results of such monitoring to the
24 Congress in the agency's budget submission under
25 section 1105 of title 31, United States Code.

1 (c) MANAGEMENT PLAN.—Within 90 days after the
2 date of the enactment of this Act, the Administrator of
3 General Services shall submit to the Congress a program
4 management plan describing—
5 (1) how the program established by this Act
6 will be implemented;
7 (2) individuals who will exercise operational au-
8 thority over the program;
9 (3) the qualifications of such individuals; and
10 (4) a timeline for implementation of the pro-
11 gram.

12 TITLE II—PUBLIC-PRIVATE 13 PARTNERSHIPS

14 SEC. 201. PUBLIC-PRIVATE PARTNERSHIP AUTHORITY.

15 Title II of the Federal Property and Administrative
16 Services Act of 1949 (40 U.S.C. 481 et seq.) is amended
17 by adding at the end the following:
18 "SEC. 213. (a) The Administrator may enter into
19 agreements for the creation of one or more public-private
20 partnerships with a nongovernmental person, the purpose
21 of which shall be (1) to lease Federal real property under
22 the terms of subsection (c), and (2) to develop, rehabili-
23 tate, or renovate facilities on such leased property for the
24 use, in whole or part, by executive agencies. The public-
25 private partnership may be a limited liability company,

1 limited partnership, corporation, business trust, or other
2 form of entity, as the Administrator may designate. The
3 nongovernmental person shall exercise control of the man-
4 agement of the public-private partnership, and shall hold
5 a majority interest in ownership and profits of the public-
6 private partnership.

7 "(b) Each agreement entered into pursuant to this
8 section—

9 "(1) shall have as its primary purpose the en-
10 hancement of the functional and economic efficiency
11 of Federal real property;

12 "(2) shall be negotiated pursuant to such proce-
13 dures as the Administrator considers necessary to
14 promote competition and protect the public interest;

15 "(3) shall provide a lease option to the United
16 States to occupy space in the facilities acquired, con-
17 structed, or rehabilitated by the public-private part-
18 nership, but shall not guarantee occupancy by the
19 United States;

20 "(4) shall describe the consideration, duties,
21 and responsibilities for which the United States and
22 the nongovernmental person are responsible and may
23 provide for the alteration, repair, or improvement of
24 the real property as part or all of the consideration
25 of the nongovernmental person, notwithstanding any

1 provision of law, including the Act of June 30, 1932
2 (chapter 314; 40 U.S.C. 303b);
3 "(5) shall provide—
4 "(A) that the United States shall not be
5 liable for any actions, debts, or liability of any
6 person created by such agreement; and
7 "(B) that no person is authorized by the
8 agreement to execute any instrument or docu-
9 ment creating or evidencing any indebtedness
10 unless such instrument or document specifically
11 disclaims any liability of the United States
12 under the instrument or document; and
13 "(6) shall provide that the leasehold interests of
14 the United States are senior to that of any lender
15 to the nongovernmental person.
16 Paragraph (6) shall not impair the ability of a public-pri-
17 vate partnership to pledge as collateral its leasehold inter-
18 est under a lease with the United States entered into pur-
19 suant to the terms of subsection (c).
20 "(c)(1) Notwithstanding any other provision of law,
21 including sections 202 and 203 of this Act, the Adminis-
22 trator may lease real property to a public-private partner-
23 ship created under this section in furtherance of agree-
24 ments under subsection (a).

1 "(2) Master leases under this subsection may be for
2 such period as the Administrator determines appropriate.
3 "(3) The Administrator may dispose of equity inter-
4 est controlled by the United States in any public-private
5 partnership created under this section whenever deter-
6 mined by the Administrator to be beneficial to the United
7 States, if the Administrator receives the estimated fair
8 market value of such interests. Proceeds from such dis-
9 posal shall be deposited into the fund created by section
10 210(f).
11 "(4) Real property leased under this subsection shall
12 not be considered unutilized or underutilized for purposes
13 of section 501 of the Stewart B. McKinney Homeless As-
14 sistance Act and may be leased under this subsection with-
15 out regard to any other provision of law.
16 "(d) Notwithstanding any other provision of law, the
17 Administrator, or his or her designee, may provide services
18 to a public-private partnership created under this section
19 on such terms as the Administrator considers appropriate.
20 "(e)(1) Notwithstanding any other provision of law,
21 the Administrator may retain and use any revenues de-
22 rived from agreements entered into under this section for
23 the physical improvement of Federal real property.
24 "(2) At the discretion of the Administrator, revenues
25 from master leases authorized by this section shall be de-

1 posited into the fund established by section 210(f), or de-
2 posited into the general fund of the Treasury as miscella-
3 neous receipts.

4 "(3) Net revenues received by the Administrator from
5 public-private partnerships created under this section,
6 other than proceeds from master leases of real property,
7 shall be deposited in the fund established by section
8 210(f).

9 "(f) Upon request of the head of an executive agency,
10 the Administrator shall delegate to the head of the execu-
11 tive agency authority of the Administrator under sub-
12 sections (a) through (e).

13 "(g) The Administrator shall prepare and transmit
14 to the Congress a business plan regarding each agreement
15 with a nongovernmental person under this section not
16 later than 30 days before the date on which the Adminis-
17 trator enters into the agreement. The business plan shall
18 identify the property that the Administrator proposes to
19 make available under the agreement, an explanation of the
20 agreement, the name, resources, and qualifications of the
21 nongovernmental person, the factors in support of the pro-
22 posed project, and performance measures by which the
23 proposed project will be measured.

24 "(h) The Administrator shall describe, in the budget
25 submitted by the President pursuant to section 1105 of

1 title 31, United States Code, the projected economic per-
2 formance, including expenditures and receipts, arising
3 from agreements entered into pursuant this section.
4 "(i) In this section:
5 "(1) The term 'nongovernmental person' means
6 a person that is not an executive agency.
7 "(2) The term 'master lease' means a convey-
8 ance of Federal real property to a public-private
9 partnership created under this section through a
10 lease entered into by the Administrator with the
11 public-private partnership."
12 **SEC. 202. REPORTS.**
13 (a) OFFICE OF THE ADMINISTRATOR.—Not later
14 than 5 years after the date of enactment of this Act, the
15 Administrator of General Services shall submit to the Con-
16 gress a report on the use by executive agencies of the au-
17 thorities provided by this Act. The report shall—
18 (1) assess the effectiveness of the authority to
19 enter into agreements to enhance the value of the
20 properties subject to the agreements; and
21 (2) review the performance measures included
22 in the explanatory statements submitted pursuant to
23 section 201.
24 (b) REPORT OF THE COMPTROLLER GENERAL.—Not
25 later than 5 years after the date of enactment of this Act,

1 the Comptroller General of the United States shall submit
2 to the Congress a report on the use by executive agencies
3 of the authorities provided by this Act.

○

Mr. HORN. We have before us many knowledgeable witnesses who will—beginning with the Administrator of the General Services Administration, who will discuss the merits of these legislative proposals. We welcome our witnesses. We look forward to their testimony.

But now I yield for an opening statement to the distinguished ranking member on this subcommittee, the gentleman from Texas Mr. Turner.

[The prepared statement of Hon. Stephen Horn follows:]

DAN BURTON, INDIANA
CHAIRMAN

BENJAMIN A. GILMAN, NEW YORK
CONSTANCE A. MORELLA, MARYLAND
CHRISTOPHER SHAYS, CONNECTICUT
ILEANA ROS-LEHTINEN, FLORIDA
JOHN M. McHUGH, NEW YORK
STEPHEN HORN, CALIFORNIA
JOHN L. MICA, FLORIDA
THOMAS M. DAVIS III, VIRGINIA
DAVID M. McINTOSH, INDIANA
MARK E. SOUDER, INDIANA
JOE SCARBOROUGH, FLORIDA
STEVEN C. LaTOURETTE, OHIO
MARSHALL "MARK" SANFORD, SOUTH CAROLINA
BOB BARR, GEORGIA
DAN MILLER, FLORIDA
ASA HUTCHINSON, ARKANSAS
LEE TERRY, NEBRASKA
JUDY BIGGERT, ILLINOIS
GREG WALDEN, OREGON
DOUG OSE, CALIFORNIA
PAUL RYAN, WISCONSIN
HELEN CHENOWETH-HAGE, IDAHO
DAVID VITTER, LOUISIANA

ONE HUNDRED SIXTH CONGRESS

Congress of the United States

House of Representatives

COMMITTEE ON GOVERNMENT REFORM

2157 RAYBURN HOUSE OFFICE BUILDING

WASHINGTON, DC 20515–6143

MAJORITY (202) 225–5074
MINORITY (202) 225–5051
TTY (202) 225–6852

HENRY A. WAXMAN, CALIFORNIA
RANKING MINORITY MEMBER

TOM LANTOS, CALIFORNIA
ROBERT E. WISE, JR., WEST VIRGINIA
MAJOR R. OWENS, NEW YORK
EDOLPHUS TOWNS, NEW YORK
PAUL E. KANJORSKI, PENNSYLVANIA
PATSY T. MINK, HAWAII
CAROLYN B. MALONEY, NEW YORK
ELEANOR HOLMES NORTON,
DISTRICT OF COLUMBIA
CHAKA FATTAH, PENNSYLVANIA
ELIJAH E. CUMMINGS, MARYLAND
DENNIS J. KUCINICH, OHIO
ROD R. BLAGOJEVICH, ILLINOIS
DANNY K. DAVIS, ILLINOIS
JOHN F. TIERNEY, MASSACHUSETTS
JIM TURNER, TEXAS
THOMAS H. ALLEN, MAINE
HAROLD E. FORD JR., TENNESSEE
JANICE D. SCHAKOWSKY, ILLINOIS

BERNARD SANDERS, VERMONT
INDEPENDENT

OPENING STATEMENT
Chairman Stephen Horn
Legislative Proposals to Reform the Government's Approach to Property Management: H.R. ___, the "Federal Property Asset Management Reform Act," and H.R. 3285, the "Federal Asset Management Improvement Act."
Wednesday, July 12, 2000 at 10:00 a.m.,
2247 Rayburn H.O.B.

A quorum being present, the Subcommittee on Government Management, Information, and Technology will come to order.

Effective management of the Federal Government's real and personal property assets is an important issue involving billions of dollars and affeeting hundreds of communities across our Nation. The Government's worldwide real estate portfolio consists of more than 500,000 buildings and over half a billion acres of land. This property houses Federal workers, stores historic, cultural and educational artifacts, and provides services to the public. However, as agencies have streamlined their operations and realigned their missions, the need for this Government property has lessened.

The National Research Council and the General Accounting Office have both reported that the physical condition, functionality, and quality of Federal facilities is deteriorating. Management of Federal buildings is especially challenging, considering that roughly half of them are 40 to 50 years old. A March 2000 General Accounting Office report noted that the General Services Administration has struggled over the years to meet the repair and alteration needs of these buildings. Nevertheless, billions of dollars will be required to bring them up to useable standards.

The Federal Property and Administrative Services Act of 1949 is the general authority governing the Government's approach to property management. This law established a framework for the purchase, use and disposal of real and personal property, as well as Government services. Although it has been amended several times, Federal policies and methods regarding real property acquisitions and disposals have generally remained unchanged.

There is a concern that the Property Act no longer adequately meets the Government's needs. In fact, increased funding pressures in recent years have led several agencies to seek authority to dispose of or lease unneeded property outside the Property Act, and use the proceeds to further their core missions. At a subcommittee hearing in April 1999, we heard from witnesses representing some of those Federal departments and agencies that have been granted this specific legislative authority.

Today, we will examine two legislative proposals designed to reform the Government's approach to property management. The first bill is the product of an extensive review of the Property Act, conducted by the General Services Administration in collaboration with other Federal agencies. This proposal, recently introduced in the Senate by Senators Fred Thompson and Joseph Lieberman as Senate bill 2805, contains a variety of provisions to improve the Government's real and personal property management. For example, the bill would require agencies to develop asset plans to ensure that their real property holdings are consistent with their strategic mission goals and objectives. The bill would also grant agencies the authority to sell or exchange property so they could acquire property that is more suited to their mission. As an incentive, an agency would be authorized to retain the proceeds from a real property transaction and use it to help meet their capital-asset needs.

The second proposal, H.R. 3285, the "Federal Asset Management Improvement Act," introduced by Representative Pete Sessions, would authorize the General Services Administration or other agencies, under delegated authority, to enlist private-sector capital and expertise in public-private partnership ventures to develop or improve Federal real property.

We have before us many knowledgeable witnesses who will discuss the merits of these legislative proposals. We welcome our witnesses, and look forward to their testimony.

Mr. TURNER. Thank you, Mr. Chairman.

Clearly the Federal Government must be the world's largest property owner and manager, and inasmuch as we have been operating under the Federal Property Administration Services Act of 1949, with some amendments, it is perhaps time to update our laws regarding Federal property management.

The principles that were established in the law have worked extremely well over the years, and I think they have assured the American people the value of Federal property will be maximized, but it does seem that in many cases we do not have the flexibility that we really need to be good Federal property managers.

We're going to hear testimony today relating to two bills, one of the bills introduced by Congressman Sessions, H.R. 3285. Mr. Sessions has recommended that the GSA be allowed to enter into public-private partnerships to lease Federal property, renovate current Federal property and develop new Federal property.

The other legislation yet to be introduced is the work product of the General Services Administration in collaboration with other agencies. It's called the Federal Property Asset Management Reform Act, and I want to commend the GSA on their excellent work in putting together this piece of legislation. I think it offers much to the committee and to the Congress in terms of improving Federal property management and moving us in the right direction.

So, Mr. Chairman, I look forward to hearing from the witnesses today on this very critical issue.

Mr. HORN. I thank you very much.

Mr. Sessions is apparently delayed, probably the same reason I was, and we'll move to panel two and the Honorable David Barram, the Administrator of the General Services Administration. We're glad to have you here.

STATEMENTS OF DAVID BARRAM, ADMINISTRATOR, GENERAL SERVICES ADMINISTRATION, ACCOMPANIED BY DAVID BIBB, DEPUTY ASSOCIATE ADMINISTRATOR FOR REAL PROPERTY, GENERAL SERVICES ADMINISTRATION; AND BECKY RHODES, DEPUTY ASSOCIATE ADMINISTRATOR FOR PERSONAL PROPERTY, GENERAL SERVICES ADMINISTRATION

Mr. BARRAM. Thank you, Mr. Chairman, Mr. Ranking Member and other Members. Thank you for asking us here today to discuss our legislative proposal to amend the Federal Property and Administrative Services Act of 1949. Accompanying me from GSA's Office of Governmentwide Policy are Mr. David Bibb, Deputy Associate Administrator for Real Property, and Ms. Becky Rhodes, Deputy Associate Administrator for Personal Property.

I'd like to speak for 1 minute, introductory remarks, and let you bring up David and Becky and others who know really what's going on. Thank you for letting me do that.

Over the last several years we have worked together on a number of significant issues addressing change and a need for Federal Government reform. Your help was instrumental to our success, and we thank you. Today we have another occasion where we can work together to get things done, Federal asset management reform.

Mr. Chairman, you commented today, and I'd like to quote also from your opening statement from last April's hearing on Federal real property management, you said, overall the Federal Government has not been a very good steward. While we have made many improvements within existing law, collectively we have not been the kind of stewards and good asset managers that we could have been. Why? Because the business rules by which Federal agencies manage their assets were established over a half century ago and were obsolete years ago.

As you both have noted this morning, the Federal Property Act is 50 years old. With the dollar value of Federal real and personal property assets estimated to be in the hundreds of billions of dollars, it is increasingly imperative that prevailing policies ensure their efficient and effective stewardship.

It's time we used the same common-sense property management strategies in the Federal Government that have already proven successful in the private sector. I think we all recognize that we must make the Federal Government more efficient and more accountable. This bill represents a big step forward in achieving that goal. It is simply good government.

I believe you will quickly see that its enactment will result in a governmentwide property management system that, quote, works better and costs less. It reflects the way we should be doing business in the 21st century.

Thank you.

Mr. HORN. Well, we thank you, and we will now begin with panel three, who will join you at the table to stay there as—because we'd like during the question period to have a dialog. And the panel three is Bernie Ungar, the Director, Governmentwide Business Operations Issues, GAO; David Bibb, Deputy Associate Administrator, Office of Governmentwide Policy, General Services Administration; Rear Admiral Ronald F. Silva, Assistant Commandant for Systems and Chief Engineer, U.S. Coast Guard; Steven Weiner, president, Signet Partners; Maria Foscarinis, executive director, National Law Center on Homelessness and Poverty, and is accompanied by Laurel Weir; Steve Perica, director of Arizona State Agency for Surplus Property.

We're going to, if you will—we take the oath, and please stand, raise your right hands, and that will include support people that also whisper in your ears. So get them all up, and the clerk will take their name.

[Witnesses sworn.]

Mr. HORN. The clerk will note all who have stood and get the names of the assistants.

We thank you. And just the way we have the routine here is we have all had a chance to read the papers, if they got in last night, and your written statement is automatically put in the record, so you don't have to ask for it. It's done, so is your resume. And we'd like you to summarize your testimony in 5 minutes, if you could, 5 to 6 minutes, and then we'd like to open it up to questions, and I want—to not only the members here and will be here, but also to bring the issues to point with those that are with you at the table. So let us start with Bernie Ungar, the Director, Governmentwide Business Operations Issues, U.S. General Accounting Office,

part of the legislative branch, and we depend on GAO heavily for good basic research and we're delighted to have Mr. Ungar here.

STATEMENTS OF BERNIE UNGAR, DIRECTOR, GOVERNMENTWIDE BUSINESS OPERATIONS ISSUES, GENERAL ACCOUNTING OFFICE; DAVID BIBB, DEPUTY ASSOCIATE ADMINISTRATOR, OFFICE OF GOVERNMENTWIDE POLICY, GENERAL SERVICES ADMINISTRATION; REAR ADMIRAL RONALD F. SILVA, ASSISTANT COMMANDANT FOR SYSTEMS AND CHIEF ENGINEER, U.S. COAST GUARD; STEVEN J. WEINER, PRESIDENT, SIGNET PARTNERS; MARIA FOSCARINIS, EXECUTIVE DIRECTOR, NATIONAL LAW CENTER ON HOMELESSNESS AND POVERTY, ACCOMPANIED BY LAUREL WEIR, POLICY DIRECTOR; AND STEVE PERICA, DIRECTOR OF THE ARIZONA STATE AGENCY FOR SURPLUS PROPERTY, PRESIDENT OF THE NATIONAL ASSOCIATION OF STATE AGENCIES FOR SURPLUS PROPERTY

Mr. UNGAR. Thank you, Mr. Chairman. Mr. Turner, other members of the subcommittee, staff, we're certainly pleased to be here this morning to help the subcommittee consider the two proposals for reforming Federal real property management. I'm accompanied today by Donald Bumgardner and Gary Lawson, both senior evaluators in GAO. As you requested, I'd like to summarize my statement.

While we have not had time to fully analyze all the implications of the provisions of the bills, particularly S. 2805, we have certainly looked at them and we believe the thrust of both the Senate bill as well as H.R. 3285 are in line with information that we have reported for over a decade. They would certainly help address a number of the problems that we have identified and reported on, as well as provide Federal agencies the opportunity to adopt and use some innovative and best practices that are being used by other organizations.

I would like to focus on two areas this morning very briefly. First is real property leadership. S. 2805 would require GSA to take a greater leadership role in Federal real property management and require landholding agencies to focus accountability on real property management by designating senior real property managers. H.R. 3285—in a little different vein but in the same general direction—would require GSA to establish governmentwide property management measures. These provisions are consistent with actions that we have recommended as far back as our general management review of GSA in 1989. However, we note that S. 2805 does not contain any qualification requirements for the senior real property managers. Considering the complexity and the diversity of the portfolio of assets that the Federal Government controls and owns and has to manage, and the complicated nature of the transactions that the bill would authorize, we believe it's important that the subcommittee consider this and may want to add some qualification requirements in terms of experience or training or professional certifications for the persons that are going to be holding these positions.

Second, both bills would provide managers at Federal agencies that hold land with greater flexibility and incentives for better

property management. Our work has shown that agencies need more flexibility and certainly more incentives to manage real property more effectively and in the same vein as the private sector is able to do. There are three issues that I would like to point out for the subcommittee's consideration this morning.

The first is that S. 2805 does contain a general 20-year limit on the outleasing authority that would be granted to the landholding agencies. We believe that this 20-year limit could limit the usefulness of this tool for the agencies, particularly in those cases where you're dealing with a historically significant property or a property that might be in an economically depressed area. This is because a substantial amount of investment would probably be required to bring those types of facilities up to date and meet local health, and safety and quality standards and private sector developers would probably be unlikely to enter into an agreement for a period that would be 20 years or less, given the need to make an adequate return on their investment and have an adequate payback period.

Second, while allowing agencies to retain the funds that they would receive in exercising or using the new tools and flexibilities that both bills would provide, that provision, or that allowance, would limit congressional flexibility in overseeing or reviewing how these funds are allocated among agencies, and should government-wide priorities change, it could cause a misallocation. Therefore, the subcommittee may want to consider whether the funds ought to be controlled by a central organization or by each agency. On the other hand, we recognize if the funds were controlled by a central agency, this certainly could limit the incentives that go to the individual agency. So therefore, the Congress has a tradeoff there to consider.

Finally, although both bills would provide Congress with information before and after the individual tools would be applied that are authorized by both bills, it's unclear to us in both cases what information, what specific information, the Congress would receive on how the moneys generated by these tools would be used by the agencies. Therefore, we think it's very important that the subcommittee explore this area this morning and in the future to make sure that it is comfortable with the amount of information it's going to receive and the oversight and review it will be able to exercise over the proposed use of these funds that the agencies retain.

That would conclude my summary, Mr. Chairman.

Mr. HORN. Thank you very much.

[The prepared statement of Mr. Ungar follows:]

United States General Accounting Office

GAO

Testimony

Before the Subcommittee on Government Management, Information, and Technology, Committee on Government Reform, House of Representatives

For Release on Delivery
10:00 a.m. EDT
Wednesday
July 12, 2000

FEDERAL REAL PROPERTY

Views on Management Reform Proposals

Statement of Bernard L. Ungar
Director, Government Business Operations Issues
General Government Division

GAO/T-GGD-00-175

Statement

Federal Real Property: Views on Management Reform Proposals

Mr. Chairman and Members of the Subcommittee:

I am pleased to be here today to assist the Subcommittee in its consideration of S. 2805, the Federal Property Asset Management Reform Act of 2000. The purpose of this bill is to amend the Federal Property and Administrative Services Act of 1949 (Property Act), to enhance governmentwide property management and bring the policies and business practices by which federal agencies manage their property assets into the 21st century. You also asked us to review another bill, H.R. 3285, the Federal Asset Management Improvement Act of 1999, which provides for the use of (1) partnerships with the private sector to improve and redevelop federal real estate and (2) performance measures for federal property management.

The U.S. government is one of the world's largest property owners, with a real estate portfolio of over 400,000 defense and civilian buildings and over half a billion acres of land. Most of the government's real property holdings are national parks, forests, other public lands, and military facilities. According to a 1998 National Research Council report, federal facilities alone represented an investment of more than $300 billion tax dollars.[1] Overall, government-owned real estate is under the custody and control of at least 30 federal organizations, although most is under the jurisdiction of 8 agencies: the Departments of Agriculture, Defense, Energy, the Interior, and Veterans Affairs (VA); the General Services Administration (GSA); the Tennessee Valley Authority; and, the U.S. Postal Service.

As we and others have previously reported, federal asset managers find themselves confronted with numerous challenges in managing this multibillion dollar real estate portfolio, including a large deferred maintenance backlog, obsolete and underutilized properties, rapid advances in technology, and the push for a more integrated work environment.[2] These challenges must be addressed in an environment marked by budgetary constraints and growing demands to improve

[1] Stewardship of Federal Facilities: A Proactive Strategy for Managing the Nation's Public Assets, National Research Council, 1998.

[2] The integrated workplace is the result of a collaborative, multidisciplinary approach to developing and providing workspace, uniting the organization's strategic real property plan with its strategic business goals. It responds to the people and work practices of each individual and group, and provides them with the physical space and tools needed for their success. See The Integrated Workplace: A Comprehensive Approach to Developing Workspace, Office of Real Property, GSA, (June 1999). See also VA Healthcare: Capital Asset Planning and Budgeting Needs Improvement (GAO/T-HEHS-99-83, Mar. 10, 1999); National Park Service: Efforts to Identify and Manage the Maintenance Backlog (GAO/RCED-98-143, May 14, 1998); and Deferred Maintenance Reporting: Challenges to Implementation (GAO/AIMD-98-42, Jan. 30, 1998).

service. To meet these challenges, agencies need to provide asset managers with the tools that will help them succeed. While time constraints did not enable us to fully analyze all of the provisions of these two bills, it appears that a number of the provisions in S. 2805 and H.R. 3285 would go a long way toward recognizing real property as a major component in carrying out agencies' missions and improving the federal government's management of its multibillion dollar real property holdings.

Today, Mr. Chairman, I would like to specifically comment on the aspects of these bills that are designed to promote more effective leadership, obtain and maintain reliable information on federal assets, and provide the necessary tools and incentives to make real property management more effective. These are areas where our past work showed that improvements were needed and that best practices of private and public organizations could be used to achieve better results with regard to real property management and oversight. As we have reported, federal agencies can improve their decisionmaking for the acquisition and management of assets by following the best practices of leading government and private sector organizations.[3] I have also included additional background on the use of public-private partnerships by some federal organizations in the attachment to this statement.

Property Management Leadership

S. 2805 would require the GSA Administrator to take a leadership role, in collaboration with the heads of federal landholding agencies, to publish, and maintain a current set of real property asset management principles. These principles would be used by agencies as guidance in making decisions about property planning, acquisition, use, maintenance, and disposal. GSA believes that these principles would, among other things, promote more efficient and effective use of federal assets and better communication among the agencies to enhance overall management functions of the federal government. H.R. 3285 would require the GSA Administrator to establish performance measures designed to track executive branch agencies' progress in achieving property management objectives, as well as compare their performance with the private sector. Agencies would monitor their performance against standards set by GSA and report the results to Congress along with the agency's budget submission.

These provisions would emphasize the importance of effectively managing the government's multibillion dollar portfolio of federal real property

[3] See U.S. Infrastructure: Funding Trends and Opportunities to Improve Investment Decisions (GAO/RCED/AIMD-00-35, Feb., 7, 2000).

assets, helping facilitate a uniform approach to asset management, and assisting federal managers in monitoring progress and measuring results. They are in line with the principles of the Government Performance and Results Act of 1993 (GPRA), as well as our prior recommendations that GSA focus its facilities management role on government leadership and strategic management.

S. 2805 also would provide for a Senior Real Property Officer to oversee all real property asset management activities relating to agency programs and operations. This provision would establish accountability in federal agencies with real property holdings for the management and oversight of these assets. The Senior Real Property Officer would work together with three other senior agency officials—the Chief Financial Officer (CFO), the Chief Information Officer (CIO), and the head of human resources—to integrate the strategic planning of facilities, financial management, technology, and human capital planning. The Senior Real Property Officer would continuously monitor the management of assets to ensure that they were being used and invested in a way that supported the goals and objectives of the agency's strategic plan.

Over a decade ago, in our 1989 management review of GSA, we said that placing facilities management closer to the user would improve responsiveness to changes taking place in the workplace, and that as part of this process each agency should designate a senior official who would serve as its focal point for facilities management issues and be responsible for setting agency-level policies and goals. [4] We believe that today's challenging environment for managing assets poses a need for each land-owning federal agency to have a senior real property manager. At the same time, the establishment of such a senior real property manager position would allow each agency to have a focal point with responsibility for implementing property management consistently with the agency's strategic plan. Further, the senior real property officers from each agency would be in a position to form a council or other body, similar to the CFO Council, to discuss common issues, such as strategies, best practices, emerging technologies, and workplace needs.

While we support the proposed requirement for agencies to designate a Senior Real Property Officer, we note that the bill does not specify any minimum qualification requirements for these individuals. It would be beneficial if these individuals were qualified through education, training,

[4] General Services Administration: Sustained Attention Required to Improve Performance (GAO/GGD-90-14, Nov. 1989).

experience, and certification, and were placed at a senior level within the organization. This should enable these individuals to better establish and facilitate appropriate real property asset management policies and practices. These individuals could be required to have a recognized professional designation or certification, such as the Certified Facility Manager or Real Property Administrator designations. Real property management and technology are becoming increasingly complex and the federal portfolio is large and diverse. As such, this would suggest that an experienced and qualified individual would be needed to provide the leadership called for in the bill. Given this, the Subcommittee may want to consider adding qualification requirements to the bill.

Relevant Management Information

S. 2805 would require the GSA Administrator to accumulate and maintain a single, comprehensive, worldwide listing of all real property interests under the custody and control of federal agencies. Subject to certain limitations, and as deemed appropriate by the Administrator, portions of this database would be available to interested stakeholders and the public. As you know, GSA currently maintains a worldwide inventory of real property holdings. However, according to GSA's Inspector General, GSA has no assurance that this inventory contains accurate, timely, or complete data and has no leverage or authority over property holding agencies to ensure that the data they voluntarily submit is current, accurate, or complete.[5]

Our prior work has shown that data related to the management and oversight of federal assets are generally problematic. For example, it is difficult to determine how many federal buildings are underutilized or unneeded, or how much money the federal government as a whole spends on the maintenance and repair of federal facilities. Variations exist among agencies with regard to definitions and methodologies for developing budgets and accounting and reporting systems for tracking maintenance and repair expenditures.

In our 1989 review of GSA, we noted that the agency needed to determine what information was needed to effectively oversee governmentwide real property management. We added that we saw major challenges for GSA in improving the availability of relevant information to manage the government's facilities assets and establishing oversight of facilities management functions. Accordingly, we recommended that the GSA Administrator ensure the development of a new facilities management

[5] See Review of Real Property Reporting for the Worldwide Inventory (GSA/OIG: Report Number: A000813/O/W/F00006, Mar. 23, 2000).

information structure, redefine the relevant management information needed to manage facilities assets strategically, evaluate facilities costs and performance, and oversee delegated functions. In addition, we have often reported our concerns about the reliability of the government's real property inventory. For example, we noted that the government's reporting of its real property inventory was incomplete and unreliable in our 1999 financial report on the government.[6]

We believe that a comprehensive, reliable listing of federal properties, as envisioned by S. 2805, is essential to overseeing and managing the government's large portfolio of federal assets. Lack of good data makes it difficult to select an optimal level of capital spending needed for the acquisition and maintenance of real property. Inadequate data also impede the ability to identify and dispose of real property assets that are no longer needed or cost effective to retain. If the government does not have a good perspective on its property holdings, because of poor data, it may be incurring opportunity costs needlessly, since some of its buildings and land could be put to more cost-beneficial uses, exchanged for other needed property, or sold.[7]

Since GSA and most other federal agencies do not know the market value of their properties, the costs the government incurs when these properties are used inefficiently or uneconomically are not apparent. We would like to point out that while we support the bill's provision related to a worldwide inventory of federal real property holdings, we believe this will be a challenging task for many agencies because our previous work has shown that the government lacks the necessary systems and processes to ensure complete and reliable information on its assets. As a result, agencies have had limited success in making effective use of data they gather for the ongoing management of facilities.

Property Management Flexibility and Incentives

S. 2805 would also provide managers more flexibility and incentives for better property management. The bill would amend current law so that each agency, in selling its real property, could retain proceeds from such sales and deposit them into agency capital asset accounts for real property needs. Furthermore, each agency would be able to be reimbursed for the costs of property dispositions from the proceeds of the dispositions or from its capital asset accounts. Additionally, S. 2805 provides asset management tools, which in themselves may be incentives for agency

[6] Financial Audit: 1999 Financial Report of the United States Government (GAO/AIMD-00-131, Mar. 31, 2000).

[7] Federal Real Property: Key Acquisition and Management Obstacles (GAO/T-GGD-93-42, Jul. 27, 1993).

property managers to better manage federal real estate assets. The bill would provide four new enhanced asset management tools for effective management of federal property—(1) interagency transfers or exchanges, (2) sales to or exchanges with nonfederal sources, (3) subleases, and (4) outleases. These tools would allow each federal agency to negotiate the movement or use of property assets that no longer provide the optimum accommodation for the agency's activities because of its changing mission requirements, functional obsolescence, or other activities.

GSA believes these provisions will present opportunities for cost avoidance, reduce the number of mission-deficient properties under federal ownership, and improve the quality and productivity of federal facilities. Over the years, we have reported that the government has not made enough funding available to properly maintain public assets. As a result, federal buildings are suffering from years of neglect and are becoming functionally obsolete. Recently, we reported that GSA data indicate that about $4 billion was needed to satisfy the repair and alteration requirements in the government-owned buildings it manages.[8] In 1991, we reported a similar condition in that buildings were deteriorating and that billions of dollars were needed to bring them up to acceptable quality, health, and safety standards.[9]

We believe that federal asset managers need the proper tools to effectively manage and oversee federal assets. Given this, the tools mentioned above appear to be steps in the right direction for exploring opportunities to better utilize federal assets. However, we believe that the 20-year limitation generally placed on the use of outleases in S. 2805 could significantly reduce the usefulness of this tool for properties that are historically significant or that are located in economically depressed areas, and additionally may discourage private investors. According to private sector developers, the 20-year period may not provide enough time to recoup their investment.

H.R. 3285 also provides a new tool that could be an incentive for federal property managers to better manage federal real estate. It allows GSA to enter into public-private partnerships with nongovernmental entities to lease federal property and to develop, rehabilitate, or renovate facilities on

[8] See Federal Buildings: Billions Are Needed for Repairs and Alterations (GAO/GGD-00-98, Mar. 30, 2000) and Federal Buildings: Billions Are Needed for Repairs and Alterations (GAO/T-GGD-00-73, Apr. 11, 2000).

[9] Federal Buildings: Actions Needed to Prevent Further Deterioration and Obsolescence (GAO/GGD-91-57, May 13, 1991).

such leased property for use by executive agencies. The public-private partnerships could be formed with limited liability companies, limited partnerships, corporations, business trusts, or other entities designated by GSA. Congress has already enacted legislation that provides certain agencies with a statutory basis to enter into partnerships and keep the revenue they receive from them. Our work has shown that public-private partnerships have been successfully used by some federal organizations. The attachment to my statement further describes federal agencies' involvement with public-private partnership arrangements.

As we and the National Research Council pointed out in our April 29, 2000, testimonies on asset management, incentives are needed to encourage agencies to better manage their assets. Currently, the law for most federal agencies requires that all proceeds from the sale of federal land and buildings go either to the general treasury or the Land and Water Conservation Fund. This provides agencies with no monetary incentive to identify and dispose of excess federal real property. In our public-private partnership review, we found that a primary reason for an agency to enter into partnerships was the incentive to keep, for its own use, the revenue it would receive from the partnership.

It appears to us that allowing agencies to retain the bulk of the funds they would receive from using the tools set forth in S. 2805 would provide agencies with incentives, although it reduces the Congress' ability to oversee these funds. Permitting individual agencies to retain sales proceeds could raise questions about capital allocations should governmentwide priorities change. Thus, another possible approach would be to designate the proceeds from real property transactions to be placed into an account that would be managed centrally so that decisions on capital investments could be made based on where the need is greatest across government. However, this approach does not directly provide incentives to the agencies themselves.

Both S. 2805 and H.R. 3285 contain provisions that would provide Congress with advance notification of certain transactions as well as information on their asset practices on an annual basis. However, it is not clear to us from the bills whether Congress would receive the specific information it would need to exercise appropriate control and oversight over the funds to be retained and used. Thus, regardless of whether the designated funds are managed centrally or agency by agency, the Subcommittee may want to consider requiring whoever controls the funds to submit a plan to Congress on how the funds are to be used as well as providing a report on how the funds were used. OMB currently requires

capital asset plans for acquisitions and, in its Capital Programming Guide, encourages agencies to develop plans covering all of their capital assets.

Conclusions

In a results-oriented environment in which the federal government operates, much thought must be devoted to a rationale and strategy for facility management, maintenance, and accountability for stewardship that will optimize our limited resources while protecting the value and functionality of the nation's real property. S. 2805 should go a long way toward improving the stewardship of public assets by requiring the appointment of a Senior Real Property Officer for each executive land-holding agency and providing asset managers with better information, greater flexibility, and more tools with which to optimize asset performance.

In addition, we believe that the new tools provided by S. 2805 and H.R. 3285, such as inter-agency transfers and public-private partnerships, and the ability to retain funds from real property transactions should help property managers become better stewards of the nation's assets and thus more effectively sustain the taxpayers' investment. As the Subcommittee deliberates on S. 2805, there are three areas that should be considered. These are (1) the need for qualification requirements for Senior Real Property Officers; (2) the possibility that the 20-year lease term for outleases may limit the usefulness of this tool for properties that are historically significant or that are located in economically depressed areas; and (3) the type of congressional review or oversight that would be appropriate regarding agencies' intended or actual use of funds they retain from real property transactions, along with whether the retained funds should be controlled centrally or agency by agency.

Mr. Chairman, this concludes my prepared statement. I would be pleased to answer any questions you or other members of the Subcommittee may have.

Contacts And Acknowledgement

For further information contacts regarding this testimony, please contact Bernard L. Ungar, Director, Government Business Operations Issues, on (202) 512-8387. Individuals making key contributions to this testimony included Ronald King, Gary Lawson, and Donald Bumgardner.

Public-Private Partnerships Have Been Successfully Used by Some Federal Organizations

To maximize returns on buildings and facilities, federal agencies are increasingly interested in managing them in a more businesslike manner. Partnerships between the federal government and the private sector through contracts or agreements are one of these approaches. These arrangements typically involve a government agency contracting with a private partner to renovate, construct, operate, maintain, and/or manage a facility or system, in part or in whole, that provides a public service. Last year, we reported the findings of our public-private partnerships review and the key elements and related experiences of the six federal partnerships we examined in our report.[1]

The six partnership projects we examined were located in three agencies: the National Park Service (Park Service) within the Department of the Interior, the Department of Veterans Affairs (VA), and the U.S. Postal Service (Postal Service). We selected them based on several factors, including our consultation with building and facility management experts from the public and private sectors. Although each of the six projects tailored its efforts to address its specific needs and environment, we found five common elements that appeared to play a key role in the implementation of the partnerships we reviewed.

First, there was a catalyst for change that led each of the three agencies to form a partnership with the private sector. For example, community pressure and fiscal constraints were the catalyst in the two Park Service projects we reviewed, in which the Park Service entered into public-private partnerships mainly to obtain partners that could finance needed preservation efforts.

Second, for all six projects we reviewed, Congress enacted legislation that provided a statutory basis for the agency to enter into the partnership and keep the revenues it received from that partnership. The legislation was either project-specific, as it was for one of the Park Service projects, or broader in scope, as was the 1991 law that authorized VA to lease its properties and retain the resulting revenues. According to building and facility managers in all of the projects we reviewed, a primary reason for an agency to enter into these partnerships was the ability to keep for its own use the revenue that it would receive from the partnership.

[1] Public-Private Partnerships: Key Elements of Federal Building and Facility Partnerships (GAO/GGD-99-23, Feb. 3, 1999); See also, Public-Private Partnerships: Key Elements of Federal Building and Facility Partnerships (GAO/T-GGD-99-81, Apr. 29, 1999); Public Private Partnerships: Terms Related to Building and Facility Partnerships, (GAO/GGD-99-71, Apr., 1999); and Federal Real Property Management: Answers to Hearing Questions, (GAO/GGD-99-130R, Jul. 1, 1999).

Third, the agencies we reviewed also told us that they established organizational structures and acquired the necessary expertise to interact with private-sector partners to ensure effective partnership implementation. For example, VA established an Office of Asset and Enterprise Development to promote the partnership concept within VA to design and implement public-private partnership projects, and to be a single point of contact with VA's private-sector partners. The office was staffed, VA officials said, with professionals experienced in portfolio management, architecture, civil engineering, and contracting.

Fourth, in all six projects we reviewed, asset management officials used business plans or similar documents to make informed decisions and protect the government's interests. According to Postal Service officials, the development and execution of a business plan, which included information about the division of risks and responsibilities between the Postal Service and its private-sector partner, was critical to its success in implementing its large-scale real estate development projects. For each of the projects we reviewed, business plans were drafted jointly between the public- and private-sector parties to help ensure the close involvement of both parties in the design and implementation of the project.

Finally, support from project stakeholders was an important factor in developing and implementing the public-private partnerships. In all of the projects we reviewed, agencies had the support of the local community and other stakeholders to create the partnership.

Viewing GAO Reports on the Internet

For information on how to access GAO reports on the INTERNET, send e-mail message with "info" in the body to:

info@www.gao.gov

or visit GAO's World Wide Web Home Page at:

http://www.gao.gov

Reporting Fraud, Waste, and Abuse in Federal Programs

To contact GAO's Fraud Hotline use:

Web site: http://www.gao.gov/fraudnet/fraudnet.htm
E-Mail: fraudnet@gao.gov
Telephone: 1-800-424-5454 (automated answering system)

PRINTED ON RECYCLED PAPER

STATEMENT OF DAVID J. BARRAM

ADMINISTRATOR OF GENERAL SERVICES

BEFORE THE

SUBCOMMITTEE ON GOVERNMENT MANAGEMENT,

INFORMATION AND TECHNOLOGY

COMMITTEE ON GOVERNMENT REFORM

U.S. HOUSE OF REPRESENTATIVES

July 12, 2000

Statement of the Administrator of General Services

Mr. Chairman, Mr. Ranking Member, and Members of the Subcommittee, Thank you for asking us here today to discuss our legislative proposal to amend the Federal Property and Administrative Services Act of 1949. Accompanying me from GSA's Office Governmentwide Policy are Mr. David Bibb, Deputy Associate Administrator for Real Property and Ms. Becky Rhodes, Deputy Associate Administrator for Personal Property.

Over the past several years, we have worked together on a number of significant issues addressing change and the need for Federal Government reform. Your help was instrumental to our success and we thank you. Today, we have another occasion where we can work together to get things done—Federal asset management reform.

Mr. Chairman, I would like to quote from your opening statement from last April's hearing on Federal Real Property Management—"Overall, the Federal Government has not been a good steward." While we have made many improvements within the existing law collectively, we have not been the kind of stewards and good asset managers that we could have been. Why? Because the business rules by which Federal agencies manage their assets were established over a half-century ago and were obsolete years ago.

As you know, the Federal Property Act is 50 years old. With the dollar value of Federal real and personal property assets estimated to be in the hundreds of billions, it is increasingly imperative that prevailing policies ensure their efficient and effective stewardship.

It's time we use the same common-sense property management strategies in the federal government that have already proven successful in private sector. I think that we all recognize that we must make the Federal government more efficient and more accountable. This bill represents a big step forward in achieving that goal. It is simply "good government".

At this time, I would like for David Bibb, to go over the highlights of the bill. I believe you will quickly see that its enactment will result in a governmentwide property management system that "works better and costs less." It reflects the way we should be doing business in the 21st century. Thank you.

Mr. HORN. And we now move to the next witness, who is David L. Bibb, the Deputy Associate Administrator, Office of Governmentwide Policy of the General Services Administration.

Mr. Bibb.

Mr. BIBB. Thank you, Mr. Chairman, Mr. Turner, Mr. Kanjorski and staff. It is a pleasure to be here today. I'm David Bibb, Deputy Associate Administrator for Real Property at GSA. With me today, as Dave Barram has said, is Becky Rhodes, Deputy Associate Administrator for Transportation and Personal Property.

The Property Act, the law of general application governing properties acquired to carry out Federal agency program missions, is over 50 years old, as you've indicated. While much has occurred over the past half century, the policies governing these assets have generally remained unchanged.

We think it's imperative that our Nation's governing asset management policies ensure their efficient and effective stewardship on a solid businesslike basis, and we firmly believe that enactment of the Federal Property Asset Management Reform Act will do just that.

Briefly, the bill contains four concepts: First, the bill deals with life cycle planning and management. Effective asset management must consider the entire life cycle of a property. However, the present focus of the Property Act is oriented toward the disposal phase of the asset. Some agencies lack a full range of policy guidance, accountable management structures, information on their property holdings, and planning processes necessary to manage their property holdings effectively in support of their missions.

Specifically, to deal with life cycle planning and management, the bill proposes several things. One is adoption of governmentwide asset management principles; another is development of strategic real property planning; the third is designation by each agency of a senior real property officer who would be accountable for the performance of the inventory; and fourth would be a statutory basis for a governmentwide real property information data base. So that's the first concept.

The second concept is flexibility to optimize asset performance. Federal managers are being encouraged to be more businesslike and innovative. However, in our judgment, too often when something makes sense, the government simply can't do it. The average age of government-owned buildings has increased to nearly 50 years. Many of these buildings are inefficient and functionally obsolete. Unlike the private sector, most Federal agencies have no opportunity to apply any value or underlying equity of the property that may reside in underused or obsolete property toward meeting their ongoing or future facility needs. With few exceptions, agencies are not currently authorized to sell, exchange, sublease or outlease capital assets that they still need, but which no longer support their missions well and to use the proceeds for newer replacement capital projects. Agencies lacking sufficient appropriations often have to make do with substandard facilities.

To improve this situation, the proposed bill would give agencies several new authorities: One, exchange/sale of personal property; two, exchange/sale of real property; subleasing; outleasing. The bill would authorize agencies to outlease to the private sector assets

that must remain in Federal ownership and underutilized portions of nonexcess government-owned property.

However, I must note at this point that the administration opposes the use of such outleases, that is public private partnerships, solely or primarily as a vehicle for obtaining private financing of Federal construction and repair projects for the simple reason that private financing is more expensive to the Federal taxpayer than government financing. In this regard, the bill permits an outlease/leaseback arrangement to the government only when it's less expensive than direct Federal renovation or construction.

The third concept under our bill deals with incentives for better property management. Federal agencies lack incentives. This has resulted in agencies not pursuing optimal use of property and to retaining assets that are of diminished functional value to their missions. The Property Act reform bill would provide a much needed catalyst for sound asset decisionmaking and would permit agency use of proceeds as follows: For personal property, it would authorize agencies to retain proceeds from the sale of surplus personal property and offset direct and indirect disposal costs. For real property, it would authorize agencies to retain the bulk of proceeds from real property transactions and allow such funds to be used to offset direct and indirect disposal costs and in meeting agency capital asset needs.

To strengthen this incentive, the proposed bill would also put agencies in charge of disposing of their surplus real property, an authority that the GSA administrator currently has alone. Agencies, under the bill, will still have the ability to use GSA to manage the disposal process and to delegate disposal property disposal decisions to GSA if they wish.

Our fourth concept is to streamline and enhance processes. The governmentwide review of the act, which we performed, identified opportunities to redefine other sections of the act to deliver savings and improve productivity.

None of these changes is major in our judgment by itself, but taken together, they will increase efficiency, deliver savings, reduce administrative burdens and streamline asset management processes.

Mr. Chairman, this concludes my statement. I would be glad to answer questions when that point comes.

Mr. HORN. I thank you.

[The prepared statement of Mr. Bibb follows:]

STATEMENT OF DAVID BIBB

DEPUTY ASSOCIATE ADMINISTRATOR

FOR REAL PROPERTY

OFFICE OF GOVERNMENTWIDE POLICY

BEFORE THE

SUBCOMMITTEE ON GOVERNMENT MANAGEMENT,

INFORMATION AND TECHNOLOGY

COMMITTEE ON GOVERNMENT REFORM

U.S. HOUSE OF REPRESENTATIVES

July 12, 2000

STATEMENT OF DAVID BIBB, DEPUTY ASSOCIATE ADMINISTRATOR FOR REAL PROPERTY, OFFICE OF GOVERNMENTWIDE POLICY, GENERAL SERVICES ADMINISTRATION
BEFORE THE
SUBCOMMITTEE ON GOVERNMENT MANAGEMENT, INFORMATION AND TECHNOLOGY
U.S. HOUSE OF REPRESENTATIVES

JULY 12, 2000

Chairman Horn and Members of the Subcommittee:

I am David Bibb, Deputy Associate Administrator for Real Property at GSA. I am pleased to appear before you today to discuss our legislative proposal to amend the Federal Property and Administrative Services Act of 1949 (Property Act) for purposes of enhancing governmentwide Federal asset management. Also with me today from GSA's Office of Governmentwide Policy (OGP) is Ms. Becky Rhodes, Deputy Associate Administrator for Personal Property. OGP is responsible for governmentwide policy development, research, best practices sharing and consensus building concerning Government support activities.

Before going into the particulars of the bill, I would like to applaud the subcommittee's continued concern and efforts to identify and address Federal property management issues. Last year in a joint hearing before this subcommittee and the Subcommittee on Economic Development, Public Buildings, Hazardous Material and Pipeline Transportation, GSA and other Federal entities discussed the problems, policies, and procedures surrounding the management and disposal of Federal assets. We testified on a need for improved governmentwide asset management. We are very pleased to be back before you today to discuss a common-sense, good-government bill, "Federal Property Asset Management Reform Act of 2000". This bill is an Administration initiative that provides the needed legislative solutions for improved Federal property management. It was introduced in the Senate on June 28, 2000 as S. 2805. In order for the Government to improve its stewardship of real and personal property assets, certain statutory barriers must be removed, and certain authorities must be modernized to meet the challenges of today's realities.

The Property Act, the law of general application governing properties acquired to carry out Federal agency program missions, is over 50 years old. While much has occurred over the past half-century, the policies governing these assets have generally remained unchanged. With the dollar value of Federal real and personal property estimated to be in the hundreds of billions, it is imperative that

governing policies ensure their efficient and effective stewardship on a solid businesslike basis. We firmly believe that enactment of the Property Act Reform bill will do just that by bringing the policies and business practices by which Federal agencies manage their property assets into the 21st century.

In collaboration with other Federal agencies, GSA undertook a comprehensive review of the Property Act. We identified four concepts that would improve the management of Federal assets. The Property Act Reform bill implements these concepts and will introduce and promote a total asset management approach to property issues and provide Federal managers with business-like incentives, tools and flexibility to prudently manage their assets. The bill reflects common sense strategies and better government. Briefly, the four concepts and proposed implementing provisions are:

Life Cycle Planning and Management. Effective asset management must consider the entire life cycle of property; however, the present focus of the Property Act is oriented toward the disposal phase of an asset. Some agencies presently lack a full range of policy guidance, accountable management structures, information on their property holdings, and planning processes necessary to manage their property holdings effectively in support of their missions.

The Property Act Reform bill will address these shortcomings and incorporate all phases of the asset's life cycle and a strategic perspective into property management decisionmaking. Specifically, the bill proposes:

Asset Management Principles. Under the refocused Property Act, life cycle asset management will be emphasized by the issuance of governmentwide real and personal property Asset Management Principles (AMPs). This official guidance will be used as a baseline by agencies in their decisionmaking processes.

Strategic Real Property Planning. Real property assets are vital to the accomplishment of agency goals; however; there has been a consistent lack of governmentwide strategic asset management planning. The bill would require agencies to develop asset management plans to ensure that decisions on their real property holdings though all life cycle phases are consistent with and supportive of the agency strategic missions, goals and objectives.

Senior Real Property Officer. Each landholding agency will appoint a Senior Real Property Officer to oversee and ensure that assets meet strategic objectives, ensure the observance of AMPs, prepare asset management plans and generally coordinate agency real property functions and processes. Corporations are clearly recognizing the importance and value of the real property and are giving increasing strategic emphasis to real property and the

workplace. Major Government landholders should do the same. In the personal property area, agencies already have Property Management Officers to provide this type of support.

Governmentwide Real Property Information Database. One of the fundamental foundations of any coordinated asset planning/management effort is a database of reliable information describing the assets to be managed. While such an inventory has been maintained since 1953, agencies frequently do not apply the resources or share the interest needed to make the inventory complete, accurate and timely. A clear direction from the Congress to agencies to maintain and use the inventory will significantly improve this information system and serve to support sound capital asset management decisions governmentwide.

Flexibility to Optimize Asset Performance. Federal property managers are being encouraged to be more businesslike and innovative. The proposed bill would eliminate current obstacles to that approach and would provide agencies with common sense, businesslike incentives and tools to manage their properties intelligently and to reduce their holdings.

Once again, the present focus of the Property Act is oriented toward the disposal phase of assets. It has been very successful in providing an orderly way to dispose of surplus property and to maximize the use of Federal property for public purposes. However, the Act has not been successful in helping agencies to manage their personal property assets or aging properties that are still needed for their missions, or to maintain property that they no longer need, but cannot dispose of.

As Federal agencies and programs evolve, their facilities needs change. Over time, the average age of Government-owned buildings has increased to nearly 50 years. Many of these buildings have become inefficient and functionally obsolete. Unlike the private sector, most Federal agencies have no opportunity to apply any value that may reside in underused or obsolete property toward meeting their on-going or future facilities needs.

With few exceptions, agencies are not currently authorized to sell, exchange, sublease or outlease capital assets that no longer support their missions, and to use the proceeds for new replacement or capital projects. Funds for acquiring new property or rehabilitating current property must come from appropriations. Agencies lacking sufficient appropriations have to make do with sub-standard facilities. Underused property sits unproductive and agencies have to divert resources to hold such property, resources that could have been used to improve facilities that continue to support agency missions.

To improve this situation, the proposed bill would give agencies several new authorities.

Exchange/Sale (Personal Property). Expand existing authority for agencies to replace personal property to include acquiring services which perform the functions of such replacement property.

Exchange/Sale (Real Property). Authorize landholding agencies to exchange or transfer property with other Federal agencies and enter into agreements with non-Federal entities to exchange or sell property as a means of acquiring replacement property better suited for their mission purposes.

Subleasing. Authorize agencies to sublease unexpired portions of government-leased property.

Outleasing. Authorize agencies to outlease to the private sector assets that must remain in Federal ownership and underutilized portions of non-excess government-owned property to ensure full use and optimum performance of assets.

However, the Administration opposes the use of such outleases (i.e., public-private partnerships) solely or primarily as a vehicle for obtaining private financing of Federal construction and repair projects, because private financing is more expensive to the Federal taxpayer than Government-financing. In this regard, the bill permits an outlease/leaseback arrangement only when it is less expensive than direct Government renovation or construction.

The bill also includes criteria to assure that agencies do not use the tools inappropriately (i.e. retain unneeded properties that should be declared excess or enter into agreements that are not beneficial to the Federal Government). In addition, the use of these tools would require pre-transaction notices to Congress when the value of the property exceeds $2 million. Further, the potential use of a tool must be reflected in an agency's asset management plan that is linked to the strategic planning process under the Government Performance and Results Act.

Greater flexibility is the key to better agency performance. If enacted, these straightforward business practices will enable agencies to take a huge step toward better utilization of existing real property assets and create an entrepreneurial environment that results in better quality facilities for people who live and work in them.

Incentives for Better Property Management. Federal agencies lack incentives to improve their management practices and facilitate an entrepreneurial attitude. One of the biggest disincentives to property management is the inability of most Federal agencies to realize any gain from redeploying their assets. This has resulted in agencies not pursuing optimal use of property and retaining assets

that are of diminished functional value to their missions. The Property Act Reform bill would provide a much needed catalyst for sound asset management decisionmaking and would permit agency use of proceeds as follows:

Personal Property. Authorize agencies to retain proceeds from the sale of surplus personal property to offset direct and indirect disposal costs.

Real Property. Authorize agencies to retain the bulk of proceeds from real property transactions and allow such funds to be used to offset direct and indirect disposal costs and in meeting agency capital asset needs. To strengthen this incentive, the proposed bill would also put agencies in charge of disposing of their surplus real property, an authority that the GSA Administrator currently has alone. Agencies will still have the ability to hire GSA to manage the disposal process and to delegate surplus disposal decision to GSA, if they wish.

If enacted, this incentive will encourage agencies to increase the performance of and maximize the return on Federal real property assets. It will also provide the impetus needed to change the way Federal asset managers view their assets and to improve the decisionmaking process.

Streamline and Enhance Processes. As mentioned earlier, the Property Act has been in existence for 50 years. While there have been several amendments, the fundamental provisions governing property assets have generally remained unchanged. The Governmentwide review of the Property Act identified opportunities to redefine other sections of the Act to deliver savings and improve productivity. None of these changes is major by itself, but taken together, they will increase efficiency, deliver savings, reduce administrative burdens and streamline asset management processes.

Historic Preservation Conveyances. Permit qualified nonprofit institutions to be eligible to receive surplus real property for historic preservation purpose. Conveyances presently can only be made to state and local governments.

Congressional Review of Negotiated Disposals of Surplus Property. Eliminate obsolete limitations and the requirement for explanatory statements on personal property negotiated sales and increase to $2 million the value threshold for explanatory statements concerning real property.

Property for Homeless Assistance. Streamline the process associated with making real property available for homeless assistance purposes under Title V of the Stewart B. McKinney Homeless Assistance Act. While protecting the rights and priority consideration of homeless groups, the provision would significantly reduce administrative burdens and associated publication costs. It would bring finality to the process, thereby enabling the efficient and effective disposal of property for other purposes, when appropriate.

Public Benefit Conveyances. With the exception of homeless conveyances, eliminate any priority consideration for any specific public benefit conveyance and ensure that all potential conveyances are evaluated equally based on merit.

Abandonment of Property. Expand existing authority to allow non-profit organizations in addition to public entities to acquire abandoned Federal property that has no commercial value.

Donation of Surplus Personal Property. Clarify and remove conflicting provisions pertaining to the donation of personal property and reduce administrative and recordkeeping burdens placed on State surplus property agencies.

Closing.

In conclusion, I would like to say that this reform effort is critical to bringing Federal asset management into the 21st Century. It incorporates private industry practices that will provide the incentives and flexibility needed by agencies to effectively manage their portfolios and personal property assets. It will lead to better use of Federal property and a reduction in unneeded Federal assets across Government. The bill will produce a Property Act that works better—one that properly addresses life cycle asset management and serves the best interests of both the Government and the taxpayer. We believe this proposal is "good government at its best" and we look forward to working with the Committee on this effort.

Mr. Chairman, this concludes my formal statement. I would be glad to answer any questions.

Mr. HORN. And the next presenter is Rear Admiral Ronald F. Silva, the Assistant Commandant for Systems and Chief Engineer of the U.S. Coast Guard.

Admiral SILVA. Good morning, Mr. Chairman, Mr. Ranking Member and members of the subcommittee. I'm Rear Admiral Ron Silva, U.S. Coast Guard, Assistant Commandant for Systems and Chief Engineer. I appreciate the opportunity to speak with you today and thank you for your consideration of the General Services Administration proposal to amend the 1949 Property Act.

I am the designated corporate asset manager for the Coast Guard as shore facilities. What this means, in brief, is that I have the responsibility to ensure that the Coast Guard's shore assets are the right sizes in the right place and provided at the right cost to enable the Coast Guard to accomplish our missions, our visions and our strategic goals. We have been working closely with the General Services Administration to ensure that our business practices are all that they can be under the existing authorities. The forums that the GSA provides, especially through their Office of Government-wide Policy, are an invaluable service for landholding agencies to compare best practices and discuss progressive concepts, such as sustainable development. Their efforts have helped make us all better stewards of the property entrusted to us.

The Coast Guard's process for developing policies to be better stewards of the property we hold is called "shore facility capital asset management." This initiative is an integral part of the Coast Guard's current strategic plan. Our shore infrastructure is spread across 1,600 sites and consists of over 23,000 buildings and structures. These facilities have an average age of 37 years and a replacement value of over $7 billion exclusive of land value.

These facilities support 43,000 personnel, 230 ships, 1,400 small boats and 197 aircraft, as they go about the Coast Guard's business of protecting the public, our environment and U.S. economic interests. The combined acreage of those 1,600 sites is only 66,000 acres. The amount of the acreage we hold is not large in comparison with many other agencies, but the nature of these sites along all of the Nation's ports, coasts and waterways, makes them unique and valuable national assets deserving of the best care that we can provide.

Our asset management initiative is an integrated approach that will help align the Coast Guard's shore facility inventory to operational and support requirements. The guiding principles of good asset management take into consideration the entire shore facility life cycle which consists of planning, investing, using, and disposing of shore facilities and infrastructure. We believe the proposed legislation facilitates our asset management initiative.

The Coast Guard's asset management initiative seeks to improve our portfolio of real property assets by managing them from a life cycle perspective. The following principles will guide all of our new capital asset management activities, and ensure the best value shore capability for the Coast Guard, match shore capabilities mission, keep a life cycle perspective, encourage collaboration and feedback, provide top down direction, use information technology effectively, and foster professional development. Shore facility capital asset requirements will be incorporated into all aspects of Coast

Guard strategic planning. We are working to better link our shore capital asset requirements as identified in our agency capital plan that is primarily developed from our field commanders' Regional Strategic Assessments, our Headquarters Assistant Commandants' business plans and our leadership council goals.

We are also pursuing a program to revitalize the master planning efforts throughout the Coast Guard. As mentioned, the Commandant of the Coast Guard has designated me as the corporate asset manager for shore facilities. He did this in recognition of the impact that strategic portfolio management of real property assets has on the accomplishment of Coast Guard missions. This initiative also recognizes the importance of a centralized information technology system to manage our real property holdings.

We are currently developing the requirements upon which to build this system. These efforts will be closely coordinated with General Services Administration to ensure compatibility with their proposed governmentwide real property information data base. Our current portfolio of real property assets is an assortment of inheritances from our antecedent agencies, the U.S. Lighthouse Service, the U.S. Lifesaving Service, and the Revenue Cutter Service, as well as numerous targets of opportunity afforded to us by the Department of Defense during their restructuring. This has resulted in a shore plant that is not optimally sized or configured to carry out our modern day missions.

I believe that the proposed changes to the Federal Property and Administrative Services Act of 1949 relating to the exchanges, sales, subleasing and outleasing of real property assets will provide us with the flexibility to align our shore capital asset inventory with our Coast Guard mission needs. The enactment of this legislation is an important step toward improving the management in Federal real property assets and is required for the Coast Guard to fully implement our SFCAM strategic initiative.

Mr. Chairman and members of the subcommittee, this concludes my prepared remarks, and again, thank you for the opportunity to appear before this distinguished subcommittee to discuss the proposed Property Reform Act bill. I welcome the opportunity to address any questions that you or the members of the subcommittee may have. Thank you.

Mr. HORN. Thank you, Admiral.

[The prepared statement of Admiral Silva follows:]

U.S. Department
of Transportation
**United States
Coast Guard**

Commandant
United States Coast Guard

2100 Second Street, S.W.
Washington, DC 20593-0001
Staff Symbol: G-IC
Phone: (202) 366-4280
FAX: (202) 366-7124

DEPARTMENT OF TRANSPORTATION

U.S. COAST GUARD

STATEMENT OF

REAR ADMIRAL RONALD F. SILVA

ON

FEDERAL PROPERTY AND ADMINISTRATIVE SERVICES ACT OF 1949

BEFORE THE

**SUBCOMMITTEE ON GOVERNMENT MANAGEMENT,
INFORMATION, AND TECHNOLOGY**

COMMITTEE GOVERNMENT REFORM

UNITED STATES HOUSE OF REPRESENTATIVES

JULY 12, 2000

DEPARTMENT OF TRANSPORTATION
U.S. COAST GUARD
STATEMENT OF REAR ADMIRAL RONALD F. SILVA
ON THE FEDERAL PROPERTY ASSET MANAGEMENT REFORM ACT
BEFORE THE
SUBCOMMITTEE ON GOVERNMENT MANAGEMENT,
INFORMATION AND TECHNOLOGY
COMMITTEE ON GOVERNMENT REFORM
U.S. HOUSE OF REPRESENTATIVES
JULY 12, 2000

Good morning, Mr. Chairman and distinguished Members of the Subcommittee. I am Rear Admiral Ronald Silva, the Coast Guard's Assistant Commandant for Systems and Chief Engineer, with overall responsibility for managing Coast Guard shore facilities. It is a pleasure to appear before you today to discuss the proposed Federal Property Asset Management Reform Act of 2000.

The proposed Act would revise certain provisions of the Federal Property and Administrative Services Act of 1949, the legislation that governs government-wide real property necessary to carry out missions and programs. Because the existing law does not contain language relevant to effective real property management practices, the bill currently before you attempts to incorporate these modern management ideals. The bill seeks to address the management of all phases of an asset's life cycle by supporting an integrated portfolio-wide perspective through incentives and flexibility. In addition, the proposed Act improves existing authorities and gives agencies some necessary tools to manage their real and personal property assets more effectively.

This legislation seeks to achieve reform via different avenues, including life cycle planning and management, enhanced authorities and incentives for real property asset management. The Coast Guard's Shore Facility Capital Asset Management (SFCAM) strategic initiative is consistent with the proposed reform. Currently being developed service-wide, SFCAM strategic initiative seeks to ensure that the facility inventory is aligned with operational and support requirements.

Life Cycle Planning and Management

The proposed legislation seeks to address the current need for a comprehensive system of policy, accountability, and information sharing at the Federal level. In addition, the bill will provide for the implementation of effective capital programming, i.e., integrated planning, budgeting, acquisition, and management of capital assets, in the property management decision making process. Consistent with this, the Coast Guard is using SFCAM to optimize our portfolio of real property assets by managing them from a life cycle perspective. We are already incorporating many of the capital asset management concepts contained in the proposed legislation into our SFCAM framework. Shore facility capital asset requirements, especially management of real property, will be incorporated into all aspects of Coast Guard strategic planning. The Commandant has designated me as the Corporate Asset Manager of Shore Facilities in recognition of the strategic importance that shore facilities play in the achievement of Coast Guard missions. We have developed a set of guiding principles, which were modeled after GSA's asset management principles, to guide our decision making for shore facility capital assets. Our SFCAM initiative also highlights the importance of building a centralized information technology system to manage our real property holdings. Our efforts to create an internal database for Coast Guard use will be closely coordinated with the General Services Administration (GSA) to ensure compatibility with their proposed government-wide real property information database.

Enhanced Authorities for Real Property Asset Management

The proposed legislation would amend the Federal Property and Administrative Services Act of 1949 by providing landholding agencies new asset management tools, with a particular emphasis on helping agencies with real property assets that, through changing mission requirements, functional obsolescence, or other circumstances, no longer provide the optimum support for agency activities. The Coast Guard's real property inventory was inherited from our forebears, including the U.S. Lighthouse Service, U.S. Lifesaving Service, and Revenue Cutter Service. Our inventory also includes properties that we acquired from the Department of Defense. This has resulted in an inventory that is less than optimally configured to carry out our modern-day missions. As I stated previously, one of our primary goals with SFCAM is to align the real

property asset management system in direct support of our missions and strategic organizational objectives.

Conclusion

Mr. Chairman, enactment of the proposed Act is a helpful step towards improving the management of Federal real and personal property assets, and may provide the desired flexibility to further our SFCAM strategic initiative. Thank you for the opportunity to appear before you today. I will be happy to answer any questions you may have.

Mr. HORN. We're going to have to recess until 10:50 because we have a vote on the floor right now. So we are in recess until 10:50.

[Recess.]

Mr. HORN. We thank you, Admiral, and now we move to Steven Weiner, the president of Signet Partners.

Mr. Weiner.

Mr. WEINER. Mr. Chairman and members of the committee, thank you very much for giving me the opportunity to speak to the two bills before you. My comments tend to be directed toward private-public partnerships.

Signet Partner is a real estate and financial adviser to State, local and Federal Government agencies. Our firm has run public-private partnerships for the FDIC and RTC. We have consulted to GSA in the past on private sector practices and portfolio management in public private partnerships, and we remain active participants in private real estate investments and development projects.

Real estate partnerships are a way of life in the private sector. These partnerships bring together expertise, money and business opportunities. It's the way the private sector develops real estate. Increasingly, they're used more and more by local, State and now Federal Government agencies. They have different names, these partnerships do, and they tend to be a patch quilt of approaches, each having its own procedures and its own bureaucracy, but they all have a common story, shrinking dollars from traditional sources of funding.

The ideal Federal public private partnership has five elements. No. 1, selected properties and projects will only serve agency space needs with renovation and the prerequisite here is that appropriation funds are not available. If you have the funds, chances are you don't need to look at a public-private partnership.

No. 2, the partnership structure mirrors the private sector. As Mr. Barram pointed out, keep it simple, use a familiar structure, this will encourage private sector involvement.

No. 3, governmentwide application. Use a common approach. This reduces bureaucracies, it motivates the private sector, and most of all, it speeds up the process.

No. 4, the private sector runs the partnership and carries the financial risk. The reward to the private sector has to be commensurate with the perceived risk, but these tradeoffs, this balance is compatible for Federal projects from what we've already seen.

And No. 5, Federal agencies are allowed to retain the government's share of partnership proceeds. We need to motivate those who are charged with implementation of partnership projects.

With respect to the two bills, the Sessions bill uses the successful features of existing authorities, that's existing Federal authority. It applies governmentwide. It has a simple private sector structure, and it allows flexibility in the partnership agreements.

Now the administration bill, let me start by first injecting something that the Admiral and I talked about, and that is the administration bill, it facilitates changing the mix of the national portfolio. This is really good because you have to change the mix on a global basis to be in line with the changing needs of government. The portfolio can't remain static. So that's a tremendous feature.

But the closest the administration's bill comes to public-private partnership is in section 401, having to do with outleasing of vacant space to private users. This can be good fiscal policy for space that otherwise remains vacant. However, if space once renovated could be used by Federal agencies, then the bill provides for a 20-year so called outlease to a private user. The private user then would renovate the space and lease it back to the government.

Well, there's two fatal flaws with this approach. No. 1, the leaseback can only take place if it's found to be less expensive than appropriations. To me that's like an oxymoron. The point that seems to be lost is increasingly appropriations are just not available. The leaseback will almost always be, or I should say always will be, more expensive than GSA building out the space with its own appropriations. Why? Because the private sector has a cost of capital of about 10 percent, and the private sector is going to need, perhaps, a 15 percent profit margin on a project. That's compared to GSA's cost to capital of, say, 6 percent.

The real issue is, in the absence of appropriations funding, is a public-private partnership economically—an economically viable alternative for the government. Well, the answer is on a case-by-case basis. From what we have already seen and from what GAO has looked at, and from other feasibility studies that have been done within GSA, the answer can be yes. You know, there's an expression about giving someone the sleeves out of your vest. I think that's what the administration bill does, it gives GSA an unworkable supplement to appropriations. It renders GSA to the status quo.

The other problem, No. 2, with the bill is the 20-year lease term. It's just too short. Based on our experience and extensive interviews with institutional players and major developers throughout the country, across the board, all feel that for the kind of projects that they would get involved in, the magnitude of projects they would get involved in, they need at least 50 years. They need that 50 years to amortize their front end investment, and they need that 50 years to allow them to have an economic and functional life for the project. A 20-year lease term just doesn't make it. GAO found much of this to be the case in several projects it studied, and probably the classic example is Grand Central Station that was done by the U.S. Postal Service, where the required lease term was 99 years. A lease has to act to the private sector as effectively the conveyance of fee simple land. It can't have a short fuse.

So in summary, I've seen a diligent effort by GSA and GAO, among others, to identify a workable public-private partnership for governmentwide application at the Federal level, but this bill fails to reflect that research. Therefore, aggressive and continued involvement by Congress and this subcommittee is going to be necessary not only to get a workable bill in place, but more importantly, to make sure that it's implemented, and that those charged with responsibility to implement the program are held accountable.

Accordingly, I recommend, No. 1, that you enact a public-private partnership as a complement, not as a substitute, to appropriations.

No. 2, that you use a proven and simple private sector model.

No. 3, that you merge both bills.

And No. 4, that you eliminate portions of the administration's bill beyond the simple outlease of vacant space.

I think by combining the two bills, you will have a global package that gives the agencies, not only GSA, but other agencies, the tools, it's not a panacea, but it is a powerful tool that can address situations where appropriations just aren't there.

Thank you.

Mr. HORN. Thank you very much. And you've raised some very good questions.

[The prepared statement of Mr. Weiner follows:]

STATEMENT OF STEVEN J. WEINER
PRESIDENT OF SIGNET PARTNERS
Before The
SUBCOMMITTEE ON GOVERNMENT MANAGEMENT,
INFORMATION AND TECHNOLOGY
Of The
COMMITTEE ON GOVERNMENT REFORM
U.S. HOUSE OF REPRESENTATIVES
July 12, 2000

Chairman Horn and Members of the Subcommittee:

I am Steve Weiner, President of Signet Partners, a Denver-based real estate and financial advisor to Federal, state and local government agencies. We are also principals in real estate investment properties and development projects.

Signet has been involved in public-private partnerships for a number of years. Three years ago, we performed an in-depth review of Federal public-private partnership authorities for the General Services Administration. Subsequently, we have followed what has happened with the legislation that you are examining today. In addition, Signet has served as the private partner in public-private partnerships with the Federal Deposit Insurance Corporation (FDIC) and the Resolution Trust Corporation (RTC). Therefore, my comments today will be confined to Mr. Sessions' Bill and the segment of the Administration Bill pertaining to public-private partnerships.

From a private sector perspective on real estate, *waste* occurs when property is not put to its highest and best economic use. For government real estate, this usually means either a property is no longer needed, or its physical condition prevents it from adequately serving agency needs. The Bills before this Subcommittee address a government-wide asset management approach towards meeting agency space needs and minimizing waste. The Administration's Bill proposes ways to manage the National property inventory more efficiently, while Mr. Sessions' Bill authorizes the potential use of public-private partnerships for major renovation projects when appropriation funds are not available. Such lofty objectives require new authority – government-wide authority - to motivate all agencies to participate and to reduce waste in the form of under-utilized Federal real estate.

Increasingly, public-private partnerships have been used by state, local and now Federal agencies to improve aging and under-utilized properties. Current Federal partnership authority exists for the Department of Defense, Department of Veterans Affairs, US Park Service, the Resolution Trust Corporation/Federal Deposit Insurance Corporation, and the US Postal Service. Each agency's approach, business structure, procedures, and regulations are different, to the consternation of the private sector. What they do have in common is a funding backup for declining or inadequate appropriations, and the contribution of government property to a

partnership (often conveyed using an "enhanced lease") matched in some fashion by money and expertise by the private sector.

For the most part, governments use public-private partnerships when funds are not available to go it alone. However, expertise and bottom-line thinking have also become compelling arguments for involving the private sector, particularly in major projects.

Real estate partnerships are an every day occurrence in private industry. Once a market opportunity has been identified, compatible partners typically contribute development expertise, money and a suitable property to the venture. Given this accepted industry practice, it is only logical and prudent to design Federal partnerships the same way. Accordingly, the elements of an ideal Federal Public-Private Partnership include the following:

1. ***Appropriate projects to serve the space needs of federal agencies that can not be satisfied with existing government-owned facilities.***

- Public-private partnerships are a tool to complement unavailable appropriations. GSA often must lease space for agencies in private buildings or indefinitely defer greatly needed repair projects because funds are not available to renovate otherwise suitable property owned by the government.
- By carefully selecting redevelopment projects, the Federal government can avoid loan and space use guarantees, thus satisfying what has been a major obstacle in previous public-private partnerships (OMB Budgetary Scoring Rules).

2. ***The partnership structure mirrors the common approach of the private sector.***

- Participation by the private sector will be encouraged through the use of a familiar business structure, allowing the focus of attention to be on the economic potential of the project venture itself.

3. ***Government-wide application.***

- Existing authority is a patch-quilt of differing structures, rules, administrative procedures and agency bureaucracies.
- Without question, the private sector would welcome a common partnership structure and project management approach across all agency lines (recognizing that each project will have its own business intricacies).

4. ***The private sector runs the partnership and carries the financial risk.***

- The private sector knows how to assess its risk/reward potential and will tolerate risk commensurate with anticipated financial returns. However, it will insist on running the venture in order to protect its investment.

5. ***Participating Federal agencies must be allowed to retain the government's share of net partnership proceeds.***

- Despite the economic gain these projects can produce for the government, agencies tend to have enlightened self-interest, needing a tangible incentive to actively participate.

H.R. 3285, introduced by Mr. Sessions, takes the most successful features of existing Federal authorities and makes it available government-wide through a delegation from the Administrator of the GSA. It has a simple structure commonly used by the private sector and provides needed flexibility in the terms and conditions of the partnership agreement.

Over the last three years, GSA has made a credible effort to survey current authority, obtain the views of private sector representatives, assess potential project feasibility and fully explore the kind of compatible legislation represented by Mr. Sessions' Bill. Unfortunately, the current Administration Bill is devoid of workable public-private partnership provisions. The closest it comes is in Section 401, which provides for "Outleasing" authority.

Outleasing authority would permit GSA to lease its unused space to a private user for a term of not to exceed 20 years and retain net proceeds for use in other GSA projects. This provision can be good fiscal policy for vacant space that can not be used in its present condition to meet Federal agency needs. However, what if renovation is a feasible way to meet agency space needs, but appropriation funding is not available? It makes little sense to rent deteriorated space to non-government tenants while having to send agencies away to leased space in private sector buildings. The Administration Bill would allow the 20-year lease to act like a partnership where the Outlease tenant would make the needed improvements and then lease the space back to the government. There are two major flaws with this provision:

1. As currently drafted, the leaseback to the government could only occur if it is found to be "less costly than GSA improving the space itself" (presumably using available appropriated funds).

- This provision loses the point that, increasingly, appropriation funds are not available.
- In reality, the disparity in 'cost of funds' and required profit margins of the private sector, make it virtually impossible to justify a government leaseback from a private Outlease tenant.
- As a consequence, while GSA could generate modest amounts of revenue from the private sector, it would remain powerless to renovate property for government use without appropriations.

2. The 20-year lease term is unacceptable for significant projects. Private real estate investors recognize that long-term leases are the best way for the Federal government to convey property to a partnership venture. However, such conveyance leases will only be tolerated if they have an economic life of at least 50 years.

- Three years ago, as advisors to GSA, we interviewed institutional investors and developers such as GE Capital, Mass Mutual, Cargill, Hines Interests, and Clark Construction among others. Without exception, all felt that if a lease was necessary, it had to have at least a 50-year term for any project big enough to be worth their interest.
- GAO examined the Department of Veterans Affairs' public-private partnership authority and concluded that the Department's limited lease term of 35 years was too short for many projects.
- GAO also found that the US Postal Service's Grand Central Station Partnership required a 99-year lease.

In summary, having conducted both private and public-private partnerships, I urge you to enact this powerful tool as a complement, not a substitute, to appropriations. I would recommend that you require government-wide applicability using a simple, private sector approach. And, that you merge both bills and eliminate portions of the Administration Bill that, as currently drafted, make it unlikely to attract private sector participation beyond simple Outleases of vacant space.

Mr. HORN. Maria Foscarinis is the executive director of the National Law Center on Homelessness and Poverty, and she is accompanied by Laurel Weir, the policy director.

Ms. FOSCARINIS. Thank you very much, Mr. Chairman, and members of the committee. We very much appreciate the opportunity to testify. The National Law Center has been actively working to implement the Federal Surplus Property Program since its inception. We're very familiar with it and we appreciate the chance to speak on its impact, the impact of this legislation on homeless people.

The Federal Surplus Property is essential to the national effort to address homelessness in America. It is a common sense, cost-effective approach and it uses public resources to meet an important public problem, the problem of homelessness in America. And according to recent estimates, over 800,000 Americans are homeless on any given night across the country, men, women and children.

Vacant Federal property is a key part of the Federal Government's response to homelessness. Just this past year alone, over 140,000 homeless persons will be served through the property program. Under Title V of the Stewart B. McKinney Homeless Assistant Act, which is a major Federal law addressing homelessness, groups that serve homeless people, groups that help homeless people, which include State entities, local governments and private nonprofit voluntary groups, have the right to apply for unused Federal property and acquire it either through a no-cost lease or deeding, and use it to provide services to homeless people from shelters to job training to transitional housing, to day care. And just this past year, 140,000 people were served at sites across the country using these facilities.

We had prepared a slide show to give the members of the committee a more concrete idea of how these properties can be put to these good uses. Unfortunately, the room cannot accommodate slides, but in your packets you should have photographs of selected properties, like the VA Medical Center in Los Angeles, which now serves homeless veterans; the site in Tucson, AZ, that is run by Vietnam Veterans of America; a site in Little Rock, AR that provides transitional housing and job training and day care for homeless families. There are several more, and there are many more all across the country. These are essential to the effort to address homelessness.

Property is key for many groups that often operate on shoestring budgets or cash-strapped local governments seeking to address the problem of homelessness in their communities, and as the committee members may know, especially during our booming, the time of our economic prosperity, our booming economy, the cost to property has risen tremendously, and often it's access to property that makes the key difference to whether groups can actually provide the services they need. If a group can acquire vacant Federal property at no cost, that will allow it to leverage other resources and to make the difference between a program going forward or not going forward at all. So this is a very important program.

Now to get to the draft legislation. We're especially concerned about the administration's proposal, and I'll just run through that quickly. First of all, the draft legislation, the administration's draft exempts property, as we've heard, that is leased or sold to a third

party if the revenue generated is then used to acquire capital assets. Essentially what this does is it gives unbridled discretion to the agency to create its own fund, what we've called a slush fund, which it can use for its own purposes from the sale of property that is a public resource and takes away the opportunity to use that property for the public interest for homeless Americans, but also would take it away from other public benefit uses, as has been provided for by the Property Act since its inception. For example education uses or health uses. Our particular concern is homeless uses.

There will be no oversight. It's basically the agency's skirting their—there is already a process in place. It's the appropriations process. That provides for reasoned government oversight in the allocation of public resources. What the administration's bill would do is take that away and it would take it away at the expense of homeless Americans who desperately need these resources.

And I can give you some examples. This isn't just speculation. The agencies have been reluctant to comply with Title V of the McKinney Act ever since it was passed. In one case, for instance, the Department of Veterans Affairs owns property, the VA Medical Center in Los Angeles, and rented that property out to a movie studio and generated money which it then did not use for a public benefit purpose. It was only after the National Law Center got involved and we threatened to litigate that the property was even put through the McKinney Act process as is required by Federal law, and as a result of that intervention, the property is now being used to serve homeless veterans, and 156 homeless veterans are helped each day there with housing, substance abuse treatment and job training.

Second point, the administration's draft would eliminate the ability to sue GSA and the other landholding agencies if they failed to comply with its provisions. That alone would essentially gut this program. And again, this is based on not on speculation, but on our direct experience. In order to enforce Title V of the McKinney Act, we have had to go to court. There is now a court injunction in place enforcing the program.

We've been to court a total of five times so far, most recently this past spring, to enforce compliance with this law. This past spring we were in court because of what the judge said was an effort to get around the law and we had GSA internal documents demonstrating that the clear intent was to avoid compliance with the Stewart McKinney Act.

Third, the administration's bill would limit the application period for groups serving homeless people to a single 90-day window of time. This would severely undermine the McKinney Act. It would make it very difficult for providers to find out about and apply for the property. It is already very difficult as it is. There is an outreach provision in the law, and also in one of the court orders, but it has been extremely difficult to get the agencies to comply with that. It's hard for these providers. Many of them are small grassroots groups, run by volunteers. They don't necessarily get the Federal Register where these properties are published. It's hard enough for them as it is to find out about the program and to get access to the property.

One of the reasons for this provision is to bring finality to the process and not tie up property, but we believe that if the agencies were to take seriously their outreach obligations, then groups would find out about the property—and I'm sorry, I guess I'm going on too long, but this is important.

Mr. HORN. We would like you to summarize. We've got the statement.

Ms. FOSCARINIS. I'm almost at the end.

Mr. HORN. Reading it doesn't help us. We want you to summarize.

Ms. FOSCARINIS. I am. The written version is actually much longer.

Mr. HORN. OK.

Ms. FOSCARINIS. The last portion we're objecting to is the portion that limits authority to make the property available only to groups whose primary function is to serve homeless groups. This would effectively eliminate many church groups whose primary function is not to serve the homeless, but who now use the program.

These are our major concerns. We also have concerns with H.R. 3285 again, because there is a lack of definition in that provision, but I will—I know I have gone over, and we'd be happy to answer any questions. We'd also be happy to work with the committee after the hearing. Thank you very much.

Mr. HORN. The exhibits you showed are not with your testimony. Can we put them in the record with your testimony?

Ms. FOSCARINIS. Yes, absolutely.

Mr. HORN. All right. I'd like to ask GSA and GAO to give us a list of the various homeless projects around the country. If you have it, fine, but I want it checked by GSA and GAO so we have in one place what has happened, and I'm particularly interested in the LA case, and to what degree on-the-job training are these people getting jobs, and that to me is the key, is it training or does it train for a job and how many—and take your time on that. Just file it with us if you have the data.

Ms. FOSCARINIS. Sure. We'd be happy to address that.

Mr. HORN. OK. Thank you.

[The prepared statement of Ms. Foscarinis follows:]

NATIONAL LAW CENTER
ON HOMELESSNESS & POVERTY

Statement of Maria Foscarinis

Before the Subcommittee on Management, Information and Technology
Committee on Government Reform
U. S. House of Representatives

July 12, 2000

1411 K Street NW, Suite 1400
Washington, DC 20005

www.nlchp.org
nlchp@nlchp.org

Phone: 202.638.2535
Fax: 202.628.2737

Good morning. My name is Maria Foscarinis and I am the Executive Director of the National Law Center on Homelessness and Poverty, a not-for-profit legal advocacy organization for homeless and poor Americans. We appreciate this opportunity to testify on the Federal Surplus Property Program, a program we have worked to implement since its inception and with which we are extremely familiar. We are recognized experts on this law.

On any given night, there are approximately 842,000 Americans who are homeless; over the course of a year, as many as 3.5 million men, women, and children will have no place to call home. The federal surplus property program is crucial to the national effort to address homelessness in America. It is a cost-effective, common sense approach that uses public resources to meet urgent human needs. Most importantly, vacant federal property provides a critical foundation for solutions to homelessness. This year alone, over 140,000 homeless persons will be served on property acquired by non-profits under Title V of the McKinney Act.

Mr. Chairman, to give you and the committee an idea of what these programs do, we have put together a few slides.

These programs often become models in their communities: a transitional housing and computer skills training program in Arkansas was named a Point of Light by the Bush Administration and a commercial truck driver training program in Sacramento won the Drucker Foundation's national competition for most innovative non-profit program.

Mr. Chairman, you and the other Members of this Subcommittee may have seen the recent articles in the newspaper showing the impact that the rising cost of housing has had on homelessness. As our economy has prospered, the cost of land has risen. Not only has this contributed to homelessness, it has also placed growing burdens on the organizations that provide services to help homeless persons become self-sufficient, making their purchase or lease

of property in which to operate their programs prohibitively expensive. Over the past 13 years since the passage of Title V of the Stewart B. McKinney Homeless Assistance Act, the surplus property program has provided an important resource that has allowed non-profit organizations, as well as cash-strapped local governments, to provide services they otherwise could not. For example, in Woodbridge, Virginia, Prince William County is using surplus property to provide transitional housing to homeless families. According to county administrators, the County would not be providing this housing if it were not for the Title V program.

The draft legislation

We strongly oppose the proposed legislation presented by the Administration. It would essentially gut the McKinney Act – and other public benefit transfers under 203(k) of the Property Act.

The draft exempts from the McKinney Act properties leased or sold to a third party if the landholding agency uses the revenue generated to acquire capital assets or property to "replace" the property rented or sold. This would allow any landholding agency to bypass the McKinney Act and rest of the federal Property Act (including public benefit transfers for hospitals, parks, and schools)—as well as the existing, Congressionally mandated process for the acquisition of property and other assets. In effect, it would create a "slush fund" for the agencies to use proceeds of public assets with no oversight or accountability—at the expense of homeless Americans and the volunteers and groups that work so hard to help them. If agencies were to receive the proceeds from a lease or sale of property and are given authority to ignore other national priorities, they would have an incentive to make decisions based simply on their own parochial interests.

For example: the Department of Veterans' Affairs refused to make available make vacant property at a VA Medical Center in Los Angeles to a non-profit group to help homeless veterans. Instead, the VA leased the building to a local movie studio for filming—in violation of the law. Only after the National Law Center on Homelessness & Poverty got involved—and after we threatened to litigate—did the VA make the building available for the homeless veterans group. Today, 156 homeless veterans are helped each day with housing, substance abuse treatment, and job training.

The proposed bill would also eliminate the ability to sue GSA and other landholding agencies if they fail to comply with its provisions. This provision alone would gut and effectively end the program. This concern is based not on speculation but rather on the demonstrated and consistent failure of the federal agencies—and GSA in particular--to comply with the law. We initially brought suit in 1988 to enforce compliance with the McKinney Act and have been required to return to court on five separate occasions to further enforce the law. Further, the agencies have resisted compliance every step of the way and we have come close to litigating on many more occasions. Allowing the agencies to have unbridled discretion in administering the provisions of the bill, especially given the broad authority that the proposed bill would vest in the landholding agencies would assure that very few properties, if any, are made available for homeless assistance under the requirements of the McKinney Act.

The bill would also limit the application period for which groups serving homeless people may apply for vacant property to a single, 90-day window. If properties have been listed once in the Federal Register, the bill would eliminate the requirement that properties be listed again or that they be included in property surveys conducted by the landholding agencies. (Title 6, Sec. 606(a)). The bill also would also eliminate the annual comprehensive canvas which is the

mainstay of the reporting and outreach provisions of the McKinney Act. Id. These provisions currently require each federal agency to conduct, once a year, a comprehensive canvas of the properties and to report on the status of the property, including whether the property is still available for use to assist the homeless and for GSA to publish the information in the Federal Register. See 42 U.S.C. 11411(b)(4)(A), (B).

These provisions would have the effect of making it very difficult for providers of services to homeless people to obtain any property under the McKinney Act. Multiple publications in the Federal Register allow potential applicants to learn about available properties. Moreover, multiple publication is particularly important since it is currently the only real outreach being conducted by the agencies. While Congress made clear when it passed the 1990 amendments to the McKinney Act that outreach is an essential part of the McKinney Act, the agencies have a poor track record in conducting outreach. Indeed, NLCHP has been forced to go to court on numerous occasions to force the agencies to conduct the most minimal outreach, and the agencies have resisted each time. The elimination of the listing requirement, and the elimination of the ability of providers to obtain information on a quarterly and annual basis regarding properties that agencies have not yet disposed of, will make it even more difficult for service providers to obtain badly-needed properties for homeless people.

Eliminating the comprehensive annual review and the quarterly and annual listings of available properties in the Federal Register and cutting off the rights of providers to apply for property after the 90 day period, even though the property is no longer needed by the agency or the federal government, would constitute a major shift in federal policy toward homeless assistance and would effectively repeal Title V of the McKinney Act. Moreover, GSA has not been forthright in presenting these proposals to the administration or the Congress: while the

proposed summary states that HUD will conduct outreach, no such language or requirement actually appears in the draft.

One of the purported goals of the bill is to bring "finality" to the property disposal process by cutting off the rights of the homeless to apply to obtain property after 90 days, but the more appropriate way to bring finality to the process is for GSA and HUD to take their statutorily required outreach responsibilities seriously, rather than trying to avoid these responsibilities. Since the McKinney Act was passed in 1988, the landholding agencies, including GSA and HUD have attempted to remove properties from the McKinney Act process by failing to conduct outreach or by entirely failing to comply with the process. This most recently happened with a former federal courthouse in Lafayette, Louisiana and NLCHP had to bring GSA to court to have the property listed in the Federal Register so that it could be made available for homeless assistance. If GSA, HUD and the federal agencies instead took seriously their outreach obligations, there would be finality in the process because it would become clear at the outset whether providers were interested in applying to use properties for homeless assistance purposes.

The proposed bill would also permits landholding agencies to purportedly "evidence [their] compliance with the requirements of the Stewart B. McKinney Homeless Assistance Act" by "explaining the rationale for the landholding agency's decision not to make property available to assist the homeless." (Title 4, Sec. 401). It strains reason to permit a landholding agency to evidence compliance with the McKinney Act simply by explaining the reasons why it feels it shouldn't be required to comply with the McKinney Act, without any criteria limiting the agency's discretion.

The proposed bill would also further narrow the federal government's ability to make property available for homeless assistance by limiting the authority of the government under Section 203(j) of the Property Act to make property available only to those entities whose "primary function" is the provision of assistance to the homeless. The impact of this limitation would be severe: for example, it would arguably exclude churches, which are some of the major institutions providing services to homeless persons from obtaining property under Section 203(j) of the Property Act because their primary function is not homeless assistance

The bill would not be merely a streamlining, as the Administration claims, it would represent an abandonment of the national commitment to address homelessness. To date, over 200,000 homeless Americans have been helped through this crucial program. They have received housing, food, job training and treatment. They have received the means out of homelessness and into self-sufficiency. On behalf of all those who have received this life-saving aid—we ask this committee to protect—indeed strengthen—this program. We ask the committee to not to consider or endorse this proposed legislation.

Finally, I wanted to express our concern with H.R. 3285, which would allow land-holding agencies to lease property, without regard to the McKinney Act, to public-private partnerships for the "primary" purpose of enhancing "the functional and economic efficiency of Federal real property." It could be argued that any use of federal property that generates revenue enhances the economic efficiency of the property. Furthermore, it could also be argued many actions, such as an upgrade of electrical wiring, enhance the functional efficiency of a property, without regard to whether or not the ultimate use truly enhances the goals of the federal government.

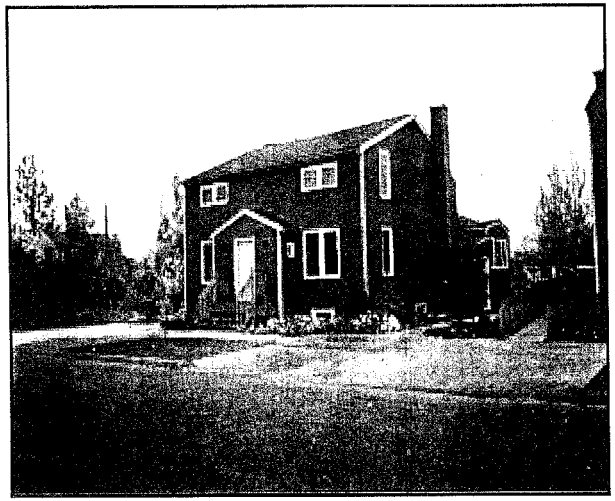
That concludes my remarks. Thank you for this opportunity to testify.

SURPLUS PROPERTIES 2000

National Law Center on
Homelessness and Poverty

ANCHORAGE DUPLEXES

Anchorage, AK



- Transitional housing for homeless individuals with HIV/AIDS.
- Serves approximately 14 persons annually.

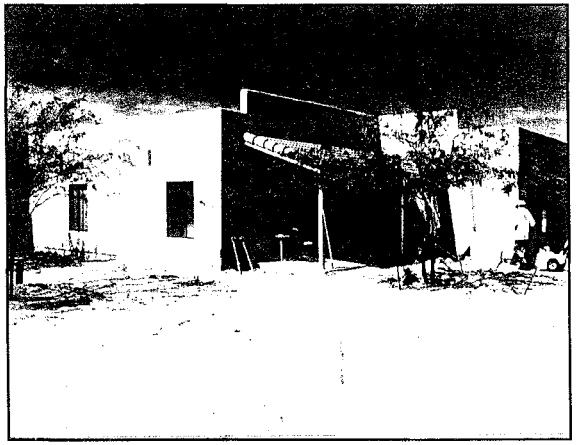
OUR HOUSE II

Little Rock, AR

- Transitional housing and job training for homeless families.
- Serves approximately 169 persons annually.
- In 1999, Our House II's clients were able to find 63 full-time positions in various industries

VIETNAM VETERANS OF AMERICA

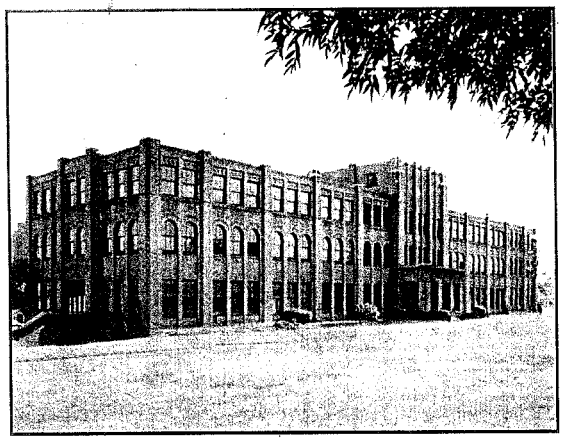
Tucson, AZ



- Transitional housing for homeless veterans and families.
- Over 50% of residents become self-sufficient.
- Serves approximately 40 people annually.

VA MEDICAL CENTER

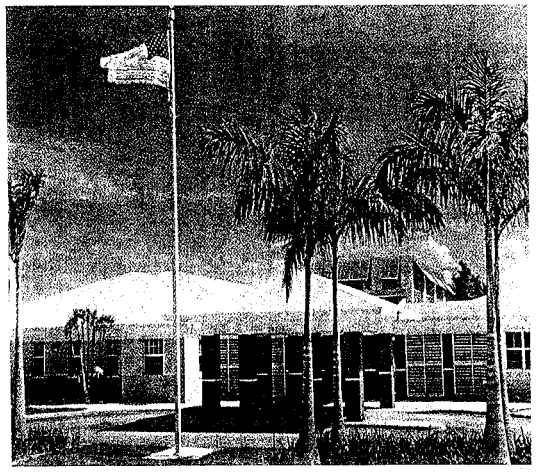
Los Angeles, CA



- Transitional housing, detoxification, job training and placement.
- Serves the largest homeless veteran population in the country.

SOUTH MIAMI-DADE HOMELESS HOUSING PROJECT

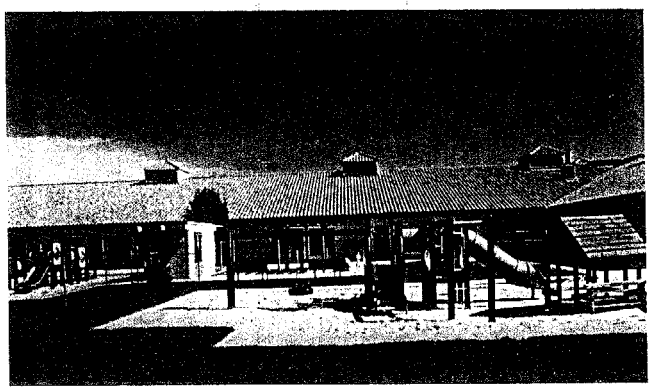
Miami, FL



- Transitional and emergency housing, job training, health care and day care.
- Serves approx. 2,000 people annually.
- 61% of residents move on to more stable housing.

CHILDREN'S SERVICES INTERNATIONAL

Salinas, CA



- Child care, job training, family counseling, health care.
- Serves approx. 275 persons annually.
- Serves homeless families in transitional housing programs.

Mr. HORN. OK. We have our last presenter is Steve Perica the director of the Arizona State agency for surplus property and he's the president of the National Association of State Agencies for Surplus Property, and I assume you're speaking on their behalf.

Mr. PERICA. Yes, thank you. Mr. Chairman, members of the committee, my name is Steve Perica. I manage the Federal Surplus Personal Property Donation Program in Arizona and am President of the National Association of State Agencies for Surplus Property. Joining me today is Scott Pepperman, my colleague from the Commonwealth of Pennsylvania and Ann McKinnon, colleague from the State of Maryland who also manage those programs respectively in their States and commonwealth.

On behalf of the 56 State agencies, territories and possessions that comprise the membership of the National Association and the over 60,000 donee organizations that participate in the Federal Personal Property Donation Program, I wanted to thank you for the opportunity to speak with you. The State Agencies for Surplus Property have served as the primary conduit for the donation of personal property from the Federal Government to the States for over 50 years since the passage of the Federal Property Administrative Services Act of 1949.

Through the donation program, countless agencies, emergency services providers and public safety organizations have benefited from property that is no longer needed by our Federal Government. The Federal Property Asset Reform—excuse me, I have got to get that correct—the Federal Property Asset Management Reform Act—too many acts and reforms today—legislation before you affects the donation program in four areas.

First, subject to regulation, it provides for title passage from the Federal Government to the end recipient, which is, we term the donee immediately upon the transfer from the State agency with no recompliance requirement.

And second, it cleans up some inconsistencies in current statute regarding service educational organizations, replaces some outmoded language, and establishes a dedicated category of eligibility for food banks and providers of assistance to the impoverished and homeless.

Third, it provides additional incentives, we believe, for agencies to bypass redistribution channels for personal property through a further expansion of the exchange sale authority.

Fourth, we believe it reinforces these incentives by allowing the retention of sales proceeds from the sale of undistributed Federal personal property.

The title passage portion of the bill is our first area of concern. We believe that this potentially could create an administrative nightmare for the State agencies, the General Services Administration, and the donees because it will create two distinct classes of property that are transferred through the program, first property with compliance, property without. Essentially, they could be identical, just separated by acquisition or condition.

So we believe it could be very difficult for the donee to figure out what they have up to 5-year compliance or an 18-month or a 1-year compliance on and property that has no compliance restriction period. We're always worried about fraud, waste, abuse. We feel that

this might be a thing that could lead for donees to be confused and make mistakes they shouldn't make.

Second, while—this comes in section 605. The second portion of section 605 clarifies our eligible donees, we think that's a good idea, cleaning up the language, taking outmoded language out of the bill or out of the act, creating the separate class of providers for providers of assistance to homeless and impoverished is a good idea. It would also help clarify it from an eligibility standpoint. We're very much in favor of that.

The personal property exchange sale provision of this act we believe will change the face of reutilization by allowing executive agencies of the Federal Government to generate revenue by circumventing the redistribution system. Specifically, section 603 of this bill grants agencies the freedom to divest the assets of government, hard assets, things our taxpayers have purchased, for services. For example, we believe that an agency could take lab equipment that is being used in universities and schools that come through the donation program, and they could use that to pay for the demolition of a building that was housed within that building.

Redistribution of excess and surplus property has historically been our country's first source of supply. It has been a central theme of our personal property management structure for over 50 years. On the excess level, it prevents government waste by allocating the extra resources of one agency and allowing another agency to use it. We see the Law Enforcement Support program, the Forest Services Excess and Personal Property Program, the National Science Foundation's programs, USDA programs, all of these passing the assets of government around, making the fullest use of the taxpayer's dollars.

Given that currently we believe there's no oversight of the exchange sale provisions, we feel that expansion further at this point would be premature.

I realize I'm out of time. In summation, I would like to say thank you for the opportunity to allow us to speak today. We realize that the majority of the presenters have been talking about real property, and we are here talking about personal property, and we appreciate your indulgence. Again, we would like to take any opportunity for questions from the committee and like a further dialog if possible. Thank you.

[The prepared statement of Mr. Perica follows:]

Steve Perica
Director, Arizona State Agency for Surplus Property
President, National Association of State Agencies for Surplus Property

Mr. Chairman, members of the Committee, I am Steve Perica, Director of the Arizona State Agency for Surplus Property and President of the National Association of State Agencies for Surplus Property.

On behalf of the 56 states, territories and possessions that comprise the membership of the NASASP, and the over 60,000 donee organizations that participate in the Federal Surplus Property Donation Program, I wish to thank you for the opportunity to speak with you today. The State Agencies for Surplus Property serve as the primary conduit for the redistribution of Federal Surplus Property, and have done so since the inception of the donation program over 50 years ago with the passage of the Federal Property and Administrative Services Act of 1949. Through this donation program, countless educational, emergency service, public health and safety organizations benefit from personal property no longer needed by the Federal Government.

The legislation before you today affects the Federal Surplus Property Donation Program in four key areas:

- Subject to regulation, it provides for title passage from the Federal Government to the end recipient (donee) immediately upon transfer from the State Agency for Surplus Property with no compliance requirement.
- It cleans up some inconsistencies in current statute regarding Service Educational Activities (SEA'S), replaces some outmoded language referring to schools for the handicapped and provides for a dedicated category of eligibility for food banks and other providers of assistance to the impoverished.
- It provides additional incentives for agencies to bypass the redistribution channels through the further expansion of the exchange / sale authority.
- It reinforces these incentives by allowing for the retention of sales proceeds on the sale of undistributed Federal property.

The title passage portion of the bill encompassed in Section 605 is our first area of concern. If enacted, this provision would create two distinct classes of property. One class of property would require no compliance activity, and the second class would carry the usual compliance restrictions. This class distinction would create administrative problems for the federal government, the state agencies for surplus property, and the donee alike. Clarifying this distinction to the donee, especially given that the distinction makes no sense to the State Agencies, would be difficult at best. Envision the explanation to a provider of assistance to the homeless that Emergency Generator A carries the normal compliance requirements while Emergency Generator B, which looks remarkably similar, carries no such requirements. This distinction creates an undue burden on the compliance enforcement activities of the State Agencies and buries the donation program in the very administrative red tape that we seek to avoid. Such

additional administrative work costs the taxpayers money without provided additional service. Compliance regulations must apply equally to all personal property.

While this portion of Section 605 of the bill creates ambiguity, one other portion clarifies the categories of eligible donees. It refines the language regarding Service Educational Activities and schools for the handicapped, while creating a separate class for providers of assistance to the homeless and impoverished. This positive change enables the state agencies to better serve these populations by providing clear guidelines regarding eligibility.

The exchange/sale provision of this act will change the face of reutilization by allowing executive agencies of the Federal government to generate revenue by circumventing the donation program. Specifically, Section 603 of this bill grants agencies the freedom to divest the assets of government in order to procure services. Lab equipment, so vital to the education of our youth, could be sold to pay for the demolition of the surplus building that housed the equipment under this provision.

Redistribution of excess and surplus property is our country's first source of supply. It has been the central theme of the personal property management philosophy of our government for many generations. On the excess level, it prevents governmental waste by allocating the extra resources of one agency to fill the needs of other agencies. The Law Enforcement Support Program, the Forest Services Federal Excess Personal Property program, National Science Foundation programs, United States Department of Agriculture programs and the Federal Surplus Property Donation Program all depend on federal agencies utilizing the redistribution system and actively promoting redistribution of the assets funded by the American taxpayer.

Through the State Agencies for Surplus Property, excess and surplus property makes a difference in the lives of ordinary Americans every day. Surplus aircraft become fire fighting air tankers. Lab equipment is utilized in our schools and universities. Law enforcement gear protects our local police in our war against drugs. Beds in our homeless shelters and computers in our schools equalize the playing field by providing the basic necessities to those less fortunate. For many generations our nation has seen the higher value of reutilization.

Given the strict Congressional oversight of the disposition of donated property, we are concerned with the lack of control called for in this provision. Agencies are not required to report exchange/sale transactions to a centralized authority, making it difficult to determine the quantity of property sold through this process. It is impossible to determine the amount of money that the American taxpayers have lost on their investment by virtue of exchange/sale.

At a time when many agencies are facing downsizing, application of the exchange sale authority offers a mechanism to increase procurement dollars. However, the act lacks adequate reporting requirements for the money that is generated. Until such controls are in place, it is premature to expand the exchange/sale authority. A continuation of our

discussions with the General Services Administration regarding regulatory changes to the Federal Property and Administrative Services Act could rectify this situation.

Section 501 of this bill reinforces the circumvention of the donation program. It permits federal agencies to retain the proceeds of the sale of personal property. The language allows for the recovery of the full costs, including indirect costs, for the disposal of surplus property. This financial incentive encourages federal agencies to bypass the donation program entirely in order to generate profit for the agency. Such activity would spell the end of the donation program through the state agencies, and it would not be an effective use of the taxpayer's assets.

In summation, the provisions that clarify old language and provide for a separate class for providers of assistance to the homeless and impoverished are long overdue. However, the title passage portion of this bill will create administrative difficulties for all levels of the donation program. Additionally, this legislation discourages the redistribution efforts of federal agencies through the exchange/sale provision and the financial incentive of retention of proceeds. The lack of redistribution efforts will adversely affect the health and well being of the Federal Donation Program. Should this act be passed in its present form, it would greatly damage this vital and valuable program, and it would clearly not ensure the highest utilization of property paid for by our taxpayers.

I strongly urge you to consider these concerns as you weigh the value of the act presented to you today. Take this act to your constituents, to the people who know the value of the Federal Surplus Property Program. Call a meeting of your true shareholders and let them decide the future of the property that they have purchased.

Again, on behalf of the National Association of State Agencies for Surplus Property, and the over 60,000 donee organizations which participate in the Donation Program, I wish to thank you for this opportunity to speak with you today.

Mr. HORN. We thank you and we have been joined by Mr. Sessions, and I need the consent of our colleagues to have him sit with us and make a statement and also participate in the questions.

Mr. TURNER. No objection.

Mr. OSE. Can we put that to a vote, Mr. Chairman?

Mr. HORN. Without objection. Some stern people around here. OK.

Mr. Sessions, if you want a few opening remarks.

Mr. SESSIONS. Mr. Chairman, thank you so much. I will tell you I appreciate my colleague Mr. Turner, the gentleman from Texas, and Mr. Kanjorski, for being on my side today. It is not unusual for me, whether it's Methodist church or Rotary Club to not have unanimous vote about anything that I'm a part of. And I also apologize for being late. I was over with royalty today on the Senate side for another bill that I have got that I appeared with Senator Kennedy from Massachusetts that I was working on.

I'd like to thank you, Chairman Horn and this subcommittee and the members for allowing me to testify today on my legislation, H.R. 3285, the Federal Asset Management Improvement Act of 2000. I appreciate each of the witnesses joining us today to talk about their support and their ideas about improving Federal property management. It is my hope that this hearing will resolve the billions of dollars in waste that are lost each year from underutilized Federal buildings.

As chairman of the Results Caucus, I have sought to highlight the waste, inefficiency and mismanagement found in our government and looked for innovative solutions to these problems. Accordingly, I have introduced H.R. 3285, the Federal Asset Management Improvement Act. This would benefit government by turning aging Federal properties that have become financial liabilities into modern facilities that are an asset to the taxpayer.

The government is the largest holder of property in the United States. Unfortunately, many of those facilities are underutilized and unneeded. For example, the GAO has found that the Veteran's Administration spends about $1 million a day to operate unneeded hospital buildings. Unfortunately, this is only the tip of the iceberg.

As Federal agencies and programs evolve, their facilities need changes. As a consequence, government-owned real estate often becomes underperforming, inefficient and functionally obsolete. The real estate marketplace is constantly changing making portfolio management increasingly challenging to the Federal Government. The GSA's property inventory has a replacement value of approximately $30 billion; 50 percent of its government-owned space is more than 45 years old. GSA estimates that its current reinvestment needs exceed $4 billion over the next 5 years.

This legislation will correct problems in current law which allow these buildings to be—today to be underutilized and wasting taxpayer dollars. By partnering government agencies with private sector investment interests to revitalize the property without lease obligations and debt guarantees by the Federal Government. This means that the Federal Government can stop wasting taxpayers dollars on empty buildings.

I appreciate the continuing dialog I have had with the administration, GSA and other Federal agencies on this legislation, and

look forward to working with them to pass much needed legislation.

I want to thank you, Mr. Chairman, for your interest in this matter and holding this hearing, and I hope that we can highlight changes that are necessary and needed in the law and I thank each of the witnesses for their attention today to the efficiency of the U.S. Government.

Thank you, Chairman.

Mr. HORN. Thank you very much.

I have one question, then I'm going to turn to Mr. Turner and then we'll alternate 5 minutes per person. What I want to know just going down the line is what do you feel is the proper number of years for a lease term, and what's your rationale behind it, if we can do it very succinctly? Yes, let's start with GAO.

Mr. UNGAR. Mr. Chairman, I don't have a magic number. I think for the situations that we're talking about here with partnerships with the private sector, it certainly would be enough years that the private sector would find it advantageous to enter into the agreement, and in those cases where I indicated where we're dealing with special properties that needed a substantial investment, it's more likely to be more than 20 years and maybe more than 30 years obviously.

Mr. HORN. So you would do 30.

Mr. UNGAR. At least that, and probably more in those cases where we're talking about historical properties or properties in economically depressed areas that require a substantial amount of reinvestment. In those cases, it may have to be beyond 30, but there ought to be probably a general rule and Congress can control that by perhaps saying if it's more than a certain amount of time, because it's 30 years, having some kind of a special process within maybe GSA or elsewhere to approve it.

Mr. HORN. Mr. Bibb, how about you?

Mr. BIBB. Well, Mr. Chairman I think my answer would depend upon the use that you're putting the property to. Certainly if you're talking about simple vacant space within a Federal building, a 20-year term to recover the amortization and space improvements would be fine. If you're talking about the type of full blown public-private partnership that Congressman Sessions has proposed where you are dealing with complete renovation of a building, I agree with some of the comments that Mr. Weiner made, that the longer the term, the more like ownership—more like an ownership position that the developer for the development entity has, probably the better rates you can get. So I can't give you an exact number. We've proposed either 20 or 35 years, depending upon the situation, but we've also recognized that the legislation is not really intended to develop property for leaseback for Federal agencies. I think if you're going to do that economically, it would take a longer term.

Mr. HORN. Admiral.

Admiral SILVA. Mr. Chairman, my comments are very similar to the first two witnesses and the statement made by Mr. Weiner. I really don't have a lot of practical experience with this, but I believe that it should be looked at on a case-by-case basis or a category-of-use by category-of-use basis. And that's all I have, sir.

Mr. HORN. Mr. Weiner, how about it?

Mr. WEINER. The timeframe has to be, for a project of any consequence, at least 50 years. Thirty-five years that the VA has used has limited the size and scope of a number of projects. The developer—the private sector developer that goes into a partnership goes in thinking about its exit strategy. That's the nature of real estate business. The developer wants to be in for 3 to 5 years, maybe 10 on a complex project, and then sell its interest to a long-term player like a pension plan or a life company. They need a long lease term so they have something to sell as part of their exit strategy, and even 35 years is just too short for major projects.

Mr. HORN. Ms. Foscarinis, what are your feelings on this?

Ms. FOSCARINIS. I don't think we have anything to say on this particular provision since that's not really our concern.

Mr. HORN. OK. Mr. Perica—you finished on that?

Ms. FOSCARINIS. Yeah.

Mr. HORN. Mr. Perica.

Mr. PERICA. I believe the National Association would not have any input on this particular provision.

Mr. HORN. Now, is your group primarily on personal property, not the real estate?

Mr. PERICA. Not on the real property at all.

Mr. HORN. So you don't have an opinion either on this then?

Mr. PERICA. No.

Mr. HORN. OK. Well that's one thing I think we have got to deal with, so I was interested in what you have to say on it.

I now yield 5 minutes to the gentleman from Texas, Mr. Turner.

Mr. TURNER. Thank you, Mr. Chairman.

It seems clear to me when I look at the comparison between the GSA draft bill that's already been introduced in the Senate and H.R. 3285 that it presents several very key and critical issues that we have to resolve. I know suggestion was made a minute ago that perhaps some of the provisions could be merged, but when I look at the comparison, there are pretty clear conflicts in what the two bills would propose to do, and I think that we need some comment on that.

I don't know how many of you have looked at the comparison that I have in my hand. I don't know who put this together, if staff did, but I think it would be helpful for our witnesses to look at that and give us our thoughts on the differing approaches to the problem.

And I guess to get ahold of one that maybe is a little more manageable, I found it interesting here, the testimony on the provision of the law regarding the homeless. And perhaps Mr. Bibb is the one to ask the question, but I'd like to know a little bit more about what the controversy was in the case involving the Federal courthouse in Lafayette. Because, obviously, there seems to be a problem in this area that we probably have an obligation to ferret out and to try to resolve; and, obviously, the two bills even deal with that issue a little differently. Could you give us a little history on that and what the conflict is and why that conflict arises apparently more often than we would like?

Mr. BIBB. I'd be glad to. Would you like me to start with comparison of the two bills or move to Lafayette?

Mr. TURNER. Perhaps you could tell us how the two bills differ, and then maybe that will work into your discussion of what happened in Lafayette.

Mr. BIBB. OK. Just briefly, there are areas where the bills are very compatible. The GSA bill is broader in that I represent the Office of Governmentwide Policy, and the bill has been written to affect all agencies who are covered by the Federal Property Act. Congressman Sessions' bill, although it does allow for the GSA administrator to delegate certain authorities, is aimed more at the GSA inventory, which is really only one-tenth of the total Federal inventory of real property.

So our bill is broader. We have pieces on sound life-cycle planning and management, like the appointment of a senior real property officer. We think this front-end planning phase is important. That's not to say that Congressman Sessions wouldn't agree with that, but we have actually placed that into the bill.

We have a broader variety of tools. In addition to outleasing, we have sale exchange, retention of proceeds if a property is sold, and public-private partnership, as we have discussed.

Congressman Sessions' bill is very broad, intended for broad use by Federal agencies in leasing back either the renovated or newly constructed facilities. Our bill was submitted in recognition by the administration that because cash on the barrel is a less costly alternative than financing from the private sector that we would not use that or would not recommend using that as a major tool for meeting Federal space needs.

And then Congressman Sessions has a broad section on governmentwide performance measures which we do not have in our bill. We like performance measures. In fact, we've been leading a governmentwide effort to begin to compile those from agency to agency. We've been doing that voluntarily and would, frankly, like to pursue that. But the inclusion of performance measures in our bill is something we don't have there, but certainly we could discuss.

So I think the thrust is to get the agencies to manage their assets better, and there are varying tools in the two bills, but the idea is common, I believe.

On the homeless issue, I would like to make just—if I could have just a couple of minutes to respond to Ms. Foscarinis' concerns and questions—is that acceptable? And then I'll move to the Lafayette.

Just in perspective, and we will submit the records we have on transfers to homeless groups, our numbers, the numbers I have with me show over 60 properties valued at over $60 million since the act was passed.

We believe by introducing incentives into Federal real property management that we're going to create a climate where more properties are identified for a variety of different uses, whether it's sale exchange, either limited or more full public-private partnerships, for sale for retention of proceeds, and as unutilized or underutilized. This means homeless groups get an opportunity at the property. So I envision more, not less.

Another point I'd like to make is simply the huge magnitude of the Federal inventory. We have in all agencies 3.2 billion square feet of space. That's a staggering number.

Just to put it in perspective, if you take the Washington, DC, market from the Dulles corridor to Rosslyn to downtown Washington to Bethesda, there's some 22 million square feet in the Washington, DC, market of commercial space. The Federal Government owns approximately 14 times the amount of space as in the entire Washington market.

That's not all in office buildings. A lot of that is in storage, special space. But the point I'm making is, it is a huge inventory, almost beyond the ability to grasp it; and within that kind of inventory my feeling is there are all kinds of opportunities for everybody to play here. There are lots of opportunities for public benefit discounts for park land and that sort of use. There are lots of opportunities for homeless groups to acquire properties, and there are lots of opportunities for the Federal Government to recoup or take advantage of the equity in their properties and do something with them.

I'm not going to comment about each of the factors that were identified as being in the bill. Some of them I'm a little mystified by, such as the taking away——

Mr. HORN. Would you mind sending us a letter on this that we can put in the record at this point?

Mr. BIBB. I certainly will.

One last point on that. I would say I'm a little surprised, genuinely surprised. We felt that we had coordinated the entire bill with the—Ms. Foscarinis' group through both the Domestic Policy Council and HUD and had, in fact, offered an annual payment from property proceeds in lieu of a claim on each and every property. So I'm surprised. I felt like we'd reached agreement. Obviously, we hadn't; and we'd be happy to work to resolve those.

On the Lafayette case, I don't know the details other than at just a very surface level; and I'd be glad to provide that for the record.

Mr. HORN. Without objection, it will be put in at this point.

Mr. BIBB. My understanding is the disposing agency—in this case it was a public building service property, a GSA property—that the folks dealing with the disposal of that embarked on using a piece of the—not a piece of the Property Act, an older Surplus Property Act. Whether they should have or not, I don't know. As I understand it, it's been in court; and the court will resolve that.

Mr. HORN. We have a vote on the floor, and so I'm going to ask Mr. Ose—5 minutes for questioning. And then we'll go over to the floor, and we'll be in recess until probably 10 after noon, and we'd like you to stay for the questions.

Ms. FOSCARINIS. Mr. Chairman, perhaps we could respond then in writing if we're not going to—if we don't have an opportunity to respond now to your questions about Lafayette.

Mr. HORN. If you could file it for the record. Thank you. We'll put it at this point.

[The information referred to follows:]

During the July 12, 2000, Hearing, Chairman Horn requested that GSA submit a statement for the record responding to a issue raised by Ms. Maria Foscarinis, Executive Director, National Law Center on Poverty and Homelessness. The issue concerns the Judicial Review Section of the bill and its ability to limit suits brought against the Government.

Section 703 reads: Judicial Review. Any determination or any asset management decision by an authorized agency official to transfer, outlease, sell, exchange or dispose of Federal real property or an interest therein in accordance with applicable law shall be at the sole discretion of the authorized agency official and shall not be the basis of any suit, claim or action.

The purpose of this provision is to ensure that the discretion vested in Federal officials to make a decision or exercise their judgment is not the basis for a lawsuit. Similar provisions are often included in laws; however, an official's discretion must be exercised in accordance with law to be beyond challenge.

This provision was not intended in any way to limit the ability of the National Law Center on Homelessness and Poverty or others to bring suit against GSA and other landholding agencies if they fail to comply with the provisions of law including the Stewart B. McKinney Homeless Assistance Act. In fact, we strongly believe that the enactment of this asset management proposal will result in more not less property being made available for homeless assistance purposes. However as a good faith effort, GSA will delete Section 703, Judicial Review, from the bill.

(February 2000 update)

PROPERTIES ASSIGNED TO HHS OR PERMITTED DIRECTLY BY GSA FOR HOMELESS USE (POST MCKINNEY TO DATE)

FY 88/89: 22 Sites

PROPERTY/ DESCRIPTION/	ASSIGNMENT DATE & VALUE	HOMELESS PROVIDER & SERVICES
ARKANSAS		
Portion, VA Medical Center (VA) Little Rock, AR 4 acres 7 buildings 30,000 sq.ft.	06-30-89 $ 50,000 (HHS Lease) (Deeded 2/14/97)	Our House, Inc. Shelter for 50 individuals, food program, and child care services.
CALIFORNIA		
Portion, Bell Federal Service Center (GSA) Bell, CA Portion, Bldg. 1 1,000 sq. Ft.	01-02-88 (GSA Permit) $ 324,000	Salvation Army. 200-bed shelter
Portion, Former Camp Elliot (GSA) San Diego, CA 0.32 acre Unimproved	06-30-89 $ 10,000 (HHS Lease)	San Diego Coalition for the Homeless. Transitional housing for 21 individuals.
Portion, Bell Federal Service Center (GSA) Bell, CA Portion, Bldg. 6 31,000 sq. Ft.	02-16-89 (GSA Permit) $ 669,600	Shelter Resource Bank. Supply distribution center.
Portion, Bell Federal Service Center (GSA) Bell, CA 0.35 acre unimproved	02-16-89 (GSA Permit) $ 234,000	Food Partnership. Food distribution center.

FY 88/89 (pg.2)

CALIFORNIA (CONT.)		
Former FCC Monitoring Station (Interior) Santa Ana, CA 4 acres unimproved	09-01-89 $ 500,000 (HHS Lease)	Orange Coast Inter-faith Shelter 64 units of two- and three bedroom transitional apartments for 256 homeless, including a day care facility
1401 Sepulveda Boulevard (GSA) W. Los Angeles, CA 2.13 acres 2,900 sq.ft. bldg	02-0-89 (GSA Permit) $ 4,500,000	Salvation Army. City-owned trailers providing shelter for 14 homeless veteran families and a recreation center.
DISTRICT OF COLUMBIA		
Portion, Square 571 (GSA) Washington, DC 0.4 acre 4,766 sq. ft. bldg DC-0461A	06-30-89 $20,000,000 (HHS Lease)	National Coalition for the Homeless. Sublease to Community for Creative Non-Violence for job training, cultural classes, and recreation for 1,500 individuals weekly.
FLORIDA		
Former US Army Reserve Center (Army) West Palm Beach, FL 3.1 acres unimproved FL-0682A	05-17-89 $ 1,250,000 (HHS Lease)	Uplift Assistance, Inc. Plans 10,000-to 15,000-sq.ft facility for tran-sitional housing for 50-75 persons.
MARYLAND		
Portion, Fort George G. Meade (Army) Maryland City, MD 35 acres unimproved MD-0433E	09-01-89 $ 260,000 (HHS Lease)	Housing America Through Training, Inc. 300 rental housing units to be constructed housing 400-500 individuals.

FY 88/89 (pg.3)

MASSACHUSETTS		
Former Marine Training Center (HHS) Lynn, MA 0.40 acres 23,757 sq.ft bldg	02-17-89 $ 350,000 (HHS Deed)	City of Lynn. 50-bed shelter, health clinic for 500 weekly, and food kitchen serving 350 daily.
MICHIGAN		
Furlong Federal Building (GSA) Pontiac, MI 0.63 acre 35,613 sq.ft. bldg	04-04-89 $ 500,000 (HHS Lease)	Pontiac Rescue Mission. Dormitory and transitional apartments for up to 150 persons. Meals for 180-190 persons daily.
MISSISSIPPI		
Federal Building and Post Office (GSA) Port Gibson, MS 0.75 acre 7,951 sq. ft. MS-0474A	06-09-89 $ 175,000 (HHS Lease)	Whitman 'Grady' Mayo Scholarship Foundation, Inc. Temporary shelter serving a 12 county area and housing homeless persons.
NEW JERSEY		
Portion, Former Raritan Depot (GSA) Edison, NJ 3.1 acres unimproved	01-26-89 $ 716,000 (HHS Lease)	Middlesex Inter-faith Partners with the Homeless. Housing for 27 families in modular homes.
OHIO		
Portion, Camp Sherman Rifle Range (Army) Chillicothe, OH 4.97 acres unimproved OH-0433B	06-09-89 $ 50,000 (HHS Lease)	Home Between Homes, Inc. Transitional housing for 54 homeless individuals and families.
PENNSYLVANIA		
Portion, Former Valley Forge General Hospital(GSA) Phoenixville, PA 13.55 acres/6 buildings 39,95 sq. ft. PA-0666	09-29-89 $ 535,500 (HHS Lease)	Community Mental Health Services Properties, Inc. Transitional residential units for five homeless families to 60 days.

FY 88/89 (pg.4)

PUERTO RICO		
Portion, Former Ramey AFB (Air Force) Aquadilla, PR 4.8 acres 6 buildings 19,215 sq.ft.	05-17-89 $ 50,000 (HHS Lease)	Municipality of Aquadilla. Homeless facility for five persons, initially providing 35 meals and medical services daily.
RHODE ISLAND		
John E. Fogarty Federal Building Providence, RI .18 acre 1building 19,656 sq. Ft.	06-09-89 $1,950,000 (HHS Lease)	Traveler's Aid Society of Rhode Island for multi-service center
TEXAS		
Federal Building (GSA) San Antonio, TX 0.4 acre 51,573 sq.ft. bldg	05-17-89 $ 800,000 (HHS Deed)	City of San Antonio. Multi-service facility. 100-bed emergency shelter, transitional housing for 20 families, single room housing for 30, and dining facility for 200.
Former Border Patrol Station (Immigration) Carrizo Springs, TX 0.30 acre 2 bldgs. 1,312 sq. ft.	08-04-89 $ 27,650 (HHS Lease)	Community Services Agency of Dimmitt, LaSalle, and Maverick Counties. Shelter for 20 homeless individuals and counseling program serving the entire community.
Fish Hatchery #2 (Interior) San Angelo, TX 96 acres 8 small bldgs.	08-17-89 $ 175,000 (HHS Deed)	Concho Valley Center for Human Advancement. Shelter and job training for 12 housing for 20 handicapped adults.

FY 88/89 (pg.5)

WYOMING

Lander Wyoming Ranger Residence Fremont, WY .26 acres 2 buildings	06-30-89 $ 35,000 (HHS Lease)	Inter-Christian Coalition Organization for shelter.

FY 88/89 SUBTOTAL

22 SITES*	$33,161,750

***NOTES:**

Fogarty Building, Providence, RI: Assigned to HHS 6/9/89 ($1,950,000). Returned to GSA 10/11/89 by HHS. City of Providence provided replacement location and $325,000 in renovations for Traveler's Aid Shelter.

Ranger Residence, Lander, WY: Assigned to HHS 6/9/89 ($35,000). Returned to GSA 10/26/90.

FCC Monitoring Station, Santa Ana, CA: Assigned to HHS 9/1/89 ($500,000). Returned to GSA 1/31/91 by HHS-

Camp Sherman Rifle Range, Chillicothe, OH: Assigned to HHS 6/9/89 ($50,000). Returned to GSA 11/24/92.

Former US Army Reserve, West Palm Beach, FL: Assigned to HHS 5/17/89 ($1,250,000). Returned to GSA 11/24/92.

Portion, Fort George Meade (Army), Maryland City, MD: Assigned to HHS 9/1/89 ($260,000). Returned to GSA 5/6/93.

Portion, Former Ramey AFB, Aquadilla, PR, returned to GSA.

Federal Building and Post Office, Port Gibson, MS, returned to GSA 4/16/96.

Portion, Former Valley Forge General Hospital, Phoenixville, PA: partial reversion to GSA 3/18/97 (7.46 acres), the remainder (7.07 acres) was converted to deed for continued homeless use.

FY 90: 9 SITES

(pg. 6)

PROPERTY/ DESCRIPTION/	ASSIGNMENT DATE & VALUE	HOMELESS PROVIDER & SERVICES
ARIZONA		
Portion, Davis Monthan AFB (Air Force) Tucson, AZ 19.64 acres unimproved	12-20-89 $ 1,544,000 (HHS Lease)	Vietnam Veterans of America, Inc. 80 units of housing for 320 homeless veterans and families. Employment and outreach counseling provided.
MASSACHUSETTS		
17 Court Street (GSA) Boston, MA 0.4 acre 1 Building 80,000 sq. ft.	05-17-90 $16,000,000 (HHS Deed)	Vietnam Veteran's Workshop, Inc. Transitional housing and emergency shelter for 150 Veterans. 24-hour multi-service center including; counseling, medical clinic, and meals.
NEBRASKA		
Building 20 VA Medical Center Lincoln, NE (VA) 2.39 acres 1 Building	03-26-90 $ 100,000 (HHS Lease)	Transitional Life Center, Inc. Housing for up to 12 homeless female ex-offenders. Program includes drug rehab, preventive health care and job training.
NEW MEXICO		
Former Indian School of Practical Nursing (HHS) Albuquerque, NM 1.69 acres 3 buildings 21,634 sq. ft.	11-20-89 $ 150,000 (HHS Lease)	New Day, Inc. Emergency shelter for 500 homeless women and runaway youth per year. Counseling and outreach services provided.

FY 90 (pg. 7)

Portion, VA Hospital Albuquerque, NM (GSA) 10 acres Buildings * Converted to deed	03-26-90 $ 350,000 (HHS Lease)*	New Day, Inc. 4 to 6 houses for 15 homeless adolescents. 4,000 sq. ft. administrative building for therapy and counseling for 500 youths annually.
NEW YORK		
Federal Building 252 Seventh Avenue (GSA) New York, NY -Portion, 15th Floor 1,600 sq. ft.	02-01-90 (GSA Permit) $ 103,200	Food & Hunger Hotline. Daytime phone counseling serving 5,000 per month, 80 percent families.
Federal Building 252 Seventh Avenue (GSA) New York, NY -Portion, 15th Floor 6,200 sq. ft.	04-01-90 GSA Permit) $ 399,900	The Doe Fund, Inc Daytime training and educational service serving 400 homeless per month.
Federal Building 252 Seventh Avenue (GSA) New York, NY Portion, 15th Floor 1,000 sq. ft.	05-01-90 (GSA permit) $ 64,500	Community Access, Inc. Support Staff office space for - programs aiding homeless mentally ill, serving 100/month
Federal Building. 252 Seventh Avenue (GSA) New York, NY -Portion, 11th Floor 4,000 sq. ft.	05-01-90 (GSA permit) $ 258,000	Community Counseling & Mediation of NY; social support for homeless and abused women, children, and adolescents, serving 645 monthly.
FY 90 SUBTOTAL **9 SITES***	**$18,969,600**	

***NOTES:**

Building 20, VA Medical Center, Lincoln, NB, returned to GSA 5/24/94.

Former Indian School, Albuquerque, NM, returned to GSA 4/19/92.

Federal Building, 252 Seventh Ave., all permits expired. Returned to GSA 5/96.

FY 91: 6 Sites

(pg.8)

PROPERTY/ DESCRIPTION/	ASSIGNMENT DATE & VALUE	HOMELESS PROVIDER & SERVICES
ALASKA		
Anchorage Duplexes 924-926 and 944-946 Brown Street Anchorage, AK 9-V-AK-496	04-11-91 $ 110,000 (HHS Lease)	Alaskan AIDS Assistance Association for transitional housing for homeless with HIV.
MAINE		
Ellsworth Federal Bldg. Ellsworth, ME 2-G-ME-0622G	06-12-91 $ 500,000 (HHS Lease)	H.O.M.E., Inc./ Traditional shelter soup kitchen, and free health clinic
NEW JERSEY		
Former Naval Reserve Center, Clifton, NJ (GSA) 1.56 Acres 0 Buildings	11-05-90 $ 450,000 (HHS Lease)	Paterson Coalition For Housing, Inc. For Transitional housing, child-care, job training and counseling
NEW YORK		
Federal Building 252 Seventh Avenue (GSA) New York, NY Portion, 15th Floor 320 sq. ft.	10-01-90 (GSA permit) $ 20,640	Ministry for Upper (NYC) AIDS counseling.
Portion, Federal Building #2 29th St. & Third Avenue (GSA) New York, NY 800 Sq. ft.	10-01-90 (GSA permit) $ 72,000	Nazareth Home for warehouse/furniture distribution to 200 families Monthly.
OHIO		
Receiver Site Bethany Relay Station Jacksonburg, OH 2-Z-OH-726A	08-26-91 $ 174,000	American Children's Foundation. Housing for 8 homeless individuals or 1 family and a summer camp for up to 200 homeless children.
FY 91 SUBTOTAL 6 SITES	$ 1,326,640	

Portion, Federal Building, 252 Seventh Ave; Permit expired, returned to GSA 5/96.

Receiver Site, Jacksonburg OH, reverted 6/96.

FY 92: 8 Sites (pg.9)

PROPERTY/ DESCRIPTION	ASSIGNMENT DATE & VALUE	HOMELESS PROVIDER & SERVICES
CALIFORNIA		
Ukiah Latitude Observatory Mendocino County, CA 2.56 Acres, Residence & Observatory 9-C-CA-1277	11-27-91 $ 275,000 (HHS Deed)	Community Development Commission of Mendocino County. Transitional housing for homeless - currently 1 family - up to four family units proposed.
FLORIDA		
Portion, Jacksonville Job Corps Center 236 W. 4th Street Jacksonville, FL 0.17 acre, 3 buildings 04-L-FL-0967	07-30-92 $ 45,000 (HHS Deed)	Springfield Preservation and Restoration, Inc.: transitional housing for one homeless family.
MONTANA		
Portion, Kalispell Air Force Station (Air Force) Flathead, MT .27 acre 1 building 960 sq. ft. 7-D-MT-0571B	12-31-91 $ 1,000 (HHS Lease)	Faith Works, Inc., Transitional housing for homeless people who have a substance abuse problem.
Portion, Kalispell Air Force Station (Air Force) Flathead, MT 2.70 acres 14,494 sq. ft. 13 buildings 7-D-MT-0571C	12-31-91 $ 55,000 (HHS Lease)	Faith Works, Inc., Transitional housing for homeless people who have a substance abuse problem.
NEW YORK		
Portion, Federal Bldg 252 Seventh Avenue New York, NY --Portion, 15th Floor 4,000 sq. Ft.	05-01-92 $ 121,833 (GSA Permit)	Multitasking Systems: homeless job training and placement.

FY 92 (pg. 10)

Portion, Federal Bldg 252 Seventh Avenue New York, NY --Portion, 11th Floor 320 sq. Ft.	05-01-92 $ 9,746 (GSA Permit)	Homeless Resources: 800 number for homeless; serves 20,000 providers.
OHIO		
Naval Reserve Center Mansfield, OH 1.7 acres 2 buildings 29,659 sq. Ft. 2-N-OH-783	04-17-92 $ 6,500 (HHS Deed)	Volunteers of America: shelter counseling, and variety of other services for homeless.
WASHINGTON		
Portion, Whidbey NAS Oak Harbor, WA 1.67 acres unimproved land 9-N-WA-585M	05-18-92 $ 291,000 (HHS Deed)	The Opportunity Counsel: transitional housing for up to 6 families, employment counseling, medical services and variety of other services for homeless.

FY 92 SUBTOTAL
8 SITES* **$ 805,079**

***NOTES:**

Ukiah Latitude Observatory, Mendocino County, CA: Assigned to HHS 11/27/91 ($275,000). Application withdrawn 07/24/92.

Naval Reserve Center, Mansfield, Ohio: Assigned to HHS 04/17/92 ($6,500). HHS advised GSA that application withdrawn on 7/2/92.

(P) Kalispell, AFS, Flathead, MT: Assigned to HHS 12/31/91 ($55,000). Application withdrawn 06/10/92.

(P) Kalispell, AFS, Flathead, MT: Assigned to HHS 12/31/91 (1,000). Application withdrawn 06/10/92.

Portions, Federal Building, 252 Seventh Ave: Permits expired on all portions. All returned to GSA 5/96

Portion, Whidbey NAS, Oak Harbor, WA, returned to GSA.

Portion, Jacksonville Job Corps Center, Jacksonville, FL, released by homeless provider.

FY 93: 3 Sites

(pg.11)

PROPERTY/ DESCRIPTION/	ASSIGNMENT DATE & VALUE	HOMELESS PROVIDER & SERVICES
MAINE		
16 Buildings, 6 Garages Portion of Former Charleston Family Housing Bangor, Maine 2-D-ME-526G	09-08-93 $ 920,500 (HHS Deed)	City of Bangor, ME, will utilize the property for various programs including job and drug counselling, emergency shelter and transitional housing for about 2,000 homeless individuals, including families.
OREGON		
Kingsley Family Housing Annex Klamath Falls, OR 174 single family residences	03-26-93 $ 100,000 (HHS Lease)	SOCO Development, Inc. to house approximately 200 homeless families.
WASHINGTON		
Federal Building Olympia, Washington 9-G-WA-1040	06-24-93 $ 610,000 (HHS Deed)*	Housing Authority of Thurston County, WA will utilize the property as staff offices, counseling facilities and a distribution point for an estimated 2,000 homeless individuals.
FY 93 SUBTOTAL 3 SITES	$ 1,630,500	

***NOTES:**

Kingsley Family Housing returned to GSA.

Federal Building, Olympia, WA, returned to GSA 3/3/94.

FY 94: 3 SITES

(pg.12)

PROPERTY/ DESCRIPTION/	ASSIGNMENT DATE & VALUE	HOMELESS PROVIDER & SERVICES
MAINE		
5 Buildings Portion of Former Charleston Family Housing Bangor, Maine 2-D-ME-526G	01-11-94 $ 252,000 (HHS Deed)	Bangor Halfway House, Inc., Bangor, will utilize the property to provide short-term housing and training for homeless men with substance abuse
MICHIGAN		
Arsenal Acres 7 residences on 6.64 acres Warren, Michigan 2-D-MI-756	09-20-94 $ 250,000 (HHS Lease)	Haven Community Mission will provide transitional housing for homeless families that have one or more members who are chemically dependent. Approximately 48 families will be served.
WASHINGTON		
Federal Building Olympia, Washington 9-G-WA-1040A	08-05-94 $ 610,000 (HHS Deed)	Low Income Housing Institute of Seattle WA, will provide residential housing for 30-37 single homeless individuals.

FY 94 SUBTOTAL

3 SITES **$ 1,112,000**

***NOTES:**

Arsenal Acres, Warren, MI, returned to GSA 12/96.

Federal Building, Olympia, WA, returned to GSA (second assignment and return).

FY 95: 2 SITES (pg. 13)

PROPERTY/ DESCRIPTION/	ASSIGNMENT DATE & VALUE	HOMELESS PROVIDER & SERVICES
ARKANSAS		
Murray Overlook McClellan Kerr Project Little Rock, AR 7-D-AR-0548	10-20-94 $ 200,000 (HHS Lease)	Our House Inc., of Little Rock, Arkansas, will provide job training for approximately 20 individuals.
CALIFORNIA		
VA Triangular Parcel 1401 Sepulveda Blvd. Los Angeles, CA 9-G-CA-0514K	08-10-95 $ 6,000,000 (HHS Deed)	Salvation Army, California Div., to provide transitional housing to homeless families.

FY 95 SUBTOTAL

2 SITES	$ 6,200,000

FY 96: NO PROPERTIES TRANSFERRED FOR HOMELESS USE.

FY 97: 3 SITES

(pg. 14)

PROPERTY/ DESCRIPTION/	ASSIGNMENT DATE & VALUE	HOMELESS PROVIDER & SERVICES
ARKANSAS		
Former Federal Bldg. Benton, AR 7-G-AR-0550 1 building and .3 acre	04-07-97 $ 200,000 (HHS Deed)	Salvation Army to provide emergency shelter and provide educational and social services.
Kansas		
Former Federal Bldg. Manhatten, KS 7-G-KS-0516 21,000 sq.ft. Bldg.	07-07-97 $ 147,000 (HHS Deed)	North Central Flint Hills Area Agency on Aging to provide transitional housing and support for families & individuals
WASHINGTON		
Redmond Housing Redmond, WA 9-U-WA-1109 18 housing units and 5 acres	09-25-97 $ 1,634 000 (HHS Deed)	Former Coast Guard housing transferred to the City of Redmond to provide transitional housing for homeless individuals and families.

FY 97 Subtotal

3 SITES	$ 1,981,000	—

FY 98: 5 SITES

(pg. 15)

PROPERTY/ DESCRIPTION/	ASSIGNMENT DATE & VALUE	HOMELESS PROVIDER & SERVICES
MINNESOTA		
Duluth Housing Unit Duluth, MN 1-U-MN-0571 .9 acre and Duplex house.	09-29-98 $ 130,000 (HHS Deed)	Salvation Army to provide transitional housing to homeless families.
MONTANA		
Army Reserve Center Bozeman, MT 7-D-MT-0605	10-10-97 $ 100,000 (HHS Deed)	Human Resource Development Council to provide living units for homeless families.
TEXAS		
Fort Crockett Housing Galveston, TX 7-U-TX-0549H 2.45 acres and 5 duplexes.	03-13-98 $ 325,000 (HHS Deed)	Women, Inc. to provide transitional housing for battered women.
Fort Crockett Housing Galveston, TX 7-U-TX-0549G&I 6.4 acres, 5 duplexes & a single family house.	03-13-98 $ 1,162,000 (HHS Deed)	The Children's Center to provide temporary housing for homeless families.
WEST VIRGINIA		
Guthrie Air Force Stn. Charleston, WV 4-GR-WV-0470 7.15 acres and 17 buildings.	11-17-97 $ 475,000 (HHS Deed)	Multi-County Action Against Poverty, for transitional housing and misc. treatment programs.

FY 98 Subtotal	
5 SITES	$ 2,192,000

FY 99: 3 SITES

(pg. 16)

PROPERTY/ DESCRIPTION/	ASSIGNMENT DATE & VALUE	HOMELESS PROVIDER & SERVICES
Maryland		
Waldorf Housing Waldorf, MD 4-N-MD-0546 3.7 Acres & 12 Housing Units	08-11-99 $ 650,000 (HHS Deed)	Catholic Charities to provide housing for disabled homeless.
Duplex House Frederick, MD 4-F-MD-0597 .06 acre, House and Garage	08-19-99 $ 81,000 (HHS Deed)	Advocates for Homeless, transitional housing for homeless families
TEXAS		
Southwestern Lab Dallas, TX 7-D-TX-1059 5 acres and 120,000 sq.ft. Building	08-19-99 $ 1,000,000 (HHS Deed)	Union Gospel Mission to provide transitional housing for women & children.
FY 99 Subtotal 3 SITES	$ 1,731,000	—

FY 00: 1 SITE

(pg. 17)

PROPERTY/ DESCRIPTION/	ASSIGNMENT DATE & VALUE	HOMELESS PROVIDER & SERVICES
Illinois		
NWS Observatory Marseilles, IL 1-C-IL-708 10 acres and two buildings	11-03-00 $ 50,000 (HHS Deed)	Growing Home Inc. to provide land for horticultural use/training.

FY 00 Subtotal

1 SITE	$ 50,000	—

FY89-99

SITES ESTABLISHED:

FY 89 -	22	$33.2M
FY 90 -	9	$19.0M
FY 91 -	6	$ 1.3M
FY 92 -	8	$ .8M
FY 93 -	3	$ 1.6M
FY 94 -	3	$ 1.1M
FY 95 -	2	$ 6.2M
FY 96 -	0	$ 0.00
FY 97 -	3	$ 2.0M
FY 98 -	5	$ 2.2M
FY 99 -	3	$ 1.7M
FY 00 -	1	$ .1M
TOTAL:	**65**	**$69.2M**

Federal Building/Courthouse
Lafayette, LA

Background

The Lafayette federal building/Courthouse is a 53,060 square feet building located in the Central Business District of Lafayette, Louisiana. The building is 42 years old and will be considered for inclusion the National Register when it reaches 50.

The building does not meet the current needs of the Courts, the security requirements of the US Marshal's Service and would require extensive and costly repairs to maintain it at a level that would keep it operational and the space tenantable. With the completion of the new federal Courthouse in Lafayette, there is not longer a need for space for the Federal courts and their related activities in the old federal building/courthouse.

The Public Buildings Service initially attempted to exchange the property under the authority of the 1959 Act for land and cash. The city did not propose an equitable exchange candidate for the property. It was then proposed that the property be disposed of under the provisions of section 345b of the Property Act, an authority that survived from the 1935 Surplus Property Act. Under 345b the Administrator of General Services has the authority to sell obsolete buildings, sites or parts of sites which have been replaced by new construction to States, counties and municipalities for public use. The Administrator may enter into long-term contracts for the payment of the purchase price in installments that he deems fair and reasonable and he may waive any requirements for interest charges on deferred payments provided that the total purchase price is no less than 50% of the appraised value of the land.

Since this action was not executed under the 49 Act it was decided that it was not subject to the provisions of the McKinney Act requiring screening of property for the homeless. A Homeless Coalition filed suit against GSA on the grounds that the McKinney Act was being circumvented. A federal judge ruled that Section 345b was considered part of the Property Act and as such subject to the provisions of the McKinney Act. The judge further ruled that any further disposals under the 1935 Act would require homeless screening.

Current Status

The Government filed a notice of appeal of the District Court's decision. GSA is currently working with attorneys from the Department of Justice and the Department of Housing and Development to try to settle this dispute with the Homeless Coalition.

July 6, 2000

Mr. HORN. Mr. Ose.

Mr. OSE. Mr. Chairman, I don't need the 5 minutes. I can submit my question in writing.

The question—that really boils down to, I have a copy of a letter dated February 24th signed by Jacob Lew suggesting that agencies retain the excess proceeds from a redeployment of their real property assets, and that is reflected in the GSA's draft bill also. And I guess my question would be, is why would Congress not retain discretionary authority over an appropriation? I don't understand the logic behind giving the agencies the discretion over the recaptured proceeds. So I will submit a question in the interest of time.

Mr. HORN. You might want to do it now while the Federal officials are here.

Mr. OSE. Paul may have some questions, and I'd be happy to defer to him. I'd be happy to submit it in writing.

Mr. HORN. OK. Any other questions?

Mr. OSE. No. It was just very structural in nature.

Mr. HORN. Gentleman from Pennsylvania, Mr. Kanjorski, 5 minutes for questioning.

Mr. KANJORSKI. I don't know if we're going to have 5 minutes, but I'll try and be prepared when the next bell goes off.

Sitting here and listening to the testimony today and some of the Members' questions, it seems to me that we really have a hearing on three distinct areas, and that is, one, the handling of surplus real estate for nonreuse of the Federal Government. And that is a problem, and we should address it as a problem. Then we have Mr. Weiner's position of using the private sector to avoid immediate appropriations and provide for the needs of the Federal Government in a leasing operation, which is I think acceptable.

Mr. HORN. Let me interject and say, when Mr. Kanjorski is done, we will be in recess until 10 after 12.

Mr. KANJORSKI. We should study that as to its ramifications governmentwide. And then, of course, we should examine the private property problem, and how it impacts on everything from the HAP program to the homeless program to the State program, which is very complicated.

I think that in listening I'm not sure that all of us understand how big a problem we're talking about and how large a ramification it is and why it should take a great deal of the attention of the Congress to work with the Federal agencies to do it.

First, I would compliment GSA. I've worked with them over the years. They have very frustrating problems where they can do things that are effective and efficient, but they don't have the legal authority to do it and, very often, a very valuable piece of Federal property will go literally to waste because there's no way under the existing authorities of the law to handle the problem.

Two, there's a tremendous turnover in government, so we lack sometimes institutional memory, which is a big problem.

Three, we do not have transparency of the Federal inventory of property because there's literally no way to know all the property of the Federal Government that's available both in the nature of real estate and personal property. So that there develops a culture within the reuse of the property community that has to be watched out for because it could eventually cause abuse and fraud and mis-

management. I think every administrator that I've been working with at GSA has struggled with it, every property person has struggled with that, and I think that's what our friend here from the State agencies talked about.

It is very nice to limit the timeframe in which you control property, 18 months or 5 years. But in some communities you find people going to work using the State system. They get a piece of property, and if the day after they have that property they can pass it off as a private transaction, they will go into business for themselves. Then you have a problem diverse across the country of small communities versus large communities, sophisticated States and unsophisticated States and the balance of those assets going back.

And then, finally, particularly in the real estate field, if you look at the map of the United States and you take the Mississippi as the dividing line, two-thirds of the land mass West of the Mississippi is Federal property. Now that property was either acquired by purchase or development; and the question is, who in the Federal Government should benefit from it? Who in the various States should benefit from it?

I think I made a point the other day addressing this issue that in the buildup of the cold war, States like Pennsylvania who are not well-known for industrial—military industrial complexes or military installations didn't receive the economic largess of the Federal Government, but it was a war effort. Now that the Third World War has not been fought and the cold war is, for all intents and purposes over, all these Federal assets, both in the Defense Department and the Energy Department, which amount to hundreds of billions of dollars in assets, how should they be disposed of in an equitable way to the taxpayers who put in the money to pay for it?

Well, if you are going to give it to the communities or to the States where the property is located, you're going to find out that probably a third of the property goes to the South, and the other third or 40 percent goes to the West, and maybe 5 or 10 percent ends up in the rust mill of the Midwest or Northeastern part of the country; grossly unfair distribution of assets.

As a matter of fact, in our base closing policy that we activated several years ago, it was a perfect example of what really was a detrimental occurrence. You have distressed communities of the United States that do not have Federal property or Federal investments that can be reutilized, and yet you have very wealthy and very successful areas in the United States that have the benefit of a growing economy because of the largess of the Federal Government investment. And then, when we closed the bases, we handed these facilities over to these States and these localities. So that the disproportionate fact is Texas and California got superindustrial parks with airports and warehouses. The Midwest, to a large extent, and northeastern Pennsylvania got very little.

So it was a negative hit in an economic development sense toward the States that didn't benefit from the largesse of the buildup of the cold war. And now when we build down we lose again, and I think that's something to look at.

In listening to the homeless organization, I think that's a problem that can be solved, and I calculated in my mind about $4 billion would house all 800,000 homeless people. That should not be a holdup. In a lot of instances, while we did act sympathetic, we gave rights that now cost us hundreds of millions or maybe billions of dollars of losses to protect those rights.

Anyway, I think these issues are very large. I think they certainly warrant further hearings and examination, and I am certainly available to work with all my friends on that.

Mr. OSE [presiding]. Congressman Kanjorski, could we recess? We'd be happy to come back for questions. So we're in recess until 12:10.

[Recess.]

Mr. HORN [presiding]. Subcommittee will come to order.

Let me ask you, just down the line, the administration's bill would authorize agencies to retain and spend proceeds from the sale of real property assets without further authorization or appropriation. While creating an incentive, this approach reduces Congress' ability to oversee these funds. I'd just be curious how you think about that.

Mr. Ungar.

Mr. UNGAR. Mr. Chairman, we certainly think that this is an issue that the subcommittee needs to address. It was one of the concerns that we certainly had when we looked at the bill. There's no question in our mind that the agencies need to have a source of funds in addition to appropriations for repair and alterations. We found that across government, including in DOD, VA, GSA, and other agencies.

The question is how far you want to go with that, and I think that's up to you. One possibility would be to require a plan in advance as to how the agencies want to spend the proceeds and then having some kind of report at the tail end as to how they actually did.

There is a requirement in one of the bills for a report after 5 years from GSA and also a review by GAO. That would certainly help, but that's a long period of time to go without any congressional oversight.

Mr. HORN. Well, as you look at—and I don't know what comparisons the GAO has on it—but how can Congress ensure that proceeds from the sale of real property assets are appropriately spent by the Federal agencies? What is the process now? I know we're probably short on preventive maintenance.

Mr. UNGAR. I'll start, and maybe Dave Bibb would like to add on. I know right now for the larger dollar projects there's a prospectus process, at least in GSA's case, whereby for projects that involve $2 million or thereabout, GSA has to provide what's called a prospectus, or a plan, to the appropriate House and Senate authorizing committees. They would review that plan. The plan looks at the need for the project, discusses alternatives, and then explains how GSA arrived at the decision it did. This provides both Houses of Congress and relevant committees with background information and details which they can then decide upon.

While the processes in these bills would provide information front for the actual use of the tools, such an arrangement is not

identical to the prospectus process, but it at least would give you some information. Where it's a little unclear is on the tail end. Once the agency goes through the transaction and has the money in a capital account, what oversight does Congress have there? And it's at that point where we think there needs to be some information coming to Congress on perhaps the planned use and then something on actual use.

Mr. HORN. Mr. Bibb, and I guess Admiral Silva also, with all of the property you have, what are your thoughts on the approach suggested by the General Accounting Office that would require proceeds from the sale of property to be deposited into a centrally managed account?

Mr. BIBB. Mr. Chairman, I think we're not particularly in favor of a central account simply because we're trying to encourage responsible asset management by each Federal agency. We'd prefer to see individual accounts.

We do think some controls are needed. There are some controls in the bill, such as specifying what the amounts in that fund could be used for, but I expect that is an issue we need to have extensive discussion about before the bill is finally passed. I believe central control—the government is so big in its real property inventory that I'm not comfortable with one place making decisions on each and every transaction.

Mr. HORN. I take it in your development of it you would want to place the responsibility on the chief operating officer, chief executive of the particular department or agency?

Mr. BIBB. The bill would provide for a senior real property officer, and that's where we would like to place the accountability, yes.

Mr. HORN. And that would essentially be in the Treasury?

Mr. BIBB. That would be an officer in each agency responsible for prioritizing and accountable for the spending of that money.

Mr. HORN. And it would be deposited in the Treasury in some account I take it?

Mr. BIBB. Yes. There would be agency accounts established within the Treasury.

Mr. HORN. Yes. And the use of it would simply be whether the chief executive or chief operating officer signs off on it or delegates it?

Mr. BIBB. As long as it's used for the purposes specified in the bill.

Mr. HORN. Do any States have this type of process, do we know?

Mr. BIBB. I don't know the State process on that particular piece. We have talked with the States about using some of the other tools in the bill but not on that particular one.

Mr. HORN. You might want to check if the GAO could on—with the State of California and the State of New York, they have extensive real estate, and how do they handle the maintenance which everybody seems to want to avoid? And when we looked at one university in California they had $4 billion in back maintenance that they hadn't done. They just let that account go. So now they have a real problem, to say the least.

Well, any other thoughts here on this issue?

Admiral SILVA. Yes, Mr. Chairman.

As we strive to be leaders and innovators in real property management, the more tools that a land holding agency has I think that is good. But I also think that having some kind of a measured and controlled way where the agencies can retain some, if not all, of the proceeds from the real property transaction will provide some incentives. I think that a lot of the agencies need to not only have incentives but be able to reinvest through good initiatives into opportunities that make sense. To your point about the maintenance backlog growing, the opportunity to divest or through constructive reuse of facilities as to possibly avoid those costs, those maintenance costs.

I think it provides a great incentive, particularly as you move into good asset management through the Federal Government.

Mr. HORN. Let me ask you about Governors Island. We have had a hearing up there, and the Coast Guard for a while had custodianship. Do you still have it?

Admiral SILVA. Yes, sir. It's funded—protection and maintenance funding is provided by GSA. But in our partnership agreement we still have resources that provide the protection and maintenance on Governors Island and carrying on the stewardship through the disposal process.

Mr. HORN. Well, where are we on that process? Last I knew we had the city and the State and some universities that perhaps wanted to use it.

Admiral SILVA. GSA should probably speak to that issue. They're the disposal agent. The process is, to my understanding, continuing; and that's the extent of my knowledge on it.

Mr. BIBB. Thanks a lot, Admiral.

Mr. Chairman, I don't have that information. I'm not in the operational side of GSA, but we will certainly——

Mr. HORN. Can we get a statement as to status of where we are, just for the interest of it all? Does anybody have any thoughts over here on that particular question of deferred maintenance and central accounts versus agency accounts?

Yes, Mr. Weiner.

Mr. WEINER. Just one brief comment that Mr. Sessions spoke to waste in the use of the existing inventory——

Mr. HORN. Pull it toward you, the whole works. Horrible microphones in this building.

Mr. WEINER. Just as Mr. Sessions spoke to waste in the operation of the current inventory, there is the potential that the proceeds that are retained by individual agencies could also be subject to waste. What is needed, though, is an incentive within the agencies to motivate the agencies to participate. So with a properly designed program that has accountability and addresses the sources of where these proceeds are going to come from and what the end intended uses are, subject to some oversight or review, perhaps by this subcommittee, then you have the checks and balances that can be a successful program.

Mr. HORN. Any other thoughts, Miss?

Ms. FOSCARINIS. Yes. I would like to point out two things. One is that this process would represent a major shift in Federal policy away from using these resources for public benefit uses and toward using them for—to serve the agencies' specific interest. I think

maintenance is important, clearly maintenance is important, but providing for maintenance at the expense of this shift in policy I don't think is appropriate. I also think it provides an incentive for agencies to dispose of property, again, potentially at the expense of other uses of these resources.

Mr. HORN. Mr. Perica.

Mr. PERICA. With respect to retention of sales proceeds, we have a couple of thoughts, both from the personal property side and the real property side.

One, we'll echo the thoughts on accountability. We believe that you all do a really good job of taking care of figuring out where you want the taxpayers' money to be spent, and we feel that the Federal agencies may not be concerned with the full aspect of what the taxpayer wants, more to the point of what they're trying to accomplish within their agency.

We feel by allowing retention of proceeds and that in that particular function of government of allocating those resources is taken out of your hands, and we're somewhat concerned over that, with respect to the accountability. That's about it with respect to real and personal property, if that makes any sense. Thank you.

Mr. HORN. Now, Mr. Kanjorski was questioning the witnesses when we broke for the four votes. Did you get all 5 minutes in?

Mr. KANJORSKI. I'm not sure if I did, Mr. Chairman, but I'm willing to take another 5.

Mr. HORN. Well, one person hasn't had a chance here, Mr. Sessions, 5 minutes; and then back to Mr. Kanjorski.

Mr. SESSIONS. Also, Mr. Chairman, I recognize that I have been given the opportunity to be here today as a result of the favorability of this committee. I would be very pleased to yield my time to the gentleman. I'm not trying to consume——

Mr. KANJORSKI. If you have questions, go ahead.

Mr. SESSIONS. That will be fine then. Thank you, Mr. Chairman.

I would like to direct my comments to Mr. Weiner, if you could begin, and Rear Admiral Silva and Mr. Bibb.

I'm interested in specifically those things that deal with H.R. 3285, which is my bill. If you could take just a minute—because I know that we've heard a lot of testimony today. If you could kind of paint a picture about if this became a law what would happen, the dynamic nature of what this would do to the marketplace and to the realization of helping the government. Or, in your opinion, Mr. Bibb or Mr. Silva, if you believe that there's a downside, if you would, or Mr. Weiner, if you see a downside to it, also.

Mr. WEINER. Well, this is not a panacea, and we're talking about your bill specifically.

Mr. SESSIONS. My wife tells me that every day, that I have some good ideas, but it's not everything. I must confess to you I'm used to hearing this at home, too.

Mr. WEINER. Well, I'm trying to make you feel at home.

Mr. SESSIONS. Thank you.

Mr. WEINER. It's a tool, and not all properties would lend themselves to a partnership approach. But the point is, if you have the choice of letting a property sit underutilized, being a budgetary liability instead of treating it like a financial asset, that is waste; and if that particular property can serve a need of a Federal agen-

cy and if its location and its other amenities make it attractive for private investment, then you're going to turn a liability into an asset which will produce income, not drain income, to the Federal Government.

So if the projects are properly selected—and I can't emphasize that enough, that this may apply to less than 10 percent or 5 percent of the national portfolio—but if it's there and it can be utilized, then it will have a tremendous benefit.

The current prospectus program that's used for appropriations, that can take at least 3 years, often more for major capital projects; and by the time those projects are approved, money is appropriated, the need has shifted. The money's been appropriated. We really don't need it. Gee, we better spend it or we're going to lose it.

So things are just really inefficient the way they're currently conducted. Again, this is viewed as a supplement, not a replacement to appropriations.

Mr. SESSIONS. And do you believe that the marketplace, people who are engaged in this business across the country, would view this as being favorable?

Mr. WEINER. Absolutely. We interviewed many of the large investors and developers years ago; and, if anything, the situation has improved where developers are squeezed or pressed to find projects that will drive the kind of returns I'm convinced these public-private partnerships can produce at the Federal level.

Mr. SESSIONS. One thing in addition that I believe you and I spoke about—and it was my view, you did not have to agree—but this helps us use an existing supply of buildings that we have, rather than going out and rebuilding.

Mr. WEINER. Absolutely.

Mr. SESSIONS. It helps us with a term that we all know, is urban sprawl. It helps to utilize very carefully those things that are, many times, on bus routes, in inner cities where we already have goods and services, where we already have infrastructure around those areas. And I think that that's a real advantage, and I hope it will be seen this way by the marketplace.

Mr. WEINER. And to embellish that point, in some situations that I'm familiar with, the local governments view that as an incentive to urban renewal, that it can help facilitate their urban renewal plans by seeing the renovation of Federal facilities. So it really has a lot of local public policy benefit potential.

Mr. SESSIONS. That which one time was a diamond or a jewel could still be that in the current place by someone else, and I think that that's an advantage.

Admiral, do you have any comments related to either of those questions?

Admiral SILVA. Yes, sir. As I said before, I'm looking for all the tools that I can get to manage our shore assets better. However, I think that the tool of the public-private partnership for the Coast Guard is a limited tool, limited use tool from the prospective of we have very few large facilities and very many very small facilities, that I'm just wondering whether it would be that the tool of public-private partnerships would be applicable and economically advantageous to you.

As I mentioned, we have like 1,600 sites in my opening statement, which we have 66,000 acres of property. So most of our assets are 25-person small boat stations up and down the coast and on the rivers and so forth; and I'm not sure that that tool, while we'd be able to use it to a certain extent, would be the total solution for the Coast Guard.

Mr. SESSIONS. Good. Thank you.

Mr. Bibb.

Mr. BIBB. Mr. Sessions, from a parochial standpoint I think it's a terrific real estate tool and would have broad application, but I recognize and I think this committee has to look hard at the broader issues, and it's in the context of the broader budgeting issues that we have to look at this.

In February, the Director of OMB wrote a letter to Chairman Horn expressing the administration's position. That was not done lightly. I can assure you there was a lot of discussion within the administration about whether this tool was the way to go or not.

The bottom line was the administration felt that it could not endorse a tool which is second best in terms of budgetary impact. We would all agree that cash on the barrel is the least expensive alternative—pay cash for your renovation on your facility. And, ultimately, a decision was made within the administration to recommend as a matter of policy to the Congress that we go with the second-best alternative would not be, within the context of the larger budget debates, the responsible thing to do. So, from that standpoint, it was not offered up, but it was certainly looked at hard.

And again, from a very selfish standpoint, I would love to have the tool to run a real estate program with. It's just this larger context——

Mr. HORN. Without objection, I would like to put in the record at this point the letter to which you referred from the Director of OMB to myself and a copy to Mr. Turner dated February 24, 2000.

[The information referred to follows:]

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

THE DIRECTOR

February 24, 2000

The Honorable Stephen Horn
Chairman, Subcommittee on Government
Management, Information, and Technology
B-373 Rayburn House Office Building
U. S. House of Representatives
Washington, DC 20515

Dear Mr. Chairman:

Thank you for the opportunity to provide the Administration's views regarding H.R. 3285, the "Federal Asset Management Improvement Act of 1999." If enacted, the proposal would require GSA to establish measures and agencies to monitor performance to determine the effectiveness of Federal real property management. In addition, the bill would amend the Federal Property and Administrative Services Act of 1949, as amended, (Property Act) to authorize GSA, or other agencies under delegated authority, to enlist private sector capital and expertise in partnership ventures to develop or improve Federal real property.

The Administration supports measures to improve Federal property management, and we are pleased that the Committee is willing to consider these important issues and hope it does so broadly. In particular, we hope the Committee will authorize a range of property management reforms. We do, however, have several concerns about the bill in its present form. First, the bill could be interpreted to authorize GSA to exempt these partnerships from the property disposal requirements of the Property Act and from the requirements of the McKinney Act, the Davis-Bacon Act, and otherwise applicable civil rights laws. The Administration supports the goals of the McKinney Act and the other statutes and would strongly oppose the inclusion of the authority to provide such exemptions. Second, the bill is too broad with regard to outlease/leaseback arrangements as it would encourage GSA to use these transactions as a vehicle to obtain private financing which is more expensive than Government financing. The Administration would support the use of an outlease/leaseback arrangement only when it is less expensive than simple renovation or construction.

Federal real property management could be enhanced by addressing broader reforms such as life cycle planning, property management incentives, and a streamlined property disposal process. These improvements should be applied to all Federal landholding agencies, not just to GSA as is the case with H.R. 3285. We recommend that the bill be amended to address these concerns by adding language on the following topics:

Life Cycle Planning and Management. Agencies should be required to develop asset management plans to ensure that decisions on their real property holdings through all life

cycle phases are consistent with and supportive of the agency strategic mission goals and objectives. Agencies should have a full range of policy guidance and information resources necessary to manage and balance their inventories. H.R. 3285 would base the effectiveness of Federal property management solely on performance measures and require the GSA Administrator to use existing data sources and automated data collection tools to the "maximum extent practical." Current property data sources and collection systems do not contain sufficient data to support any reasonable performance measures. The Administrator should be empowered to correct this situation.

Incentives for Improvement: One of the biggest disincentives to real property management is the inability of agencies to realize any gain from re-deploying their real property assets. We recommend that H.R. 3285 provide a governmentwide incentive for better property management by allowing all agencies to retain the proceeds from a range of real property transactions for use in meeting agency capital asset needs.

Streamlined and Enhanced Processes: We would strongly oppose exemptions from the McKinney Act and the important protections provided by the Property Act, the Davis-Bacon Act and other applicable civil rights laws. Instead, we believe that the McKinney Act procedures for resolving claims by homeless groups to underused and unused Federal property, including property proposed for outleasing arrangements and public-private partnerships, should be streamlined.

Encouraging Public/Private Partnerships When Cost-Effective: The Property Act should be expanded to provide landholding agencies with a full range of authorities needed to manage their assets.

The Administration would support providing authority for the Federal government to outlease facilities, or portions thereof, when 1) there is no long-term mission requirement to retain the property, but the Government is restricted from disposing of the property, or 2) there is a long-term mission requirement for the property to remain in the Government's portfolio, but there is no need for the property during the term of the outlease.

However, we are concerned with the provisions in H.R. 3285 that authorize the use of public-private partnerships "to develop, rehabilitate, or renovate facilities on such leased property for the use, in whole or part, by executive agencies." As a rule, the Administration strongly opposes the use of public-private partnerships solely or primarily as a vehicle for obtaining private financing of Federal construction and repair projects, because private financing is more expensive to the Federal taxpayer than Government-financing. The Administration would support the use of an outlease with a leaseback only when, in present value, such a transaction is less expensive than simple renovation or construction.

Last April during a joint hearing before your subcommittee and the Subcommittee on Economic Development, Public Buildings, Hazardous Material and Pipeline Transportation, the Administration testified on a need for improved governmentwide real property management. Currently, we are finalizing a governmentwide proposal that would promote a

total asset management approach for real property along the lines outlined above. We expect the proposed bill to be transmitted to the Congress shortly.

We appreciate your interest and would be happy to work with your subcommittee on amending H.R 3285 for this much-needed, good government initiative to improve Federal asset management.

Sincerely,

Jacob J. Lew
Director

Identical Letter Sent to the Honorable Jim Turner

Mr. SESSIONS. Chairman, I would like to thank the witnesses that we've had today. I believe each and every one of them have brought forth not only compelling arguments but it's been done so in a very forthright manner, and I appreciate not only their indulgence on this matter but also my colleagues on both sides of the aisle to be here today on this important issue. I yield back.

Mr. HORN. Thank you.

The gentleman from Pennsylvania, Mr. Kanjorski, for 5 minutes.

Mr. KANJORSKI. Mr. Chairman, I'm going to give an example of sometimes how you can't make an evaluation whether something is more efficient being done by the appropriation method or the lease-back private partnership.

In my District, I have an experience where we have a beautiful GSA-constructed facility, a computer facility for the Social Security Administration. It's well designed, well-built, but it took 10 years from the point where we appropriated and authorized the construction until final construction.

On the other hand, I have an example of an old brewery that was in existence and abandoned for 20 years, and the post office needed to expand its facility. And in an arrangement between the GSA, the post office and a private partnership, work was completed within 2 years——

Mr. HORN. What city was that in?

Mr. KANJORSKI. Wilkes-Barre.

Mr. HORN. Wilkes-Barre.

Mr. KANJORSKI. And if you looked at the 8 years of delay and tie-up of funds and you amortize that value on the front end cost, you may actually find out that the private partnership in reconstruction rehabilitation was a much cheaper investment for the U.S. Government. And so I am delighted that we have the issue, but I think it is a very complicated issue.

I particularly have worked very long over the last 5 or 6 years with the Department of Energy. The Department of Energy has identified approximately $50 billion worth of excess assets amounting to 12,000 real estate locations and 4,000 warehouses. I'm embarrassed to say most people don't know what's in those warehouses in terms of actual equipment or value or reuse potential.

If we were to perhaps go as broad as we are going now without the protections, the fear that I would have with the turnover of the high administration people over 2 years in the Federal departments, nobody would have an institutional memory or knowledge of what's going on. And there is a culture that would grow, just as the Beltway bandits have grown up to become contractors of the government. If you turn loose $100 billion worth of property for reuse reallocation sales, you're inviting that without really adequate control and oversight by the Congress and the agencies and someone with that institutional memory.

So I would like to see the process move forward but with a little more involved hearing processes and field examinations and really getting out there and working with these people.

And, ultimately, if I had my way—you know, we've heard such a divergence of testimony of different interests and potential happenings, everybody with the common end, we want to get a better bang for the buck for the Federal taxpayer, but the question of how

to get it done remains. It seems to me, just by calling this hearing, what you succeeded in doing is showing how multifaceted the problem is. And in order to iron out these differences maybe we have to break the bills up into two or three, concentrating on real estate, concentrating on avoiding the appropriation process and going through the partnership process and how to handle personal property.

But it would seem to me a roundtable discussion on these various aspects, allowing more concentration and greater focus, would be very helpful. In this discussion, the real people and those in the audience here that have the insight and knowledge of what's going on could have their information and knowledge used in the structure of the legislation to go forward.

But I think we have to—to the best of my mind is—identify Energy, Department of Defense and probably GSA as the major property people, and they hold excess property well over $100 billion. I couldn't even estimate it.

If we pass this bill, it would seem to me—give an example to the Admiral here. I represent a development company, and I come to you, and I say, you've only got 66,000 acres of land, but they're on the East Coast of the United States, Florida to Maine, and the West Coast of the United States, Seattle to San Diego, awfully nice. I just spent a week in Florida at one of your installations, right near it, 166 acres at a little inlet, a little Coast Guard station, a doctor's inlet I think it is; and I sighted about 10 acres of land that would be beautiful for a 300 to 400 apartment condominium.

Now, I have this bill. I want to rent that land from you. I want to put up the 300 condominiums, and you're going to derive out of that, say, the value—pick a figure—$10 million, and you don't have to do anything with it. And the commander would like another jet plane. He says, hell, I just trade this little lease off, and I got myself a jet plane.

And I think that's a problem. I think if you magnify that problem what it could be—maladministration, misadministration or lack of information—could be a catastrophe. And I think, in anything we do like this, that I have worked with GSA and surplus property for 16 years now, actually longer than that, before I came to Congress—they are very successful sometimes in the reutilization of property, particularly to the States and municipalities, but it doesn't work perfectly.

I think if we don't take the time when we're making the correction we may have a possibility that we'll—maybe only 1 out of 100 will be a charlatan, but, believe you and me, the administration, the leadership of that Department and this Congress will be grossly embarrassed if that one out of a hundred charlatans occurs.

So the ownership of property in the Federal Government is so huge, so diverse and so complicated an issue that I'm not sure a single bill addressing all of those issues can be added.

Let me give you one example, again going to surplus property; and we talked about it the other day. The Federal Government allowed an amendment to this bill to allow the HAP project, which is overseas nations coming in and getting surplus personal property from the U.S. Government. It initially occurred in overseas bases, and it was intended for poor countries who needed pieces of equip-

ment. But now it's been extended to the extent that foreign representatives can come to the United States to any surplus area and have priority over any State or municipality or any other agency of government of getting this equipment. And I've seen experiences where they literally have come in and taken millions of dollars worth of equipment. The government pays to haul it to wherever they want to take it.

Mr. HORN. We'll continue this, but could we have Mr. Sessions 5 minutes and you get another 5?

Mr. KANJORSKI. It sits there and deteriorates. And I think we have to look at those programs, too, and put them in perspective.

Mr. HORN. Those are good suggestions.

Gentleman from Texas, 5 minutes.

Mr. SESSIONS. Mr. Chairman, thank you.

I would just respond back to my colleague who has offered some very thoughtful insight, and I would say that I think that there could be a way for us to get together. It could be one piece of legislation. I think we could incorporate the feedback that we've received from each one of you today.

As the main sponsor of this bill, I will tell you that I intend to do that. I intend for us to work together. I intend for us to take the good parts of the bill, being as reasonable as I am, and taking the things that some other people feel are reasonable. I intend to move this bill. I intend to take the feedback that's been given today, and I intend for it to be an opportunity for my colleagues on both sides of the aisle and for those in the administration and outside to come together on a consensus bill. I think it's possible. I think it's possible for me to take what we've heard today and move it forward.

I would also, with great respect, tell the gentleman from Pennsylvania that if we had been able to do this that I would like to move it. If we have not, then I will engage in hearing more testimony, and I would ask this chairman to do that. But I believe that for the good of the taxpayer and the good of the industry and the people, the industries and the people who are here, that I think we can get closer and that, in my opinion, I have gained great knowledge and have benefited from what has happened today.

So I intend to move forward to see if we can gain consensus. Mr. Kanjorski, I promise that I will continue in this endeavor and will work with you, including the gentleman from Texas, Mr. Turner, who brings great depth to this argument and discussion also.

So, Mr. Chairman, I yield back my time, but that is what I intend to do as a result of this time that we've spent together.

Mr. HORN. I think it's a good suggestion. And we will have Mr. Turner, Mr. Kanjorski and Mr. Sessions all, two Texans and a Pennsylvanian, and that will be the subcommittee that put this all together which I will delegate delightedly to see what happens. So we'll proceed in that way, and you can all share ideas with each other, and I think you will have a pretty good product coming out of this. And if you want to do it before the August break, why good luck. If you want to do it after, we're going to be here every day in September, probably so.

Mr. SESSIONS. Well, I would, as the chairman has offered, I do intend to work diligently and would anticipate that September—be-

fore the end of September timing, would say that we must do that, and so I will engage in that time line. Thank you, Mr. Chairman.

Mr. HORN. Admiral, I have just got one question. Since Mr. Kanjorski has explored all the Coast Guard properties on the East Coast, I want to say something for the West Coast. Have you ever been at the—what was the home of the commandant commander of the 11th Coast Guard District? Have you ever been there on Terminal Island?

Admiral SILVA. No, sir.

Mr. HORN. OK. Well, you should go there. It's really a marvelous piece of land, and we're very sorry—we have great respect for the Coast Guard, but we're sorry you moved out of southern California where the action is up there, where you've got a couple of bridges you can look at. But another part of the State—you've been to San Diego?

Admiral SILVA. I'm on a plane to San Diego this afternoon, sir.

Mr. HORN. Well, take it to Terminal Island. Because that property—the only worry is when you have got a few escapees from the Federal prison on that property, but that's under control, usually. But this is one of the most beautiful homes in southern California, with several acres around it. If you put that out for auction, you would either put it in the Coast Guard Academy's foundation or some place—let me tell you, that would be at least $10 million for that home. Now that home was never built for the Coast Guard. Believe it or not, it was built for the chief public health officer in 1934, and they lived very well.

Mr. SESSIONS. Or did.

Mr. HORN. Well, the Coast Guard Commander, until they moved north, that was his home; and it was a great place to entertain.

So I like the suggestions you gentlemen have agreed on. And so let's hear what we get out of that, and I'll be glad to do whatever you want in getting more witnesses in, whatever. So you're quite welcome. So if there's no further questions—do you have some more? Do you have any more?

Mr. SESSIONS. I'm done, sir. Thank you.

Mr. HORN. We will then put this in recess rather than adjourn. We're in recess subject to call of the Chair. Thank you very much.

I would also like to thank the following people: J. Russell George, staff director and chief counsel; Randy Kaplan, counsel; Bonnie Heald, director of communications; Bryan Sisk, clerk; Elizabeth Seong, staff assistant; Will Ackerly, intern; Chris Dollar, intern; Davison Hulfish, intern. And for the minority, Trey Henderson, counsel; and Jean Gosa, minority clerk. Also, our court reporter of debates, Melinda Walker.

[Whereupon, at 12:50 p.m., the subcommittee was adjourned, subject to the call of the Chair.]

[Additional information submitted for the hearing record follows:]

United States General Accounting Office
Washington, DC 20548

General Government Division

September 15, 2000

The Honorable Stephen Horn
Chairman, Subcommittee on Government Management,
Information, and Technology
Committee on Government Reform
House of Representatives

Subject: Federal Real Property Management: Answers to Hearing Questions

Dear Mr. Chairman:

This letter responds to your request for additional information related to the July 12, 2000, hearing on federal real property management held by your Subcommittee. We are also providing a copy of this letter to Jim Turner, Ranking Minority Member of the Subcommittee, and will make copies available to others on request. As agreed with your office, our responses are based on our past work and data gathered from the General Services Administration, the National Law Center on Homelessness and Poverty, the California Department of General Services, and the Little Hoover Commission, California's independent state oversight agency, and other research groups.

If you have any further questions or would like to discuss any of these issues in more detail, please call me or Donald L. Bumgardner at (202) 512-8387.

Sincerely yours,

Bernard L. Ungar
Director, Government Business
Operations Issues

Enclosure

Answers to Questions Regarding Federal Real Property Management

1(a). For McKinney Act purposes, how are properties assigned to homeless groups? How does the process work?

Process Established by Title V and Court Orders

Title V of the McKinney Act, as interpreted by the court and in subsequent agency regulations, assigns separate administrative responsibilities to the secretaries of the Department of Health and Human Services (HHS) and the Department of Housing and Urban Development (HUD), the Administrator of the General Services Administration (GSA), and the heads of all federal landholding agencies. HUD must canvas all federal landholding agencies, on a quarterly basis, to obtain a list of properties identified as underutilized and unutilized. In general, GSA does the same for surplus and excess properties. HUD then determines, for each identified property, whether the property is suitable for use in assisting homeless people and publishes the results in the Federal Register.[1] At the same time as the Federal Register notice is published, HUD notifies the appropriate landholding agencies, including GSA, which properties from their inventories have been listed as suitable properties in the Federal Register. Assistance providers have 30 days from the date of publication to notify HHS of their interest in any of the properties on the list. They also must send their completed applications for these properties to HHS no later than 90 days after the listing was published in the Federal Register. HHS is responsible for recording all expressions of interest in publicized properties and completing action within 15 days of receipt of a completed application. Additional time to file an application may be granted by the landholding agency and HHS.

Excess and Surplus Property

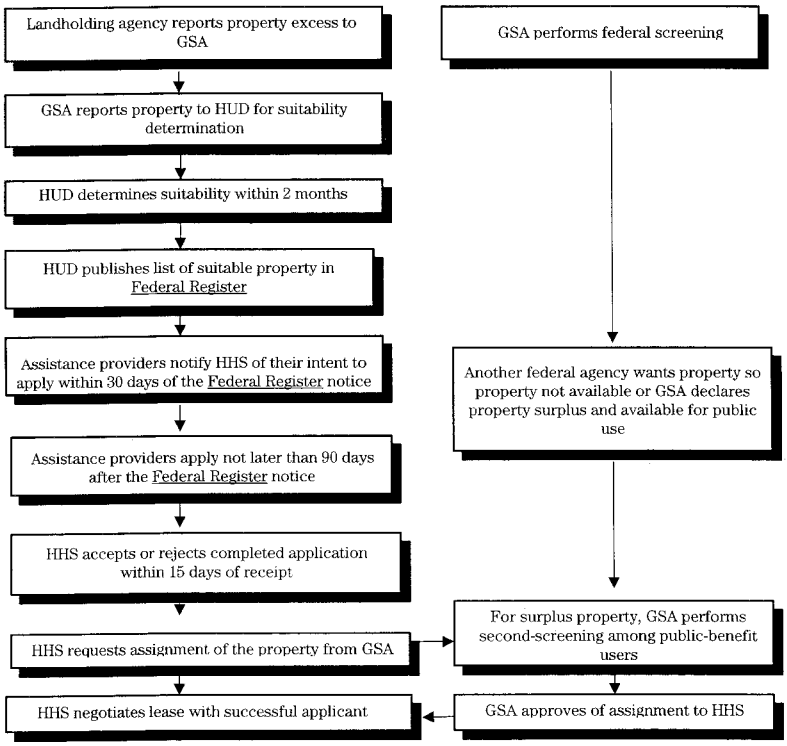
Under the Federal Property and Administrative Services Act of 1949, as amended, if real property is no longer needed, the landholding agency in possession of the property must declare the property excess and report it to GSA for disposal. GSA, pursuant to title V of the McKinney Act, then sends HUD information on the property so that HUD can determine its suitability for the homeless. When HUD determines that a property is suitable, GSA immediately sends out notices that the property may be applied for by assistance providers, even though federal screening may not have been completed. If there is no federal need, GSA declares the property surplus. This makes the property available for sale on the open market or for public benefit conveyance (which is either a lease or transfer of title at little or no cost, including leasing to assistance providers under the McKinney Act).

[1]HUD's criteria for suitability, developed by the Secretary of HUD in consultation with the Secretary of HHS and the Administrator of GSA, are generally exclusionary, meaning that if property is not obviously unsafe and not in a restricted area, it is suitable. A property may be excluded because it is (1) in an isolated area without access to a road, (2) contaminated, (3) within 2,000 feet of flammable or explosive materials, or (4) close to an airport runway.

Enclosure
Answers to Questions Regarding Federal Real Property Management

Under title V, HHS is responsible for processing all assistance providers' applications and for leasing surplus property to successful applicants. If HHS approves an application from an assistance provider for a property, it requests an assignment of the property from GSA. If there is more than one applicant for public benefit conveyance, GSA determines the highest and best use of the property, giving priority consideration to assistance providers for the homeless. If GSA assigns the property requested, HHS negotiates a lease with the successful applicant (see figure 1). Surplus property is more desirable than under- and unutilized property because the leases can be for 10-year terms with a renewal option of 10 years.

Figure 1: The Process for Converting Excess Federal Property to Homeless Use



Source: GAO analysis of GSA-provided data.

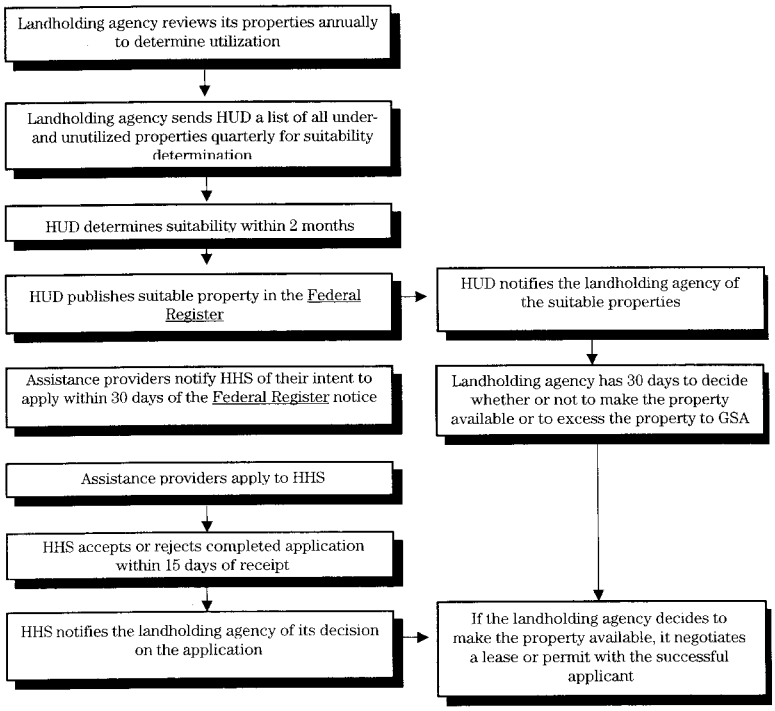
Enclosure
Answers to Questions Regarding Federal Real Property Management

Under- And Unutilized Property

From the date that the landholding agencies are notified of HUD's suitability decisions on their under- and unutilized properties, each agency has 30 days to notify HUD concerning whether any of the suitable properties will be made available on an interim basis for use as facilities to assist the homeless. After HUD finds properties suitable, the holding agencies must declare that the properties will be made available or state the reason for denying this determination. An agency's determination on whether a property will be made available is final.

From the time that the landholding agencies submit properties to HUD for the suitability review until 30 days after the suitability notice is published in the Federal Register, the agencies must withhold the property from any use or disposition. If HHS receives an application or a notice of intent to apply during that time, the property continues to be withheld from sale or other disposition until HHS acts on the application. If HHS approves an application and the agency determines that it will make the property available, then the landholding agency negotiates a lease or permit with the successful applicant for a specified time period (see figure 2), which is likely to be much shorter than in the case of surplus property.

Figure 2: The Process for Converting Under- And Unutilized Federal Property to Homeless Use



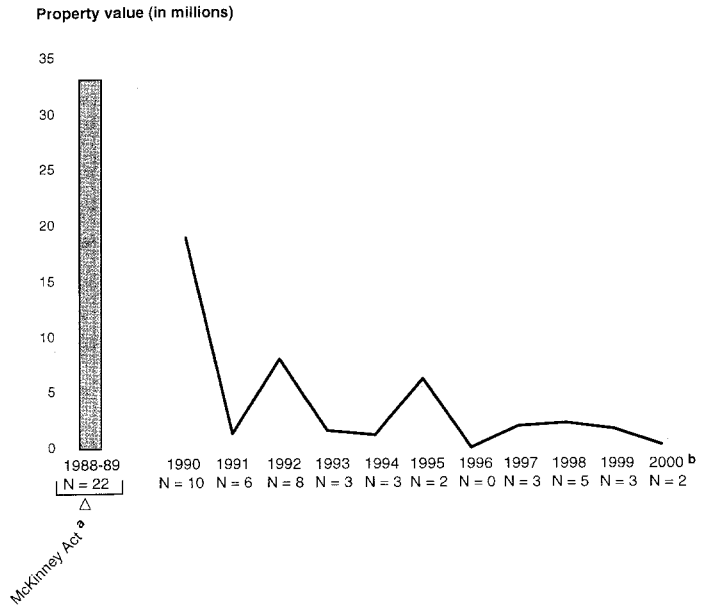
Source: GAO analysis of GSA-provided data.

Enclosure
Answers to Questions Regarding Federal Real Property Management

1(b). What is the total number and location of federal properties across the U.S. that have been conveyed to homeless persons/programs since the McKinney Act was enacted 13 years ago?

GSA provided us with a listing of properties that have been conveyed to homeless programs since 1988. The list includes 67 properties, valued at about $69.3 million by GSA, that have been transferred to homeless providers by federal agencies since January 1988. Figure 3 provides data on the number and value of federal properties conveyed. In July, we provided this information to the National Law Center on Homelessness and Poverty for comment. It had no comments or additional information to provide. We did not verify the accuracy of these data.

Figure 3: Dollar Value (in Millions) of Properties Assigned to HHS or Permitted Directly by GSA for Homeless Use Between October 1, 1987 and September 15, 2000



[a] The McKinney Act was signed into law on July 22, 1987, and implementation began in fiscal year 1988. In 1988, only a few properties were made available to homeless groups. This prompted organizations representing homeless groups to bring suit against agencies responsible for implementing title V of the act and two major landholding agencies. On December 12, 1988, the court ordered a permanent injunction requiring landholding agencies to comply with title V of the act before they disposed of any property. Consequently, during the first 2 years of McKinney Act implementation, several federal properties were quickly conveyed to homeless groups.

[b] In addition to two properties directly permitted for homeless use in FY 2000, the disposal of another federal surplus property benefited the homeless. In an agreement between GSA, the Navy, and the Miami Coalition for the Homeless, GSA sold a 3-acre Naval Reserve Center in the Coconut Grove section of Miami, FL, to a private sector developer for $14.4 million. The Miami Coalition for the Homeless received half ($7.2 million) of the proceeds from this property sale.

Source: GAO analysis of GSA-provided data.

Enclosure
Answers to Questions Regarding Federal Real Property Management

PROPERTIES ASSIGNED TO HHS OR PERMITTED DIRECTLY BY GSA FOR HOMELESS USE (POST-MCKINNEY TO DATE)

FY 1988-89—22 Sites—$33,161,750

	Location and property description	Date of assignment	Property value	Homeless provider and services
1	**Arkansas, Little Rock** Portion of VA Medical Center •4 acres •7 buildings •30,000 sq.ft.	6/30/89 (HHS lease) (Deeded 2/14/97)	$50,000	**Provider:** Our House, Inc. **Service:** Shelter for 50 individuals, food program, and child care services.
2	**California, Bell** Portion of GSA's Bell Federal Service Center •Part of Building 1 •1,000 sq.ft.	1/2/88 (GSA permit)	$324,000	**Provider:** Salvation Army **Service:** 200-bed shelter
3	**California, Bell** Portion of GSA's Bell Federal Service Center •Part of Building 6 •31,000 sq.ft.	2/16/89 (GSA permit)	$669,600	**Provider:** Shelter Resource Bank **Service:** Supply distribution center
4	**California, Bell** Portion of GSA's Bell Federal Service Center •0.35 acre, unimproved	2/16/89 (GSA permit)	$234,000	**Provider:** Food Partnership **Service:** Food distribution center
5	**California, West Los Angeles** 1401 Sepulveda Boulevard (GSA) •2.13 acres •2,900 sq.ft, building	2/ /89 (GSA permit)	$4,500,000	**Provider:** Salvation Army **Service:** City-owned trailers providing shelter for 14 homeless veteran families and a recreation center

Enclosure
Answers to Questions Regarding Federal Real Property Management

	Location and property description	Date of assignment	Property value	Homeless provider and services
6	**California, San Diego** Portion of former Camp Elliott (GSA) •0.32 acre, unimproved	6/30/89 (HHS lease) Returned to GSA and sold in 1999	$10,000	**Provider:** San Diego Coalition for the Homeless **Service:** Transitional housing for 21 individuals
7	**California, Santa Ana** Former FCC Monitoring Station (Interior) •4 acres, unimproved	9/1/89 (HHS lease) Returned to GSA 1/31/91 by HHS	$500,000	**Provider:** Orange Coast Inter-faith Shelter **Service:** 64 units of 2- and 3-bedroom transitional apartments for 256 homeless, including a day care facility
8	**District of Columbia, Washington, D.C.** Portion of Square 571 (GSA) DC-0461A •0.4 acre •4,766 sq.ft. building	6/30/89 (HHS lease)	$20,000,000	**Provider:** National Coalition for the Homeless. Subleased to Community for Creative Non-Violence **Service:** Job training, cultural classes, and recreation for 1,500 individuals weekly
9	**Florida, West Palm Beach** Former US Army Reserve Center (Army) FL-0682A •3.1 acres, unimproved	5/17/89 (HHS lease) Returned to GSA 11/24/92	$1,250,000	**Provider:** Uplift Assistance, Inc. **Service:** 10,000 to 15,000 sq.ft. facility for transitional housing for 50-75 persons
10	**Maryland, Maryland City** Portion of Fort George G. Meade (Army) MD-0433E •35 acres, unimproved	9/1/89 (HHS lease) Returned to GSA 5/6/93	$260,000	**Provider:** Housing America Through Training, Inc. **Service:** 300 rental housing units to be constructed to house 400-500 individuals
11	**Massachusetts, Lynn** Former Marine Training Center (HHS) •0.40 acres •23,757 sq.ft. building	2/17/89 (HHS Deed)	$350,000	**Provider:** City of Lynn **Service:** 50-bed shelter; health clinic for 500, weekly; and food kitchen serving 350 daily

Enclosure
Answers to Questions Regarding Federal Real Property Management

	Location and property description	Date of assignment	Property value	Homeless provider and services
12	**Michigan, Pontiac** Furlong Federal Building (GSA) •0.63 acre •35,613 sq.ft. building	4/4/89 (HHS lease)	$500,000	**Provider:** Pontiac Rescue Mission **Service:** Dormitory and transitional apartments for up to 150 persons. Meals for 180-190 persons daily
13	**Mississippi, Port Gibson** Federal Building and Post Office (GSA) MS-0474A •0.75 acre •7,951 sq.ft.	6/9/89 (HHS lease) Returned to GSA 4/16/96	$175,000	**Provider:** Whitman "Grady" Mayo Scholarship Foundation, Inc. **Service:** Temporary shelter serving a 12 county area and housing for homeless persons
14	**New Jersey, Edison** Portion of Former Raritan Depot (GSA) •3.1 acres, unimproved	1/26/89 (HHS lease)	$716,000	**Provider:** Middlesex Inter-faith Partners **Service:** Housing for 27 families in modular homes
15	**Ohio, Chillicothe** Portion of Camp Sherman Rifle Range (Army) OH-0433B •4.97 acres, unimproved	6/9/89 (HHS lease) Returned to GSA 11/24/92	$50,000	**Provider:** Home Between Homes, Inc. **Service:** Transitional housing for 54 homeless individuals and families
16	**Pennsylvania, Phoenixville** Portion of former Valley Forge General Hospital (GSA) PA-0666 •13.55 acres •6 buildings •39,950 sq.ft.	9/29/89 (HHS lease) Partial reversion to GSA 3/18/97 (7.46 acres). The remainder (7.07 acres) was converted to deed for continued homeless use.	$535,500	**Provider:** Community Mental Health Services Properties, Inc. **Service:** Transitional residential units for five homeless families for up to 60 days
17	**Puerto Rico, Aquadilla** Portion of former Ramey AFB (Air Force) •4.8 acres •6 buildings •19,215 sq.ft.	5/17/89 (HHS lease) Returned to GSA	$50,000	**Provider:** Municipality of Aquadilla **Service:** Homeless facility for 5 persons, initially providing 35-25 meals and medical services daily

Enclosure
Answers to Questions Regarding Federal Real Property Management

	Location and property description	Date of assignment	Property value	Homeless provider and services
18	**Rhode Island, Providence** John E. Fogarty Federal Building (GSA) •.18 acre •1 building •19,656 sq.ft.	6/9/89 (HHS lease) Returned to GSA 10/11/89 by HHS. City of Providence provided replacement location and $325,000 in renovations for Traveler's Aid Shelter.	$1,950,000	**Provider:** Traveler's Aid Society of Rhode Island **Service:** Multiservice center
19	**Texas, Carrizo Springs** Former Border Patrol Station (Immigration) •0.30 acre •2 buildings •1,312 sq.ft.	8/4/89 (HHS lease)	$27,650	**Provider:** Community Services Agency of Dimmitt, LaSalle, and Maverick Counties **Service:** Shelters for 20 homeless individuals, and counseling program serving the entire community
20	**Texas, San Angelo** Fish Hatchery #2 (Interior) •96 acres •8 small buildings	8/17/89 (HHS Deed)	$175,000	**Provider:** Concho Valley Center for Human Advancement **Service:** Shelter and job training for 12 and housing for 20 handicapped adults
21	**Texas, San Antonia** Federal Building (GSA) •0.4 acre •51,573 sq.ft. building	5/17/89 (HHS Deed)	$800,000	**Provider:** City of San Antonio **Service:** Multiservice facility, 100-bed emergency shelter, transitional housing for 20 families, single-room housing for 30, and dining facility for 200

Enclosure
Answers to Questions Regarding Federal Real Property Management

	Location and property description	Date of assignment	Property value	Homeless provider and services
22	**Wyoming, Fremont** Lander Wyoming Ranger Residence •0.26 acres •2 buildings	6/30/89 (HHS lease) Returned to GSA 10/26/90	$35,000	**Provider:** Inter-Christian Coalition Organization for Shelter **Service:** Not reported

FY 90—10 SITES—$18,969,600

	Location and property description	Date of assignment	Property value	Homeless provider and services
1	**Arizona, Tucson** Portion of Davis Monthan AFB (Air Force) •19.64 acres, unimproved	12/20/89 (HHS lease)	$1,544,000	**Provider:** Vietnam Veterans of America, Inc. **Service:** 80 units of housing for 320 homeless veterans and families. Employment and outreach counseling provided
2	**Massachusetts, Boston** 17 Court Street (GSA) •0.4 acre •1 building, 80,000 sq.ft.	5/17/90 (HHS Deed)	$16,000,000	**Provider:** Vietnam Veteran's Workshop, Inc. **Service:** Transitional housing and emergency shelter for 150 veterans, 24-hour multiservice center, including counseling, medical clinic, and meals
3	**Nebraska, Lincoln** Building 20, VA Medical Center (VA) •2.39 acres •1 building	3/26/90 (HHS lease) Returned to GSA 5/24/94.	$100,000	**Provider:** Transitional Life Center, Inc. **Service:** Housing for up to 12 homeless female ex-offenders. Program includes drug rehab, preventive health care, and job training

Enclosure
Answers to Questions Regarding Federal Real Property Management

	Location and property description	Date of assignment	Property value	Homeless provider and services
4	**New Mexico, Albuquerque** Former Indian School of Practical Nursing (HHS) •1.69 acres •3 buildings •21,634 sq.ft.	11/20/89 (HHS lease) Returned to GSA 4/19/92	$150,000	**Provider:** New Day, Inc. **Service:** Emergency shelter for 500 homeless women and runaway youth per year. Counseling and outreach services provided.
5	**New Mexico, Albuquerque** Portion of VA Hospital (GSA) •10 acres •4,000 sq.ft. •Buildings	3/26/90 (HHS lease, converted to deed)	$350,000	**Provider:** New Day, Inc. **Service:** 4 to 6 houses for 15 homeless adolescents. Administrative building for therapy and counseling for 500 youths annually.
6	**New York, New York** Federal Building, 252 Seventh Avenue (GSA) •Portion of 15th floor •1,600 sq.ft.	2/1/90 (GSA permit) Permit expired, returned to GSA 5/96. Sold in 1998	$103,200	**Provider:** Food & Hunger Hotline **Service:** Daytime phone counseling serving 5,000 per month, 80 percent families
7	**New York, New York** Federal Building, 252 Seventh Avenue (GSA) •Portion of 15th floor •6,200 sq.ft.	4/1/90 (GSA permit) Permit expired, returned to GSA 5/96. Sold in 1998	$399,900	**Provider:** The Doe Fund, Inc. **Service:** Daytime training and educational service serving 400 homeless per month
8	**New York, New York** Federal Building, 252 Seventh Avenue (GSA) •Portion of 15th floor •1,000 sq.ft.	5/1/90 (GSA permit) Permit expired, returned to GSA 5/96. Sold in 1998	$64,500	**Provider:** Community Access, Inc. **Service:** Support staff office space for programs aiding homeless mentally ill serving 100 per month
9	**New York, New York** Federal Building, 252 Seventh Avenue (GSA) •Portion of 15th floor	10/1/90 (GSA permit) Permit expired, returned to GSA 5/96. Sold in	$20,640	**Provider:** Upper New York City Aids Counseling **Service:** Aids counseling

Enclosure
Answers to Questions Regarding Federal Real Property Management

	Location and property description	Date of assignment	Property value	Homeless provider and services
		1998		
10	**New York, New York** Federal Building, 252 Seventh Avenue (GSA) •Portion of 11th floor •4,000 sq.ft.	5/1/90 (GSA permit) Permit expired, returned to GSA 5/96. Sold in 1998	$258,000	**Provider:** Community Counseling & Mediation of NY **Service:** Social support for homeless and abused women, children, and adolescents serving 645 monthly

FY 91—6 Sites—$ 1,326,640

	Location and property description	Date of assignment	Property value	Homeless provider and services
1	**Alaska, Anchorage** Anchorage Duplexes 924-926 and 944-946 Brown Street 9-V-AK-496	4/11/91 (HHS lease)	$110,000	**Provider:** Alaskan AIDS Assistance Association **Service:** Transitional housing for homeless with HIV
2	**Maine, Ellsworth** Ellsworth Federal Building 2-G-ME-0622G	6/21/91 (HHS lease)	$500,000	**Provider:** H.O.M.E., Inc. **Service:** Traditional shelter, soup kitchen, and free health clinic
3	**New Jersey, Clifton** Former Naval Reserve Center (GSA) •1.56 acres •0 buildings	11/5/90 (HHS lease)	$450,000	**Provider:** Paterson Coalition for Housing, Inc. **Service:** Traditional housing, child care, job training, and counseling
4	**New York, New York** Federal Building, 252 Seventh Avenue (GSA) •Portion of 15th floor •320 sq.ft.	10/1/90 (GSA permit) Permit expired, returned to GSA 5/96.	$20,640	**Provider:** Ministry for Upper NYC **Service:** AIDS counseling
5	**New York, New York** Portion of Federal Building #2, 29th St. & Third Ave. (GSA)	10/1/90 (GSA permit)	$72,000	**Provider:** Nazareth Home **Service:** Warehouse for monthly furniture distributions to 200 families

Enclosure
Answers to Questions Regarding Federal Real Property Management

	Location and property description	Date of assignment	Property value	Homeless provider and services
	•800 sq.ft.			
6	**Ohio, Jacksonburg** Receiver Site, Bethany Relay Station 2-Z-OH-726A	8/26/91 Returned to GSA and sold in 1998.	$174,000	**Provider:** American Children's Foundation **Service:** Housing for 8 homeless individuals or 1 family and a summer camp for up to 200 homeless children

Enclosure
Answers to Questions Regarding Federal Real Property Management

FY 92—8 Sites—$805,079

	Location and property description	Date of assignment	Property value	Homeless provider and services
1	**California, Mendocino County** Ukiah Latitude Observatory 9-C-CA-1277 •2.56 acres •residence and observatory	11/27/91 (HHS deed) Application withdrawn 7/24/92	$275,000	**Provider:** Community Development Commission of Mendocino County **Service:** Transitional housing for homeless; up to four family units planned
2	**Florida, Jacksonville** Portion of Job Corps Center 236 W. 4th Street 04-L-FL-0967 •0.17 acres •3 buildings	7/30/92 (HHS deed) Released by homeless provider	$45,000	**Provider:** Springfield Preservation and Restoration, Inc. **Service:** Transitional housing for one homeless family
3	**Montana, Flathead** Portion of Kalispell Air Force Station (Air Force) 7-D-MT-0571B •0.27 acres •1 building •960 sq. ft.	12/31/91 (HHS lease) Application withdrawn 6/10/92	$1,000	**Provider:** Faith Works, Inc. **Service:** Transitional housing for homeless people who have a substance abuse problem
4	**Montana, Flathead** Portion of Kalispell Air Force Station (Air Force) 7-D-MT-0571C •2.7 acres •13 building •14,494 sq. ft.	12/31/91 (HHS lease) Application withdrawn 6/10/92	$55,000	**Provider:** Faith Works, Inc. **Service:** Transitional housing for homeless people who have a substance abuse problem
5	**New York, New York** Federal Building, 252 Seventh Avenue (GSA)	5/1/92 (GSA permit) Permit expired,	$121,833	**Provider:** Multitasking Systems **Service:** Homeless job

	Location and property description	Date of assignment	Property value	Homeless provider and services
	•Portion of 15th floor •4,000 sq.ft.	returned to GSA 5/96.		training and placement
6	**New York, New York** Federal Building, 252 Seventh Avenue (GSA) •Portion of 15th floor •320 sq.ft.	5/1/92 (GSA permit) Permit expired, returned to GSA 5/96.	$9,746	**Provider:** Homeless Resources **Service:** 800 number for homeless; serves 20,000 providers
7	**Ohio, Mansfield** Naval Reserve Center 2-N-OH-783 •1.7 acres •2 buildings •29,659 sq.ft.	4/17/92 (HHS deed) Application withdrawn 7/2/92	$6,500	**Provider:** Volunteers of America **Service:** Shelter, counseling, and variety of other services for homeless
8	**Washington, Oak Harbor** Portion of Whidbey NAS 9-N-WA-585M •1.67 acres unimproved land	5/18/92 (HHS deed) Returned to GSA	$291,000	**Provider:** The Opportunity Counsel **Service:** Housing for up to 6 families, employment counseling, medical services, and variety of other services for homeless

FY 93—3 Sites—$1,630,500

	Location and property description	Date of assignment	Property value	Homeless provider and services
1	**Maine, Bangor** Portion of Former Charleston Family Housing 2-D-ME-526G •16 buildings •6 garages	9/8/93 (HHS deed)	$920,500	**Provider:** City of Bangor **Service:** Various programs including job and drug counseling, emergency shelter and transitional housing for about 2,000 homeless individuals, including families
2	**Oregon, Klamath Falls** Kingsley Family Housing Annex	3/26/93 (HHS lease) Returned to GSA	$100,000	**Provider:** SOCO Development, Inc. **Service:** House

Enclosure
Answers to Questions Regarding Federal Real Property Management

	Location and property description	Date of assignment	Property value	Homeless provider and services
	•174 single family residences			approximately 200 homeless families
3	**Washington, Olympia** Federal Building 9-G-WA-1040	6/24/93 (HHS deed)	$610,000	**Provider:** Housing Authority of Thurston County, WA **Service:** Staff offices, counseling facilities, and a distribution point for an estimated 2,000 homeless individuals

FY 94—3 SITES—$ 1,112,000

	Location and property description	Date of assignment	Property value	Homeless provider and services
1	**Maine, Bangor** Portion of Former Charleston Family Housing 2-D-ME-526G •5 buildings	1/11/94 (HHS deed)	$252,000	**Provider:** Bangor Halfway House, Inc. **Service:** Short-term housing and training for homeless men with substance abuse problems
2	**Michigan, Warren** Arsenal Acres 2-D-MI-756 •7 residences •6.64 acres	9/20/94 (HHS lease) Returned to GSA 12/96	$250,000	**Provider:** Haven Community Mission **Service:** Transition housing for homeless families that have one or more members who are chemically dependent. About 48 families will be served
3	**Washington, Olympia** Federal Building 9-G-WA-1040A	8/5/94 (HHS deed) Returned to GSA (Second assignment and return)	$610,000	**Provider:** Low Income Housing Institute of Seattle **Service:** Residential housing for 30-37 single homeless individuals

Enclosure
Answers to Questions Regarding Federal Real Property Management

FY 95—2 SITES—$6,200,000

	Location and property description	Date of assignment	Property value	Homeless provider and services
1	**Arkansas, Little Rock** Murray Overlook McClellan Kerr Project 7-D-AR-0548	10/20/94 (HHS lease)	$200,000	**Provider:** Our House, Inc., of Little Rock **Service:** Job training for about 20 individuals
2	**California, Los Angeles** VA Triangular Parcel, 1401 Sepulveda Blvd 9-G-CA-0514K	8/10/95 (HHS deed)	$6,000,000	**Provider:** Salvation Army, California Div. **Service:** Transitional housing for homeless families

FY 96—NO PROPERTIES TRANSFERRED FOR HOMELESS USE

FY 97—3 SITES—$ 1,981,000

	Location and property description	Date of assignment	Property value	Homeless provider and services
1	**Arkansas, Benton** Former Federal Building 7-G-AR-0550 •1 building •.03 acre	4/7/97 (HHS)	$200,000	**Provider:** Salvation Army, Benton, AR. **Service:** Emergency shelter and provides educational and social services
2	**Kansas, Manhattan** Former Federal Building 7-G-KS-0516 •21,000 sq.ft. building	7/7/97 (HHS deed)	$147,000	**Provider:** North Central Flint Hills Area Agency on Aging **Service:** Transitional housing and support for families and individuals
3	**Washington, Redmond** Former Coast Guard Redmond Housing 9-U-WA-1109 •18 housing units •5 acres	9/25/97 (HHS deed)	$1,634,000	**Provider:** City of Redmond **Service:** Transitional housing for homeless individuals and families

Enclosure
Answers to Questions Regarding Federal Real Property Management

FY 98—5 SITES—$ 2,192,000

	Location and property description	Date of assignment	Property value	Homeless provider and services
1	**Minnesota, Duluth** Duluth Housing Unit 1-U-MN-0571 •Duplex house •.09 acre	9/29/98 (HHS deed)	$130,000	**Provider:** Salvation Army **Service:** Transitional housing for homeless families
2	**Montana, Bozeman** Army Reserve Center 7-D-MT-0605	10/10/97 (HHS deed)	$100,000	**Provider:** Human Resource Development Council **Service:** Living units for homeless families
3	**Texas, Galveston** Fort Crockett Housing 7-U-TX-0549H •5 duplexes •2.45 acres	3/13/98 (HHS deed)	$325,000	**Provider:** Women, Inc. **Service:** Transitional housing for battered women
4	**Texas, Galveston** Fort Crockett Housing 7-U-TX-0549G&I •5 duplexes •1 single family house •6.4 acres	3/13/98 (HHS deed)	$1,162,000	**Provider:** The Children's Center **Service:** Temporary housing for homeless families
5	**West Virginia, Charleston** Guthrie Air Force Station 4-GR-WV-0470 •17 buildings •7.15 acres	11/17/97 (HHS deed)	$475,000	**Provider:** Multi-County Action Against Poverty **Service:** Transitional housing and miscellaneous treatment programs

FY 99—3 SITES—$ 1,731,000

	Location and property description	Date of assignment	Property value	Homeless provider and services
1	**Maryland, Frederick** Duplex House 4-F-MD-0597	8/19/99 (HHS deed)	$81,000	**Provider:** Advocates for Homeless **Service:** Transitional housing

Enclosure
Answers to Questions Regarding Federal Real Property Management

	Location and property description	Date of assignment	Property value	Homeless provider and services
	•House and Garage •0.6 acre			for homeless families
2	**Maryland, Waldorf** Waldorf Housing 4-N-MD-0546 •12 housing units •3.7 acres	8/11/99 (HHS deed)	$650,000	**Provider:** Catholic Charities **Service:** Housing for disabled homeless
3	**Texas, Dallas** Southwestern Lab 7-D-TX-1059 •120,000 sq.ft. building •5 acres	8/19/99 (HHS deed)	$1,000,000	**Provider:** Union Gospel Mission **Service:** Transitional housing for women and children

FY 2000—2 SITES—$205,000 [a]

	Location and property description	Date of assignment	Property value	Homeless provider and services
1	**California, Shasta** Redding Reserve Site 9-D-CA-1524	12/7/00	$155,000	**Provider:** Vietnam Veterans of America **Service:** Unknown
2	**Illinois, Marseilles** NWS Observatory 1-C-IL-708 •2 buildings •10 acres	11/3/99 (HHS deed)	$50,000	**Provider:** Growing Home, Inc. **Service:** Land for horticultural use/training

Note 1: Generally, when homeless properties revert back to GSA, they are rescreened again through GSA's property disposal process to determine whether there is a federal need for the property, or if the property can be used for certain public uses, such as homeless needs, airports, education, or wildlife preservation. Once this screening is done, the property is offered to public and private parties for auction or sealed bid. Fair market value is required.

Note 2: When a homeless application is withdrawn, the property moves forward in the disposal process and is offered to public and private parties for auction or sealed bid.

[a] In addition to two properties directly permitted for homeless use in FY 2000, the disposal of another federal surplus property benefited the homeless. In an agreement between GSA, the Navy, and the Miami Coalition for the Homeless, GSA

sold a 3-acre Naval Reserve Center in the Coconut Grove section of Miami, FL, to a private sector developer for $14.4 million. The Miami Coalition for the Homeless received half ($7.2 million) of the proceeds from this property sale.

Source: GSA

2(a). Has GAO conducted any work looking at the ways the states effectively managed their portfolio of assets? If so, what did you find?

Yes, as part of our December 1998 executive guide,[2] we reviewed capital decisionmaking principles and practices used by outstanding state and local governments and private sector organizations. Based on selection criteria that included recognition by experts and academics of leading organizations in the field, receipt of awards for capital planning or elements of quality, references as outstanding in multiple sources of information, and superior financial performance, we selected 12 organizations, including the following five states:

- Maryland
- Minnesota
- Missouri
- Virginia
- Washington

The framework set out in our Executive Guide consists of a systematic approach to capital decisionmaking and management that could be effectively applied in agencies throughout the federal government. The framework contains the following 5 general principles and 12 associated practices that leading state, municipal, and private organizations have used to make capital investment decisions:

Principle I: Integrate organizational goals into the capital decisionmaking process.

Practices:

- Conduct comprehensive assessment of needs to meet results-oriented goals and objectives.
- Identify current capabilities, including the use of an inventory of assets and their condition, and determine if there is a gap between current and needed capabilities.

[2] Executive Guide: Leading Practices in Capital Decisionmaking (GAO/AIMD-99-32, December 1998).

- Decide how best to meet the gap by identifying and evaluating alternative approaches.

Principle II: Evaluate and select capital assets using an investment approach.

Practices:

- Establish, review, and approve a framework supported by analyses.
- Rank and select projects based on established criteria.
- Develop a long-term capital plan that defines capital asset decisions.

Principle III: Balance budgetary control and managerial flexibility when funding capital projects.

Practices:

- Budget for projects in useful segments.
- Consider innovative approaches to full up-front funding.

Principle IV: Use project management techniques to optimize project success.

Practices:

- Monitor project performance and establish incentives for accountability.
- Use cross-functional teams to plan for and manage projects.

Principle V: Evaluate results and incorporate lessons learned into the decisionmaking process.

Practices:

- Evaluate results to determine if organizationwide goals have been met.
- Evaluate the decisionmaking process; reappraise and update to ensure that goals are met.

Our work and that of others indicate that many states face the same asset management problems that the federal government does--particularly with regard to long-standing deferred maintenance of properties and the lack of political attention to real property management. In February 1999, Governing Magazine, in partnership with the Maxwell School of Citizenship and Public Affairs at

Syracuse University, published the results of a study they conducted entitled "The Government Performance Project" (GPP).[3] One of the five management categories they reviewed was capital management.[4]

According to the GPP study, the states that received the highest marks for capital asset management were as follows:

Those states receiving a grade of A: Missouri, Utah, and Virginia, and Washington
Those states receiving a grade of A-: Kentucky, Maryland, Minnesota, Nebraska, and Wisconsin.

2(b). Please provide the Subcommittee with a synopsis of California's asset management program and specifically discuss (1) asset management challenges they encounter, and (2) any actions they are taking to better manage their large portfolio of state-owned real-property assets.

According to consultants and experts we spoke with, the best single source of information to answer the question regarding California's asset management program and the challenges it faces is a 1995 report conducted by the Little Hoover Commission (LHC),[5] California's independent state oversight agency (see executive summary of this report as excerpted below). According to LHC officials, little progress has been made since this report was released 5 years ago.

The following excerpts were published with permission from the Little Hoover Commission. California's Department of General Services provided us with updated background data.

Background

California owns 2,003 individual properties made up of 19,607 separate parcels encompassing 2.5 million acres. Pieced together, they would comprise a land mass roughly equal in size to Los Angeles

[3]"Grading the States: A 50-State Report Card on Government Performance," Governing Magazine Special Issue, (February.1999). See http://www.governing.com/gpp/gp9intro.htm
[4]The project researchers chose to exclude roads and bridges from the capital management category because many of the decisions about them are federally dictated. Instead, the researchers focused on states' other assets, primarily buildings, such as offices and prisons.
[5]California's Real Property Management: A Cornerstone for Structural Reform (December 1995)
(See http://www.lhc.ca.gov/lhcdir/137rp.html) The Little Hoover Commission is an independent state oversight agency that was created in 1962. The Commission's mission is to investigate state government operations and through reports, recommendations, and legislative proposals promote efficiency, economy, and improved service. By statute, the Commission is a balanced bipartisan board composed of five citizen members appointed by the governor, four citizen members appointed by the legislature, two senators and two assembly members.

County. The State owns 19,000 buildings totaling 185 million square feet of space, which is equivalent to 16 New York World Trade Centers. The holdings are as diverse in their purpose as they are in their nature: highway maintenance stations, employment development offices, fish hatcheries, mental institutions, universities, prisons, and the veterans home.

Executive Summary

The state's management of its real property assets has been plagued for many years by intractable problems. Recently, sincere efforts have been made to put those assets to better use and to better provide the facilities needed to make government effective. But those efforts have been hobbled by institutional inertia, political controversy, and an organizational structure that provides neither accountability nor control.

Traditionally, attempts to improve real property management have been inspired by the need to stretch the state's resources and generate revenue. Those reasons are more important today than ever before. Increasingly, however, it also is clear that reforming how state government functions internally—through property management, through procurement of goods and services, and through personnel systems—is an essential precursor to improving the efficiency of those departments that directly serve the public.

The Little Hoover Commission believes some administrative and legislative changes could make the existing system function better. However, the Commission believes significant organizational restructuring is needed if significant improvements are to be realized. At a minimum, the existing offices now within the Department of General Services (DGS) should be realigned and unified into a new department. But the state also should give serious consideration to establishing a quasi-public corporation to manage its properties and provide needed facilities. In either case, the state should look to competition, incentives, and outsourcing as ways to encourage innovation and provide managers with the tools needed to make good decisions and to implement state policies. Toward that end, the Little Hoover Commission makes the following findings and recommendations:

Finding 1: The state is still not proactively managing property.

Despite years of constructive criticism from a variety of sources, the state has not evolved from a caretaker of its vast real estate assets to a proactive manager. Efforts have been made to identify surplus property, renegotiate leases, consolidate state agencies, and reconfigure workplace standards. But the track record of these efforts reveals the untapped potential for managing the state's property.

Recommendation 1: The state should aggressively pursue more efficient and market-based management. It should infuse competition whenever possible to encourage innovation and

economy. And it should more aggressively tap private-sector services to take advantage of unique opportunities.

The success of any attempts to proactively manage property will rest greatly on the mechanisms the state uses to pursue those goals. Proactive management cannot be legislated, but the legislature can provide the tools that property managers need to do a better job. Ambition also cannot be legislated, but departments and individuals can be expected to respond to economic and institutional incentives.

The Department of General Services could immediately implement this recommendation by taking the following actions:

- The department should more aggressively renegotiate leases, particularly as part of its efforts to execute some small-scale consolidation programs. The department should contract with private firms when necessary to take advantage of short-term market conditions.

- The department should expand its pilot project using private brokerage firms to gain more quickly the necessary experience needed to implement a statewide program that efficiently meets client needs while protecting taxpayers against contract abuses.

- The department should redesign the Building Rental Account to establish individual building rents that reflect the market rates of occupancy. The department and its customers should negotiate adjustments to those rates to finance deferred maintenance projects. The department and its customers also should negotiate adjustments to those rates to finance tenant improvements that might facilitate organizational restructuring. The legislature should be billed for its space costs, or those costs should be allocated over all state agencies, not just those in DGS-owned buildings. This would be the first step toward implementing earlier Commission recommendations that buildings be appraised regularly and that facility managers calculate an annual return on investment to evaluate the performance of significant state assets.

- To the extent allowed by law, private maintenance firms should be able to compete against DGS-supplied maintenance for service contracts. The contracts should provide a level of service that minimizes long-term maintenance needs. The bidding process should be reviewed to ensure that public workers have a fair opportunity to compete for maintenance contracts, to consider the policy concerns of differing wages, and to provide the State with the best possible value.

The governor and the legislature could further implement this recommendation by taking the following actions:

- Legislation should be enacted granting all departments the option of contracting with DGS, other government agencies, or private-sector firms for meeting their space needs. DGS should have the opportunity to bid on all proposals.

- All outsourcing contracts should be reviewed by a central authority, such as the Department of Finance. The authority's obligation would be to determine that the decision to use a private-sector provider was in the best interest of the state.

- Legislation should be passed that allows departments to redirect 20 percent of the revenue from property-related activities or savings from space-related decisions to enhance existing programs.

Finding 2: The state's office consolidation efforts and construction projects, while subjected to much political scrutiny, lack effective economic review.

The state has long had a strategy of trying to consolidate office space—to avoid the usually escalating costs of leasing, to accrue the equity of ownership, and to remedy the fragmentation of its agencies. But efforts to coordinate the office space needs of the state have been troubled by an unclear process for deciding when to lease and when to own, an antiquated financing and legislative approval process, the lack of coherent siting policy—and overall, inadequate review of what should be built where.

Recommendation 2: The state should establish a streamlined, yet rigorous, process for independently analyzing and winning legislative approval of large projects.

The process needs to reaffirm the legislature's role of setting policy and funding priorities for construction of state facilities, while recognizing needs of property managers for expeditious review and approval. An effective process also would require clear strategies for siting, awarding design and construction bids, and financing such projects.

The governor and the legislature could implement this recommendation in the short term by taking the following actions:

- Consolidation plans should be financially fashioned and physically sized after a review of both leasing and purchase options of existing structures are explored, as well as the program needs of prospective tenants and nonbuilding alternatives for meeting those needs.

- The department should more aggressively assist departments to reassess their long-term space needs and explore alternatives for satisfying those needs, including telecommuting and space sharing.

- The Department of General Services should have the agreement of all tenant agencies needed to fill a new building before construction begins. Tenant agencies should agree to pay rent equal to the actual costs of occupying the new structure, including a long-term maintenance plan. (If a statewide interest exists in providing additional public spaces or architectural stature, an appropriation from the state capital outlay budget could be used to augment tenant contributions.)

- Legislation should be enacted clearly establishing a state policy on how and where state buildings will be constructed, the procedures for setting qualifications and awarding bids, and designating the appropriate point for legislative approval for all large projects and under various financing scenarios.

- The legislature should create a standing joint committee to review and approve large construction projects and long-term leases. The committee and its staff would have the opportunity to build a greater expertise in order to provide thoughtful review, while providing the new department with the opportunity to build trust with the legislature. Upon approval by the committee, the full legislature would have 45 days to act on the proposal.

- The Department of General Services should adopt internal procedures for reviewing the rationales for a project prior to the commencement of construction to ensure that assumptions used in the planning process are still valid.

Finding 3: The state's major property management problems will be difficult, if not impossible, to resolve without significant organizational restructuring.

More than 5 years of effort on the part of the Executive Branch to reform property management practices without changing the organizational structure has failed to show substantive improvements. At best, the structural problems have made it hard for the state to be a proactive manager and have created resistance to those reforms. At worst, the experience of recent years has shown that overall improvements will not be made until the state makes structural changes in real property management.

Recommendation 3: The state should unify its management of developed property. The unified entity should be independent yet accountable. It must be free to use market mechanisms and business practices and free from day-to-day political influence.

At a minimum, the state must tear down the walls within the real estate arm of the Department of General Services so that it can more efficiently plan for and deliver property services. But the potential for reform is far greater, and the state should seize the opportunity to create a new organization that can profitably manage its multibillion-dollar property portfolio.

Enclosure
Answers to Questions Regarding Federal Real Property Management

The governor and the legislature could implement this recommendation in the short term by taking the following actions:

- Legislation should be enacted creating a Department of Real Property Services separate from the Department of General Services. Planning, construction, leasing, and maintenance should be unified to make more coordinated decisions about how to meet space needs of customer agencies; how to manage existing structures; and how to blend technology, space, design, and management techniques to reduce space needs.

- The legislation should provide that employees of the new department will have a separate bargaining unit, and the initial contract should include greater flexibility for offering merit-based compensation, broad classifications, and expedited disciplinary appeals.

The governor and the legislature could implement this recommendation over the long term by taking the following actions:

- Legislation should be enacted creating a public corporation similar to the British Columbia Buildings Corporation The corporation should be financially independent and fee-based. It should be governed by a board appointed by the governor and legislature and could include constitutional officers, including the Controller and Treasurer. Its independence would allow it to make business-oriented decisions and to respond to market and technological changes to better serve customers. The corporation could be expected to provide services efficiently through economy of scale and access to public financing tools. While revenues could be reinvested in corporate programs, profits would be turned over to the General Fund.

- The corporation should be free to hire employees outside of the civil service system and to enter into contracts with the private sector without approval from control agencies, including the State Personnel Board and the Department of General Services.

- The corporation should purchase from the state all developed office space. After a period of organizational development, the corporation would have to compete for the services of all customer agencies. At that time, departments would be free to turn to the private sector, other government agencies, or to the corporation to satisfy their space needs. This would provide the corporation with the time to organize, while ultimately providing the competition necessary to achieve even greater efficiencies than a unified monopoly can provide.

- The corporation should be granted the authority to decide building location, design, and financing. Before the client agency could enter into an agreement with the corporation, however, it must prove that it has the funds to pay for any additional facility-related costs.

- The corporation should be directed to site buildings in compliance with the state's siting policy, while granting the corporation the authority to size and specify buildings to meet a client agency's needs and budget.

- The legislation should grant the corporation the authority to float revenue bonds and to tap private financing sources in order to provide the organization as much flexibility as possible.

According to Little Hoover Commission staff, since their 1995 report, the California DGS has undergone a substantive review of its property management system and now attempts to manage its portfolio of assets in a more strategic and uniform way. DGS has also undergone a significant staff reorganization. However, despite these efforts, LHC says that DGS still does not manage its properties using modern market-based approaches, nor does it have adequate and accurate data on the number, maintenance needs, and value of assets in its inventory with which to make accurate management decisions.

The recent GPP study discussed in question 2(a) appears to share LHC's view and gave California a capital management grade of C-. The study stated that, while California requires its agencies to submit annual 5-year capital plans with prioritized recommendations, most of the plans are not funded or reviewed by the legislature. Moreover, they are not combined with the formal statewide plan (although the Department of Finance does survey departments annually to determine their 10-year needs for capital expenditures). In addition to the above problem, the GPP study reported that there appears to be no statewide system in place that evaluates the condition of assets, and the quality of the information within agencies varies widely.