PUBLIC BUILDINGS REFORM BOARD

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PUBLIC MEETING

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MONDAY
JUNE 17, 2019

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The Public Buildings Reform Board met in the General Services Administration National Capital Region Auditorium, 301 7th Street, SW, Washington, D.C., at 9:15 a.m., Angela Styles, Acting Director, presiding.

PRESENT
ANGELA STYLES
TALMAGE HOCKER
MARY PHILLIPS
NICK RAHALL
DAVID WINSTEAD

ALSO PRESENT
DAN MATHEWS, Commissioner of Public Buildings, U.S. General Services Administration
BART BUSH, Executive Director, Facilities & Operation Support, Department of Homeland Security
BRETT SIMMS, Deputy Executive Director, VA's Office of Asset Enterprise Management, U.S. Department of Veterans Affairs
LORI RECTANUS, Director of Physical Infrastructure, U.S. Government Accountability Office
MARIA FOSCARINIS, Executive Director, National Law Center on Homelessness and Poverty
DANNY WERFEL, Former Federal Controller, Office of Management and Budget
NORMAN DONG, Managing Director, FD Stonewater

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P-R-O-C-E-E-D-I-N-G-S

9:13 a.m.

MS. STYLES: Welcome, everybody. Thank you for coming to our first public meeting. We're just getting started up, just as you might be able to tell. We don't have our placards here. We don't have an agenda for you, but, hopefully, we will in a few minutes. It's quite an adventure, I must say, standing up an independent agency, so we actually are an independent agency. Everything from getting a dot gov address to getting, you know, tables here has been a little bit of a challenge for us.

So we'll start off with some introductions. I'll walk you through what the agenda is going to be. We will have a hard copy of the agenda here shortly, as well.

This is a public meeting. We're not swearing in any of the people that are here today. It's a little bit more in the nature, it's a little bit more in the nature of a roundtable. We will open it up to questions at the very end, as well. We really are trying to get as much information as possible in kind of an informal environment here today.

But just to introduce myself and to let the other Board members introduce themselves, and then I'm going to give a little background on our legislation and where we are as a board, what we're focusing on, our kind of first core issues, if you will. We were just sworn in May 1st, so we really are just getting up and running, so we're pretty happy, at least the first six weeks, in the first six weeks we're able to do this, we're able to pull together a public meeting.

So my name is Angela Styles. I am a government contracts lawyer by background. I'm a partner at Akin Gump. I worked on the Hill for Congressman Joe Barton for a number of years when I was younger. I worked for the Governor of the State of Texas, and I also was at OMB as the administrator for federal procurement policy from 2001 to 2004. Not exactly a real estate background, but I think you'll find what is interesting and I think very helpful about this board is we come from very diverse backgrounds and bring a lot of different pieces to the table that help us navigate the different federal agencies, navigate the politics, navigate the real estate aspects of it, as well.

But with that, I'll turn it over to our other Board members to make introductions. Nick, do you want to start?

MR. RAHALL: Thank you, Angela. And let me begin by welcoming each of you to today's first public hearing. We appreciate the interest, and we know that interest will continue to grow as we continue to do our job. I am a former member of the Congress, a recovering politician, I guess, 38 years in the State of West Virginia. I am proud of this board. As Angela has referenced, it's a diverse board. I think it's the best board, the brightest board, and most talented board in the history of the Public Buildings Reform Board. We're almost 50 days now.

But, seriously, we take our job seriously and we're going to do our job. We are committed to following our enabling legislation as Congress passed it. We are an independent and a transparent body, and I think that we have the expertise on this board to make ourselves proud and to continue to save the American taxpayers money. It is a vast and daunting effort to try to even inventory federal real property, much less collect the correct data and put it all into the proper mechanisms and make it work. But I view this board's mission as one that is to be a partner with each of you in this room and each of the federal agencies, actually, especially GSA, a partner in saving the American taxpayers money, fulfilling our mission, and help make the trains run on time, if you will. Thank you.

MR. HOCKER: My name is Talmage Hocker, and I'm from Louisville, Kentucky. I was nominated to this board by Senator Mitch McConnell. My background is in commercial real estate, primarily shopping centers. It seems like there's a lot of, well, if you will, fake news regarding shopping centers these days and retail in particular. Yes, both are doing very well.

I began my career with my father who began his career with his father, and I have with me today my 31-year-old son and 34-year-old daughter who work with us. During my career, we've developed over 17 million square feet of shopping centers in 14 states, consisting of about 60 properties. And during this time, we have partnered with some of the country's leading institutions, whether it's investment banks, REITs, commercial sales brokers, et cetera.

Other than voting and hosting an occasional political event for members of both parties, I have no governmental experience. However, having the opportunity to serve on this board with such esteemed colleagues, I'm quickly learning the ins and outs of the system.

Now, our task is to reduce the cost of the federal real estate by consolidating its footprint, selling high-value assets that are underutilized to obtain the highest and best value for the taxpayer and maximize the return for the taxpayer; reduce operating and maintenance costs for the federal civilian real properties; create incentives for the agencies to achieve greater efficiency in the real estate holdings and improve efficiencies and services for the homeless.

My vision is to determine, help determine what this list of high-value properties is, work with and assist all necessary parties in selling these properties, whether it's by the GSA online auction process or negotiated off-market or on-market deals, or the use of outside brokers. Following the nomination of these high-valued assets, we'd like to develop a strategy to reduce the overall expenses and reduce costs of the civilian property in a way that benefits the taxpayer.

We are just getting started as a board, and I do believe that this board has both the ability and the desire to exceed any level of expectation that Congress and others may have of us. Thank you.

MS. STYLES: Thank you, Talmage.

MR. WINSTEAD: Good morning. I'm David Winstead. I'm an attorney with Ballard Spahr, and Ballard Spahr has a fairly large real estate practice of which I'm a part of it. I also, I think, from the boards and obviously, Talmage brings a lot of on-the-ground real estate experience, I'm very active with, for example, Boman's National Advisory Council, the Urban Land Institute, Washington District Council, and also the real estate roundtable. So I do have, being active with those groups, I do understand commercial real estate trends and issues of the day, so I hope that will be of help to the Board.

Also, I have had the pleasure of a couple of other public service experiences. I happened to be the Public Building Commissioner of GSA during the Bush administration, the latter part with President W. Bush, and also about 20 years ago I stepped out of law practice and was Secretary of Transportation in Maryland. So I've run a major capital program on the state level with $5 million worth of infrastructure and, obviously, GSA was responsible for the federal building inventory and the federal lease practice. So I do hope that those experiences will be helpful to the Board, as well.

Just a comment. I think expectations -- I also want to compliment in how much I've enjoyed the Board members. Every one of us, I think, brings something different and obviously independent board, but I do want to really, through this hearing, the roundtable, and also future hearings, I do want to score the issue, our mandate from Congress has been clear and I think Angela certainly laid that out, but I recall my years working at the federal level as a real property executive, and I'm quite interested to understand and share with the Board as we go along ways in which we strengthen the tools that real estate people on the federal side have. I struggled, when I was commissioner, for a number of years with that issue because GSA, as you will hear from the Commission and others, does have on the books authorities that, candidly, OMB and Congress, to some degree, have been reluctant to allow GSA to use. I think this board can be helpful in hearing from you all and others about those authorities. I know the VA has had authorities, and we have Brett here this morning to tell us a little bit about some of those successes. But as a Board member, I really want to look at this question of what can we do as a board in our recommendations on some assets but also on tools for federal real properties.

MS. PHILLIPS: Good morning, everyone. I'm Mary Phillips. I also would like to welcome everyone here. Thank you so much for coming.

So my career has been in transportation. I spent a number of years working for three different major freight railroads and strategic planning and marketing, sales, and government affairs. And in government affairs, I spent four years working on community issues, almost all of which involved railroad property in one way or another. So my railroad experience has brought me to Washington, and, unlike most individuals who come to Washington and work a few years on the Hill and then go to the private sector, my career has been I spent 20 years in the private sector and then came to Washington and had an opportunity to work with both the Senate Commerce Committee and the House Transportation Infrastructure Committee on surface transportation issues, rail issues, environmental streamlining for transportation projects, and some innovative financing for transportation.

I also served as a political appointee in the George W. Bush administration at the Federal Highway Administration. This is not working.

MS. STYLES: Here, try this one.

MS. PHILLIPS: And worked in the trucking industry for a number of years, culminating and serving as the head of legislative affairs for American trucking associations. So I was very honored to be nominated to serve on the Board by former Speaker Paul Ryan, and I'm very honored to be working with my fellow Board members. We have a great team.

I think my questions today will go to the initial responsibility to recommend between $500 and $750 million worth of property to be sold in six months. The clock is ticking on that, and we have a tremendous amount of work to do to identify the candidates and then get those candidates vetted.

What's encouraging, I think, to us is GSA, OMB, and federal agencies have already been doing a lot of work and developing recommendations to submit to us, pursuant to FASTA, and we very much look forward to getting those recommendations from OMB. The Federal Real Property Council has been reconstituted as a result of the Federal Property Management Reform

Act, and the agencies now have five-year plans and are looking at properties that they can dispose of.

So all of that will be very helpful to our mission. We'll be reaching out to individual agencies to work together with them. With our authorities, they're some unprecedented, vested in us by Congress, we're in a unique position to accelerate agency plans for property disposal and space consolidation.

We have a real opportunity through FASTA to right-size federal property ownership, and we fully intend to take advantage of the authorities that Congress has vested in us. So I thank you so much

MS. STYLES: All right. I think everybody has agendas now. If you don't, raise your hand. So what I wanted to brief with you, because our legislation is a little hard to, I think, unpack, if you will, I want to walk through kind of our take on our legislation, as well as where we are right now in terms of our focus and the evaluation of high-value properties.

Our legislation is the Federal Assets Sale and Transfer Act, which we refer to as FASTA. It was enacted in December of 2016, so it really has taken a while to get this board nominated, get us constituted, have five members so that we constitute a quorum and can actually make decisions. But we are here now.

I think, as you heard from Talmage and you heard from others, the purpose, the mission, as spelled out in the legislation, is to reduce the costs of federal real estate. And you will hear us all refer to that repeatedly: what are we doing to reduce the cost of federal real estate.

The legislation itself gives us ten ways to do that, if you will. You heard Talmage walk through some of them, but, again, I think it bears repeating just to understand that this is coming straight from our enabling legislation: consolidating the footprint of federal buildings; maximizing the utilization rate; reducing the reliance on leased properties, which is, I think, an interesting take on it because you might actually be able to reduce costs by relying more on leased properties, so we will be discussing that; selling or redeveloping high-value assets; reducing the operating and maintenance costs of federal civilian properties; reducing redundancy overlap and costs associated with field offices. I think you've seen some articles recently about the Department of Agriculture's efforts to move people out of the Washington, D.C. area. That's part of what you're seeing with that.

Creating incentives to achieve greater efficiency in the inventory. This is managing it, managing the assets. What efficiencies can we create by actually managing these properties? Facilitating and expediting the sales; improving the efficiency of real property transfers for the provision of services to the homeless, and, as you can see, will be hearing from the National Law Center on homelessness and poverty, which they were instrumental in this legislation and agreeing to certain provisions related to the high-value properties, which are the first ones up.

And then we have assisting federal agencies in achieving sustainability roles, which is also quite important. A lot of what we're seeing is the operating and maintenance costs of many of these buildings that we're not fully utilizing.

So, again, a hefty goal: reduce the costs of federal real estate. The process established by FASTA, it's a pretty detailed process, I'll put it that way. I'm going to walk through really quickly, the ten steps that are outlined in the statute, but then I'm going to focus on where we are with high-value properties.

So there were submissions by the agencies of recommendations in 2017 and 2018 to GSA and OMB. We do have properties of those. GSA and OMB are supposed to be then taking those and developing recommendations for us. You know, it's unclear today, but that may be part of our discussion is when would we expect to see those because it probably won't be before the deadline for us to make decisions as a board on high-value properties.

Then there's identification of high-value properties, transmission of that list to OMB for approval, review and approval of that list of high-value properties by OMB, and then those properties that we recommend are listed as excess. That's how quick this process is as compared to the standard excess process that you see now.

There's also, we have to analyze, after we get through the Board consideration of high-value properties, we are required to analyze the GSA - OMB recommendations and standards that they will be submitting to us. Then we have two more rounds of property submissions after that. We aren't focused on the next two rounds right now. We are more focused generally on our recommendations for general cost-savings, improving the database, but we're seeing all those things as we go along that may be able to help for the longer-term as opposed to the focus on high-value properties.

So we have a six-year window to do this with a lot of different deadlines in that window. So it's six years from May of this year until May of 2025. We do currently have funding, or we wouldn't be sitting here, so we do have funding for a period of time. And our focus right now, as you've heard from all of us, is on the sale of high-value properties with the identification of those properties, the flexibilities we have in making recommendations associated with the identification of those properties, as well. So it's not just here's a property, but we can increase the value of property by doing this. We can incentivize the agency by doing this, using our three-year lease-back authority, which we'll talk about in a little bit more detail.

So under FASTA, we have six months from when we started to identify at least five federal civilian real properties with an aggregate fair-market value of between $500 million and $750 million to sell through this quick excessing and disposal process. The recommendations are given to OMB for review and approval, and they have 30 days from our submission to then submit them to Congress. The owning agency -- so as you know, different agencies are going to be owning these buildings, it's not just GSA -- have 60 days to submit a report of excess to GSA, and then GSA has 120 days to initiate sale without regard to the laws. It really does, with the exception of environmental laws, the statute does exempt these properties from other laws.

And, generally, then the sale has to be completed within one year of the report of excess to GSA by the owning agencies. There is an exception that would allow that to go in for two years if it was necessary.

So how are we doing this? How have we started off this process? So we have access to the recommendations that the agencies submitted to GSA and OMB in 2017 and last week for 2018. We got access to them last week. Sorry. We have access to the federal real property database, tools that were built by GSA to review and assess the different properties. We also are in the process of hiring an outside contractor to help us slice and dice some of that data, as well.

As I said earlier, we don't have recommendations back from OMB and GSA that were to be submitted under the statute, but, notwithstanding, we decided to, given the deadlines, it was important to go ahead and proceed ahead. We hope to have -- it's just us right now. We don't have an executive director, we don't have any detailees, so we are really just, you know, basically figuring it out as we go. But we do hope to have an executive directly fairly soon. We're working through that process. And we also have authority to detail people from other agencies, and we hope to do that fairly soon, as well.

As I said, we do have contractors on board. As you see, we have a contractor that's here helping us set up the meeting. And then we have another contractor that's been helping us slice and dice the data. So we do have some money. Not a lot. It's up to higher entities to help us get from here to there, certainly the high-value property list and over the next, you know, six years, as well.

So a couple of things, I think, to bear in mind is that we're working through the incentives that we can recommend to the agencies, so we do have a three-year lease-back authority, how that's utilized, what additional recommendations we can make. Our legislation is supposed to allow us, it does actually, to the extent that there's proceeds from the sale, it goes into another pot of money. It goes into another fund. So it's not going back to the Treasury. It's going into another fund that's supposed to help us then sell additional buildings, redevelop additional buildings, do what we need to with additional buildings. So it's just a little harder on the front-end getting started off, and then we actually do have to have approval from appropriators on the back-end that really make recommendations for how to use that money. But we want to be flexible. We want to give agencies incentives to work with us, although we can make recommendations without the agencies working with us, but it's going to be a lot better if we work with the agencies.

We're also focused not just on incentivizing the agencies to do this, to identify the properties, to understand how they can move people, how they can consolidate, how they could have really better space if they work through it correctly. We're also focused on increasing value of the properties to put up for sale, what recommendations we make around increasing value.

And so if you look at our statute it does give us authority to work with state and local governments. As most people know, one of the biggest problems is that federal property is exempt and, if you sell it, many times you're not going to know what the zoning is going to be during the sale. And so people who are trying to assess the value of the property are making bets on what the zoning is going to be for that particular property. So we're hoping that, given the authorities in our statute, that we will be able to work with state and local governments to increase the value of the properties.

There are exempt properties, as you may have noticed. So we don't have authority over most of DoD, National Parks, OCONUS, Tennessee Valley Authority, Postal Service, but there's still a lot of properties in this bucket for us to be going through and reviewing. We will be having additional public meetings where we'll have more people from the private sector speak. We decided to keep this one to current and former government employees to get a perspective on our legislation, a perspective on the entities that are going to be working with us, or evaluating us like GAO.

But with that, I don't know if our Board Members will have any other comments. And I don't know if Dan Mathews is here. Is Dan here?

MR. WINSTEAD: Dan is not, but we do have Bart Bush and Brett.

MS. STYLES: Oh, okay. So if we wanted to start with that, we could. I don't know. Do you guys have other additional comments before we kick off?

MR. WINSTEAD: I think you've covered it.

MS. STYLES: Okay, excellent. Well, if Bart and Brett don't mind coming up, if Dan isn't here, we can just start with you guys.

Oh, wait, Dan is here. Why don't we go ahead and -- sorry, guys.

MR. MATHEWS: Good morning.

MS. STYLES: Good morning. Thank you for joining us.

MR. MATHEWS: It's a great opportunity

to be here.

MS. STYLES: We'll go ahead and let you kick it off.

MR. MATHEWS: Okay, great. Well, again, thank you for the opportunity to be here. It's been a long time coming for the FASTA board, in more ways than you may even realize. It was a long time just to get the legislation passed, and so I think it's a fabulous opportunity.

Just as a slight introduction of myself. You know me already, but I can't see everybody in the room without my glasses on, so they might not. So I've been at GSA for about two years, a little less than two years now, and prior to that I was on the authorizing committee that drafted this legislation and worked for the chairman of the committee that was one of the sponsors of the bill. So I do have a little bit of insight into how the legislation came about, what they had in mind, and why they were trying to do this at all, which I thought might be helpful explaining a little bit of that, sort of defining the problem as Congress saw it. And that also is significant because that helped define the solution that they put into the legislation and what they expected, why there's a board and what they expected the board to be able to accomplish and what some of the challenges would be. So there's some tools in there for the Board to help overcome some of those challenges. And it sounds like my microphone may have gone out a little bit.

MS. STYLES: This one works really well.

MR. MATHEWS: I'll get a little bit closer. I think it's back on again. And then I wanted to wrap it up with sort of a short description of what, in my opinion, the Board might need to be successful and how GSA can help the Board and how the GSA is helping the Board move forward with this.

So going through the problem statement, what was Congress trying to accomplish and why do they even care? It came out of a long list of GAO and Inspector General reports, basically, about federal real estate being on the high-risk list. And why was it on the high-risk list? The inventory is massive. It is complicated. It is dispersed across agencies. There are, in many respects, a lack of good information or controls over the properties, and there was a general understanding that, as a result, we're spending more money on real estate housing federal employees so they can meet their mission than is necessary. And as a result, we could save significant money by improving the process for disposing of the properties.

And they believed there were three basic reasons why it is very hard to get rid of properties. Number one was a notion that we called land-banking. Agencies who may be in custody of a property, even though they weren't using it, hadn't really utilized it significantly for a long period of time, would not want to relinquish it or, at some point in the future, they thought maybe they would have a need, some point in the future maybe they will have money to do something with it, and so they'd like to hold on to it. And that was viewed as a significant problem. First and foremost, that's why the Board exists, an independent board, because the notion was agencies themselves would not necessarily volunteer properties forward for disposal. And I would say, given the three rounds of property recommendations that we requested from agencies, I would confirm that suspicion.

So the second reason were the disposal laws. There is an amalgamation of disposal laws that have accumulated over a decade, frankly probably over hundreds of years, that make it very difficult to get rid of a federal property or to bring it to sale. And as a result, sort of the unintended consequence of that is, well, if you can't bring it to sale, you can't realize the proceeds, tap into that equity, then, well, you might as well just hold on to it. So we hold on and we hold on, and the federal real property inventory just grows and grows and grows every year as a result.

So there was a strong view that you would have to waive those laws in order to be able to bring properties to sale or transfer or whatever the recommendation may be. And the statute has very broad powers when it comes to that. It waives all the public benefit conveyances, and there are multiple rounds, as you know. The system is structured to have full rounds of sales, and the first round waives literally everything. But the subsequent waives basically everything except the McKinney-Vento Act.

And that's an important point because part of the expectation is these later rounds of properties will involve not just large high-value properties but properties that could very well be suitable for homeless purposes and that this board and this process would actually result in more properties moving forward for consideration by the homeless than under the normal process where agencies just tend to hold on to everything. So there's an expectation that this would be a win-win when it comes to that public benefit conveyance.

And then the third concern was money. It takes money to move off of a property. And unless you're talking public domain lands, which are exempted from this process, there's not a lot of vacant federal land, real property out there that could just be sold for cash. There's an expectation that it will take some money to dispose of properties and, therefore, you need to generate some cash up-front to roll over into those subsequent rounds, and the bill creates a structure, albeit it is subject to appropriation, but it creates a special fund where the proceeds would go into and be available for those purposes.

So those were the three basic ways they were looking to address those three basic problems. And, again, the solutions, an independent board, access to data and outside input, and OMB approval. Waivers and expedited process. So the bill, again, has lots of waivers in it and expedited process to bringing things to sale. And then this very important first round, which, you have what? Four and a half months or so, and the clock is ticking on that one until October 1st to generate cash sales.

And the important thing to note is we've talked a lot about disposal, or I have, but, when you actually read the bill, it says the purpose is more directly tied towards money and the cost-savings than it is to disposing a certain quantitative number of properties. It's really about cost-savings. And if you think about the federal inventory, particularly, say, GSA's inventory, since 2011, 2012 when Freeze the Footprint became a policy of the previous administration, and that went pretty well and they sort of upped the ante to Reduce the Footprint policy. And I wish I had that slide with me now. But if you -- I have the slide that I use at events sometimes where you can see the federal inventory for about the last 20 years or at least when it comes to GSA's inventory. It's a pretty steady increase. Just imagine like a slope just going up every year, year after year, particularly on the leasing, and Freeze the Footprint went into effect and that slope shifted, leveled out a bit. And then Reduce the Footprint went in, and it actually dropped on the leasing side. And the projections for the growth were just to continue out because it had been very constant for probably 30 years. And the difference between that, where it was projected and where our lease inventory is now represents $1 billion in annual rental fees. So cost was very much the forefront of this legislation.

And if you look at the owned inventory line, it doesn't do that. It continues to go up. The increase, the slope, decreases, so it's not going up as fast, but it never actually drops during that same time period.

Reduce the Footprint applied to both leases and owned inventory, but the swing happened on the lease inventory. And, again, I think it points to these reasons which they viewed as the obstacles to disposing of owned federal property, which don't really exist with a lease. If a lease, you have, number one, a defined expiration date, so you have something moving a decision point forward. What are you going to do? Are you going to keep it? Are you going to expand? Are you going to reduce? What are you going to do?

You also have access to capital through the private markets, through a lease. So the cost of relocating, of consolidating, of reducing your footprint either in place or because you move somewhere else. Much of those costs can be covered through the lease itself, so there's access to capital. And as a result, when the will was there with Reduce the Footprint, as it still is, we're seeing a significant decrease in the total leased inventory, not so much on the owned inventory because those basic fundamental problems still exist, and that's why the Board is here.

So what are some of the tools that Congress gave the Board? It is really quite broad. It's not just sales, although they did streamline and expedite the sale process and removed many of the obstacles, but they also recommend and suggest ground leases. So we may sell some things short of the fee property interest in a property. There may be very good reasons for that, given the location. The federal government might want to retain ultimate title to the land over the long term, given the location. And given the market and location, it still may be extremely attractive for a private developer.

There are some very good examples of that in Washington, D.C. down by the Southeast Federal Center now where, under the Southeast Federal Center Redevelopment Act, some of the properties were sold in the fee, others will be redeveloped under a 99-year balance, and there's real competition for that, real market for it.

So very different opportunities.

Exchanges. That's a possibility, as well. Exchange one property for another. Consolidations, redevelopment, and, most recently, Congress was able to modify the law and allow for a three-year lease-back, ground lease -- or, I'm sorry, sale lease-back, I guess if there is the ground lease lease-back as long as the lease-back doesn't exceed three years. And that should open up a number of properties, certainly some properties at GSA, that we were considering for the first round but really struggled to see how it could meet the timing requirements of the first round of sales, but now with three-year lease-back I think some of these properties could work, actually, that weren't really viable for that first round and would have been probably more for the second round with that three-year lease-back provision.

Consolidations. That was something that you'll see in the bill, and it was very specific at the time this was written during the previous administration, and the previous administration had some priorities and one of them was agency build off those consolidations. And they thought this tool would help and be an important tool for agencies, if they used it, to have a field operation consolidation plan, which would yield benefits not just on real estate but also operational benefits, as well, to them.

Another important element of this, which I think the Board, I know you're thinking deeply about is that the recommendations can be tailored in sort of a follow-on action, so with something with the proceeds, and that may be very attractive to some of the agencies that otherwise may not be too willing to cooperate. But depending on how the recommendations are structured, it may very well benefit one agency to bring the property through this process to sale with the expectation that the recommendation will have some distinct benefits for it in the future, either that some of those redevelopment, those proceeds are going towards consolidation somewhere else perhaps.

Some of those could even go towards -- again, this isn't just limited to sales, and so it's really about saving money. And, oftentimes, a consolidation for multiple properties into a single property may have strong cost-savings to it. And some of those may be moving from lease to own. But if there is some capital which you generate, that may make a transaction like that possible. And that can have tremendous savings over time.

If you've got an underutilized federal property and expensive leases in a nearby, that can result in hundreds of millions of dollars in savings over the useful life of those investments that you put into it. Cost avoidance through a separate external lease. Otherwise, we got what we would be paying for and are already paying for the federal property. We just need to recapitalize it and put more people in it, better utilization rate. That could be a really good solution recommendation, as well.

So what are some of the things that you need to be successful and what is GSA going to do to help? So as I mentioned earlier, we did request three rounds of property recommendations from agencies. And it was a little bit disappointing, just to be perfectly frank. It was. I think the second round was a little bit better than the first round, but it was a little bit disappointing, which, again, I think speaks volumes as to why this Board exists and why it's so important.

We've also retained a commercial real estate firm to assist GSA in sorting through those recommendations and also other government inventory databases to use their market knowledge to put together a list of properties for the Board's consideration. That's something that's a starting point, by no means a final complete end point but a starting point for the Board. With the expectation that first round is right around the corner, and you need some preliminary work, so there is that in place, which I know you know about.

Another thing, GSA, we have the ability under the law, as do other agencies, to support the Board through details and other types of substantive support. We have a real property utilization disposal office, and they know that they're very much directed to be as helpful to the Board on the substantive side as possible. By no means is that, I would say, a replacement or a substitute for your own staff or for whatever contracting actions you might want to do to bring in some private commercial supports. I think that would be really critical for the Board to have sort of an independent expert advising you on what you might want to do. That's, I think, an important tool for you.

Again, in terms of capabilities, commercial real estate advisors, I think you need some. Congress appropriated money specifically with that in mind. They ceded the authorized amount for the Board itself with that thought process in mind. The ability to bridge gaps to the government process and stakeholders. I think GSA can probably be pretty helpful for you in that respect. We do speak OMB pretty well over here, and that's a really important relationship for the Board. Ultimately, OMB has to approve whatever recommendations there are.

And then also your relationships with congressional supporters, authorizing and appropriations committees. And again, I think those will be really important as the recommendations come forward. The properties will, of course, be located somewhere physically. That's going to mean somebody's congressional district. Those relationships matter.

Unlike BRAC, these properties, I would think the recommendations would largely be embraced because it's economic potential that's probably not being tapped into or it's an eyesore that's been sitting there for a while, and it would allow to move on to a better future state.

So those relationships, I think, would be really important. You have a tall order in front of you. I wish you the best of luck. Whatever we can do at GSA to help, we'd be happy to do. And with that, I'd be happy answer any questions you may have.

MS. STYLES: So, Dan, I want to start off thanking you and everybody at GSA, particularly the Public Building Service, for all of the support and help and information. It really, you guys have been tremendous for us really taking off and getting smart on some of these issues.

I had a couple of questions for you, and I suspect other Board members do, too. I hadn't thought about it until you mentioned the ground lease issue and the exchange issue. I didn't know if you had any thoughts about how those two pieces could play in the high-value properties because I hadn't put that all together. Obviously, you need more of that for the round one and round two but not high-value property, but do you think that the ground lease and the exchange could play into the high-value property recommendations, as well?

MR. MATHEWS: I think that's a great question for legal, our legal office, ultimately. But I'm not sure why it couldn't be if the ground lease is a property interest and essentially be the sale, it would be something we would have to review because I believe there was something in there about sale for cash, and so how would that be interpreted would be the issue.

MS. STYLES: Yes, it was the first time that it really kind of rung for me like, gosh, maybe we should be taking that into consideration for high-value properties, but we'll go back and we'll have legal look at it, as well.

MR. WINSTEAD: Angela, could I just follow up on that? Dan, the issue of authority and cash is, you know, is a very interesting one, and you were there with the legislators so you know their intent, but GSA is largely historically at the limit, correct? When you see them on a sunk infrastructure investment versus, for example, the Denver Federal Center, right? There was exchange of property, but it was put into infrastructure to defer the development of the Federal Center. It seems that we have the authority to make that a more effective tool.

MR. MATHEWS: Right.

MR. WINSTEAD: And I'm just interested in your perspective of the Federal Center, for example.

MR. MATHEWS: Well, I agree, that is true. Well, so the big difference, part of the reason why the exchange in the past, it was probably viewed as a favorable tool, one that hadn't been used often but is an attractive tool to GSA was the appropriations aspect. It was a way to basically take the compensation for a property and, frankly, not have to go through the appropriations process.

So, ultimately, though, the space and proceeds fund is subject to appropriation, so you do have to have it appropriated. But, again, the authority is available to you and how a recommendation is done. I mean, you don't actually execute it, but the government would execute it.

MS. PHILLIPS: I'm having a terrible time with these microphones. You mentioned a couple of times the land-banking issue. And when you look at the 2017 property profile, there are 5,000 properties that are listed as for future mission need. And I just wondered if GSA has identified those properties or reached out to the agencies to specifically ask them to justify why they're hanging on to those, why some of those didn't come forward when you did your outreach to them?

MR. MATHEWS: I don't believe we did, actually. It's not a bad question. And one of the tools that actually was given to the Board was the ability to ask any agency for property information, and they're obligated under the law to turn it over. There could be security reasons why or classification reasons why they justify not turning it over, but, otherwise, they're required to turn it over and actually then you're required to notify Congress if they don't turn it over. So there's a bit of incentive there for them to be cooperative because if they're not you're obligated to notify the committees that they're not being cooperative.

MS. STYLES: I had a question. You had mentioned going from own to lease, and the statute itself talks about reducing the amount of lease space. But I wonder if there aren't a number of times where it's less expensive because of how old some of these federal buildings that we own are to be used as lease space. I mean, if you're going to reduce the cost, is it ultimately better at times to be in leased space? I know there's certain rules here, but I'm curious because it does seem to be where you're talking about the reduction of leased space and how you've been able to do that overtime, but I'm just wondering if there's other times where it's just better, right, it's less expensive, even though it's a long term to be in leased space than it is to fix up an old building that's still going to cost a lot to take care of.

MR. MATHEWS: The short answer is yes. Right, there's some markets where I tell people all the time focus on the money and use your judgment. And there's some markets where leasing is absolutely cheaper than government construction, even with an existing building that just needs improvements, and that building probably needs to be on the disposal list, given that situation. There's a reason why some markets aren't building office buildings because, you know, there's an oversupply of office buildings, and so the market rent is, you know, below $20. You can't build a new federal building at that cost.

MS. STYLES: Do you have any thoughts on kind of the consistency, the current consistency of operations and maintenance costs that are awarded into the federal property database?

MR. MATHEWS: So I know, this is where

I think GSA is probably a bit further ahead than a lot of other land-holding agencies. Our information, I can say, is really quite reliable. If there's an area where the information is more speculative, it's probably on what is the future expenditure requirement. You know, without running full feasibility studies, your estimates are educated speculation. So those numbers anywhere I think are probably taken with a grain of salt. But operating costs, our actual inventory itself, the size, the location, our information is pretty good. And for other agencies, as has come out in a lot of GAO reports, not so much. Certainly, at the building level it can be really quite bad. If you think DoD, most are excluded by this, but they'll have decent information on installation, although it's probably not on a building-by-building level. And that's true with a lot of other agencies that have a campus-type setting. VA comes to mind.

MR. RAHALL: Thank you, Dan, for your testimony. Our enabling legislation provided for a chairman to be presidentially appointed and Senate confirmed. We don't expect that to happen anytime soon. So as you know and I hope everybody present knows, we've been acting, we have an acting chair in Angela Styles, and I'm going to say that, while she's acting chair, she doesn't act without our support, without entire Board support. So in that vein, when there are requests made under our enabling legislation, which are mandatory that the agencies provide us the data that we need, that when Angela calls I would suggest you respond.

Let me ask you, Dan, we've discussed this before, about this board helping to serve as a bridge between the public and private sectors. Can you provide some insight into your views how we can be that bridge?

MR. MATHEWS: Right. So it's a great question. And going back to the notion that finding the properties initially might take some seeking and that the agencies won't necessarily be volunteering a whole lot. And that oftentimes, some of the best market knowledge resides in a particular market and, therefore, the Board is fully authorized to hold public meetings, hearings, to basically solicit input from the private sector in certain markets, and the Board may decide or choose to go to a market where there's significant, I'd say, conditions that may limit itself to properties for sale either because it's a high-value market, a large market with a significant public presence. Those may be the locations to go and basically solicit ideas from them, local governments but also the private sector, as well, where they may have very distinct ideas about federal properties that in their view are underutilized and they would like to see move into the private market.

MS. PHILLIPS: Dan, what did Congress intend with respect to the accounting systems we're in charge of developing?

MR. MATHEWS: So about that, so the big picture, if you look at the skeleton of the legislation and focus on that first and then go through all the adornments that are on there, the major elements are independent board, they get information in a variety of ways, and they're not constrained in how they get information really. They make judgments and recommendation, it goes to OMB. At the end of the day, OMB says yes or no, and then the government executes. That's really the core basis of the structure.

Everything else is more of an adornment. But there was an expectation that the recommendations shouldn't be willy-nilly, right? They should be based on sound professional real estate assessment of the opportunities that a recommendation may reflect and actually quantify it because, again, this is about saving money at the end of the day, so there should be an open manner of -- a system of accounting for cost avoidance, direct revenues, and expenses, and that those should be able to be quantified and presented as not just as a part of the recommendations but then also ultimately, as recommendations are executed, there were some basis for comparison, what would this actually realize the savings that were expected, did they see them or not?

So that's what's really the judgment of it, behind it. I don't think there was an expectation that it would be perfect but that there would need to be something, just like a business would do if they were making decisions about how to allocate resources and whether or not to dispose of assets.

MR. WINSTEAD: Dan, you commented on the savings, the billion dollars of savings, sort of from the reducing the footprint effort over a lot of the time of the Obama administration and into yours. You also commented about your focus on the best deal on the lease side, and I know that just the market has shown that in many cases with full competition or longer lease term brings more value to the taxpayer in terms of the cost for that space.

Given those two efforts in the fairly recent, the last five to eight years, at least on the GSA side, the inventory is pretty proofed at this point, correct? I mean, there could be surplus assets but, in fact, you've gone through this space reduction, reducing the square foot, and you've also looked at the greatest deal on a lease perspective. Are you 80 percent there on those two efforts? Are you 100 percent there?

MR. MATHEWS: That's a great question. I'd say about less than half of our leased inventory has actually gone through that process. We extend a lot of our leases, and, when we extend them, short-term extensions, we almost never reduce the footprint. You just can't do it over a two-year extension. You just can't. It just doesn't want to work.

So we have over a hundred million square feet of leases expiring in the next five years that have not gone through that process, so there's still additional opportunity.

And on GSA's owned inventory, I would say some of the opportunities that we're seeing now present themselves really have to do with better utilizing our owned inventory and how that supports a lease reduction. And I just think about an example here in Washington, D.C. because you have other forces going on, as well, when it comes to office space in particular. All right, the work environment is transforming, and we have devices like this and we're much more mobile than we used to be. We're less paper-based. That creates opportunities in how we utilize office space, and the private sector has been doing that for several years now. We're lagging a bit in the government sector, but we're catching up. And so the utilization rates are getting much, much better in the private sector.

Washington, D.C. is a great example. This market has been, in terms of the economy, the economies are doing quite well, it's going very strongly. But we still have fairly high vacancy rates, and that's because the private sector and the government are increasing their utilization. They're going to unassigned seats and smaller offices and more amenity space, things like that. And so the consumption and demand for office space, notwithstanding the economic growth, has been kind of slower paced than the economic growth, and so the vacancy rates have driven up and the prices, as a result, are pretty good, particularly if you're going into the market with a 15-year firm term. For a large office space, that's extremely attractive.

So the market itself has been changing. The office space world has been changing. That's created an opportunity with all these expiring leases and our owned inventory. But I think what we're probably lacking on the owned side is good visibility into how our owned inventory is actually being utilized.

And I'll just give you one quick example of an agency here in Washington, D.C. I just won't mention them because I don't really want to, but we had a lease that was expiring and an expiration was coming up, you know, within a year and a half. We didn't have the program requirements. It was a prospectus-level lease, as you know. We then had to go to the Hill and had to get it approved by OMB, and so we were absolutely running into a two-year extension because we were behind.

So we escalated it, met with our senior leadership, and in the meeting they told us, well, we're just going to let that lease expire. Well, okay, that's great. Where are they going to go? Well, they're going to go into our headquarters building, an owned building. It's ours, but it's delegated to them here in Washington, D.C. Okay. Well, then do you have the money to reconfigure this space, you're going to have to re-staff it get a better utilization rate, get rid of private offices and all those things. He said, no, we have plenty of empty chairs. Literally, I think it was a 250,000 square foot office space, you know, in Washington, D.C. What is that? Probably $12,500,000 a year, and they're just going to let it go. They don't need it because they've got empty space in the inventory. That's an area where we don't have great visibility. Real opportunity there.

MS. STYLES: How would you recommend that we get better visibility into that? I mean, what are the right questions that we could be asking the agencies to really get visibility into how the space is being utilized?

MR. MATHEWS: So in the same legislation that created this board, actually it was split off into a separate bill but it passed on the same day. I think it was called the Federal Property Management Reform Act or something like that. Chairman Denham was the sponsor of both bills, and Senator Carper was the lead advocate in the Senate, and he is a ranking member of the Senate Environment Public Works Committee.

That bill actually requires agencies to report utilization information to the federal real property profile. The way that information gets recorded now is basically number of people assigned to a building, not actually how many people are using the building on any particular given day. And so there is a statutory requirement for utilization data now, but I think what we're realizing is just a roster of people assigned versus the size of the building. It's a good first start, but it really doesn't tell you enough to make any meaningful decisions on how to utilize an asset. It's more data linked information.

You may have noticed when you walked into this building, if you're a federal employee, you just wave your badge and you walk through. At the headquarters building for us, when you go in the building, you swipe your badge. And so the headquarters building, we know exactly how many unique individuals are in that building every day and we know how many seats we have in that building. And as a result, over time, you can compare those two and make meaningful asset portfolio decisions. And our administrator decided, you know what, all the GSA people in this building, they can fit in our headquarters building, and so they're all moving over in September, similar to the example of the agency I gave earlier today, and with a fairly amount of expenditure on the capital side. Ideally, we would have renovated the second half of the building, but that's probably a little further off into the future. But 1,300 people are going to go over, and we know that we have 1,000 empty seats on our busiest day. And out of the 1,300 people here, there are never 1,000 actually here on a given day.

With that information, you can make meaningful judgments about your portfolio and where to put your mind, where to dispose, where to consolidate. Without that information, you're guessing.

MS. STYLES: Well, and our legislation does include some provisions on making recommendations related to technology as well. So I think that's --

MR. MATHEWS: That's a good point.

MS. STYLES: So does anybody else have

any other questions? Oh, wait.

MR. MATHEWS: I would say the private sector is way ahead of us on that, actually.

MS. STYLES: Who is?

MR. MATHEWS: The private sector and how they, the ones that are really improving their cost effectiveness. And if you can hear a company, you can squeeze 2 percent out of your expenses on your balance sheet, your profit and loss statement, if you can cut 2 percent out of your expenses, that's really significant. Your profitability might go up 15 to 20 percent.

MR. RAHALL: Well, Dan, you mentioned his name, Chairman Denham. I personally spoke with him and informed him of the status of this board and invited him to testify today. He really wanted to but had a prior commitment and hopes to testify at a future meeting of ours.

But it should also be noted that this legislation was bipartisan, created by a Republican Congress signed into law by a Democratic president. I say that because my nomination to this board by then Minority Leader Nancy Pelosi, current Speaker Pelosi, makes me the only Democrat that allows this board to be called bipartisan.

MS. STYLES: Thank you so much. Dan, thank you so much for being here. That was really incredibly helpful. Yes, thank you for coming today.

MR. MATHEWS: Thank you for the opportunity, and good luck. And like I said, we're here to help you in any way we can. It was great seeing you all again.

MS. STYLES: Thank you. All right. Next up we have Bart Bush from Homeland Security and Brett Simms from Veteran Affairs.

Well, thank you both for being here today. Do you mind starting off and just giving us a little background on your history with the federal government and with property?

MR. BUSH: Good morning. My name is Bart Bush. I'm the Executive Director for Facilities and Operational Support for the

Department of Homeland Security. Relatively new in this position, about six months or so, but the prior ten years or so I was with the General Services Administration here in the National Capital Region as the PBS Regional Commissioner and then as Assistant Commissioner for Client Solutions at GSA Headquarters. So about 11 years of federal government experience.

MS. STYLES: Great. Thank you for being here.

MR. BUSH: Thank you.

MR. SIMMS: And I'm Brett Simms. I'm with the Department of Veterans Affairs. I'm the Deputy Executive Director of what we call the Office of Asset Enterprise Management, which is basically the VA's department-wide portfolio manager for our real property assets. I've been with VA for a little more than ten years. Prior to that, I had some private sector experience in the business consulting arena.

MS. STYLES: Great. Thank you both very much. So I'm assuming you have prepared remarks. Bart, do you want to kick it off?

MR. BUSH: Great. Thank you. I do appreciate the opportunity to be here today to talk a little bit about the DHS portfolio and certainly to offer some inputs but also to answer questions that you might have.

Clearly my role and the role of many of the folks that I work with at DHS are to improve the effectiveness of the space that we're in and the efficiency, certainly to support our mission but also to save money. We'll talk a little bit about our portfolio across the country, but I'm going to focus primarily on NCR, the National Capital Region, and the work we're doing in our headquarters and field operations.

We have about a 100,000,000 square foot portfolio around the country. It's almost relatively split around the country, 50 percent GSA owned and leased, and about 50 percent DHS owned and leased. We do have leasing authority that is exercised. Maybe around 13,000,000 square feet of that space is DHS leased.

Our annual budget is $5.4 billion. We have 240,000 DHS employees that sit in that space, and the property is relatively valued at about $28 billion.

Again, our view is using industry standards that we can both create the effectiveness and efficiency in our space by a good review of that effort and reduce our square footage around the country. But clearly as identified, our partnership with GSA is critical to that success.

In the National Capital Region, we have around 12,000,000 square feet, predominantly 99 percent or so, 90 percent is managed by GSA, either owned or leased. The portfolio comprises of around 152 buildings. It is both headquarters and field operations that are located in the National Capital Region, not just headquarters.

Of the leases that we have, and this is to Commissioner Mathews' comment earlier, 96 of those leases expire in the next five years. We recognized that the time is right for an NCR consolidation strategy, one that really looks to maximize the square footage that we have and shrink our footprint. So about 7,000,000 square feet around 20 prospectus leases will be coming due in the next five years.

One of the colleagues of mine is spearheading an effort right now within our headquarters and all of our components to focus on those opportunities to optimize our portfolio and create those synergies that I think are really necessary across the headquarters operations. I do think, ultimately, in some of this conversation, we will create a GSA vacancy. In some of their own portfolio, GSA clearly would want to focus on how they dispose of that, how we utilize those properties in general.

Specific to our headquarters, we've had some success over the last number of years. Since FY '15, we have reduced from 51 to 43 locations. We've been able to reduce our portfolio by 1,200,000 square feet for overutilized operations here at NCR, and that's saving us around $20,000,000 a year in annual rent. That work clearly in partnership with GSA through a combination of owned, new construction, and lease consolidations in the region and applying our 150 usable square foot standard across those new acquisitions. As many of you know, at the St. Elizabeth's headquarters, we've been able to consolidate Coast Guard in 2013. The secretary recently moved to the headquarters from the NAC, bringing approximately 800 people to a renovated center building there. And we have two significant lease constructions underway right now, one for CIS and one for TSA, both scheduled to occupy in 2020.

Specific to the St. E's campus, in partnership again with the General Services Administration, they are embarking on the final stages of a master plan amendment that will allow for 1,375,000 square feet of new space to be constructed on the campus. This is a shift in their approach from a level of historic rehabilitation to new construction, recognizing some of the costs associated with those significant historic rehabilitations, but our plan, working again with GSA, is to locate CISA on the campus. CISA would consolidate from seven locations to one location. They would reduce by about 70,000 square feet in their occupancy. The second portion -- and that is funded in FY '19. GSA has funding for $250,000,000 to build that building. We, in our FY '20 request, have the tenant improvement allowance for CISA to allow them to occupy that building once it's built out.

GSA also has some $200,000,000 for the INA headquarters. That creates an opportunity, I'm sure that GSA is interested. INA is our last remaining tenant at the Nebraska Avenue complex in Northwest D.C. adjacent to American University. And our intent is to vacate the Nebraska Avenue complex by 2023.

We are also in the final stages right now of deciding who the third building occupant will be. That building itself will be around 600,000 square feet, and we're evaluating based on the federal investment for what the best tenant might be for that effort.

So we've had some significant success in NCR, but also some daunting challenges in the couple of years ahead in establishing that five-year plan for the region.

I do also want to quickly mention we do have an effort nationwide called the field efficiencies effort. This group has embarked on a study of 12 of the highest-ranked markets around the country looking to create efficiencies amongst very similar mission support functions for the agency, co-locating in various communities, downsizing property, potentially giving back property that is owned by DHS. But in many instances, in some of the efforts that have been embarked on in looking in San Diego and Seattle, Boston, other places, it is more of an investment into federally-owned facilities and reducing the lease portfolio.

The one thing that I do want to mention, and I think Commissioner Mathews highlighted it, is both in our National Capital Region projects, as I articulated earlier, as well as some of these field efficiency projects, money is needed up-front to create the savings, to allow even to consolidate with their lease locations but even, equally important, to consolidate into owned space. Dollars are needed up-front. Again, while we look at these from a 30-year net present value cost analysis, we recognize that there are significant up-front costs that need to be accounted for to allow these efficiencies to be created.

With that, I'll turn the microphone over.

MR. SIMMS: Good morning. I'll give you a little bit of some of the statistics on the inventory and then talk a little bit about some of the unique characteristics of VA's inventory and some of the challenges that we've had in managing that.

Right now, VA has a little more than 6,200 owned properties across the country. That comes out to about 155,000,000 square feet of space. In addition, we've got about 1,900 leases. That comes to another 24,000,000. So we're slightly more than 180,000,000 square feet portfolio.

We also have a significant amount of land. With our National Cemetery Administration, we have more than 36,000 acres of land. Across these areas, we touch every state, as well as a number of the outlined territories. So we have locations pretty much every place. We actually don't have a very big footprint in D.C. We've got a couple of headquarters functions here that GSA manages the property for, and then we've got our Washington, D.C. Medical Center that's here as well. But aside from that, we're primarily distributed across the country.

Some of the unique characteristics with our portfolio. One is we've got a growing mission. So unlike many of the agencies that are looking about consolidation and trying to get more efficiency out of the existing space, the

VA's mission continues to grow. The number of enrolled veterans in the system has continued to grow, so our footprint is actually expanding.

With that said, that doesn't mean that we don't have unneeded assets. On any given year, we usually have 400 or so buildings that are vacant, somewhere around 5,000,000 square feet. Not a huge portion of the portfolio but still property that is excess to our mission that we need to get rid of, and that cycles through every year. As we bring on new assets, we're looking to get rid of some of the older assets that no longer support the mission.

The age of the portfolio is very important for VA. We're approaching 57 years old as the average age of one of our owned buildings with a third of the portfolio being considered historic. So that presents some unique challenges, one in delivering relevant medical care and new technology in some of the older buildings that we have, as well as, if we do make a decision that it's no longer needed for the mission, we have a number of historic preservation compliance issues to deal with trying to dispose of those buildings. But hopefully FASTA can help address some of those from a process standpoint.

We've got, roughly, 350,000 employees that we house in our space, but that's really a small portion of what our space is used for. We see more than 6,000,000 unique veterans in our locations, and the majority of our portfolio is in the healthcare side. So with Veteran Health Administration, most of that space is actually for veteran-facing purposes, clinical capacity, inpatient and outpatient, with outpatient being the biggest growth part of our portfolio. But it presents a unique challenge when we were talking about utilization rates because it's not as simple as I've got an office and a person to sit in it. It's about how the veterans are utilizing that space to receive their care.

So our utilization is a little different than how we come up with that. But we're still able to determine which locations may or may not be overutilized or underutilized. But it does present a little bit of a unique characteristic on how we measure utilization within the bulk of our portfolio.

Some of the challenges that we face when we do make a determination, one being the age that I just mentioned. Our portfolio is old. With that age comes the consideration for what can be reused on that property. That also means, with the age, that you've got a lot of infrastructure that's in poor condition. Just the guts in the building are older and need to be fixed before you can really redevelop some of that property.

Location is another issue. Most of our healthcare campuses are truly campuses. They comprise 25 to 40-plus buildings on a parcel of land that is distributed. When we have a vacant building in the middle of a campus, we're presented with a whole other problem. What do you do with a building in the middle of an operating medical campus? So we've had some unique challenges on what do you do with buildings like that. You can't really sever it from the rest of the parcel to sell it, so the ground leasing area was something that we have used in the past.

We also are predominantly in suburban and rural markets. While we do have some footprint in urban areas, we also have a lot of hospitals in very rural markets. So that presents not only a challenge for reuse and development but generating interest in those properties if we do make a decision and we no longer need it.

So that's a couple of the unique challenges that we have, and I'm happy to answer any questions that you all have.

MS. STYLES: Well, thank you both for being here. It's quite a challenge for us, and it sounds like, you know, historically, it's been a challenge for the agencies as well. I think what's, you know, unique about both of your agencies is the mix between GSA and then your own authorities to own and lease. Can you just talk a little bit about how that works so we can kind of better understand? What are the choices that are made when you want to buy or when you want to lease with your own authority versus GSA's? And that's followed with another question of do you have any unique authorities of your own to retain assets or retain the proceeds when you sell?

MR. SIMMS: Okay. I'll take first shot at that. Within the VA, the Healthcare Administration is predominantly owned assets, and we do have the authority to build and operate those assets. So the bulk of the portfolio on the healthcare side is owned.

We do have a number of leases, and we do have delegated authority from GSA, so it is the GSA authority but we do the execution of those leases, and that's about 1,600 out of the 1,900 leased properties that we have. Most of those are outpatient clinics that we do, so it's still in the healthcare arena, but we do the direct leasing for those using the GSA authority.

Our Cemetery Administration has very little footprint in terms of improvements. It's mostly just acreage, and that's all owned property that we have.

On our benefits side, all of our regional offices are predominantly managed by GSA. And those are distributed across the country, not here in D.C. But GSA predominantly manages all of those regional offices, mainly because it's basic office space. There is some veteran-facing space in there, counseling rooms and things like that. But anytime we get into the office space arena, we're generally looking to GSA to be a provider for that. While on the medical and the clinical side, we're using our authority or delegated authority from GSA to lease that.

MR. BUSH: And similar we have leasing authority on certain limited cases to lease both administrative and mission support space. We have a mixture across the country of owned, GSA owned, constructed, and historic border stations, land ports of entry, border facilities, Coast Guard facilities, predominantly DHS owned. And that mixture has, I think, in terms of the last few years, has helped us in working with GSA in terms of improving a lot of the land ports of entry, as the focus has shifted to helping both movement and commerce back and forth across the border. GSA has stepped forward with a significant level of investment in those new facilities, and I think we've been a tremendous beneficiary of that.

And as had also been mentioned, those facilities have a combination of GSA, what I would call facility management responsibilities, as well as DHS management responsibilities.

MS. STYLES: And I had asked the second part of the question just because I keep finding unique authorities that different agencies have to retain proceeds when they sell a particular property or parcel. Do you happen to know if you have unique authorities to retain the proceeds?

MR. BUSH: To the best of my knowledge, I think, because I search it every now and then what lighthouses are for sale in case I want to buy one. I can't now. Well, I guess I could now. I couldn't when I was with GSA. There is a retention for a certain sale of assets. I can get back in terms of which ones there are retention of proceeds, back to the Board specific to that.

MS. STYLES: Okay.

MR. SIMMS: VA actually has two. The first one is a direct sale authority. We do have the authority to do that. It's something we've never exercised. Any of the proceeds are actually subject to appropriation, so they essentially become an offset to our budget. They go to Treasury. We have to ask for the funds, and it just becomes an offset. So it's not something we'd use.

The second one is our enhanced-use lease authority. That's a long-term ground lease authority. With that comes the ability to dispose to the lessee with that, and we can retain the proceeds directly and not subject to appropriation.

MS. STYLES: Okay. That's very helpful. I have one last question. One thing we've been thinking about, particularly with regard to the VA campuses, you described it as the donut hole. But I'm curious are there pieces -- it's very hard for us to parse through installations versus buildings versus property with nothing on it, right? At least in the data that we have right now. Has the VA specifically taken a look at could I just sell off land, right? So if you have a VA hospital complex, right, are there pieces of land that you could take separately and, you know, I'm sure there are plenty of, you know, private sector entities that would be interested in having that piece of land developed. But have you all looked at that?

MR. SIMMS: Yes, we have. And there's a number of, when we get the recommendations for this process there, we might have applied a number of just strictly land parcels with no improvements on them. It's generally on the healthcare facilities. Our cemeteries normally need that land, and they truly do land-bank it for future use.

But for the healthcare side, we do have some large campuses in rural areas that maybe it's on the back portion of the campus that we've got acreage. In reality, a lot of them that we've found, there's development challenges, so it's maybe on a hillside, it's not accessible to anything. So there are challenges, but we have identified a number of portions of larger parcels that could be disposed of.

MS. STYLES: And those are in your recommendations. Are they --

MR. SIMMS: The majority of them, yes.

MR. WINSTEAD: Brett and Bart, thank you. It's very helpful to hear that you all have very diverse assets and have a lot of them. But Brett, on the question, the VA has had a very unique authority over the years, and, you know, the real estate community nationally is very interested in VA real estate. I'd love to hear, you had authority and the federal government seems to have, you know, in the military, as you know, they had military housing authority for ten years and then OMB pulled it back. In your case, I think you had authority in both Houston and Lincoln, Nebraska. There were projects where you really were able to do mixed-use development, and we'd love to hear about that.

And then, Bart, I'd like to hear sort of St. Elizabeth's has been a unique project, and that could be a unique project. So I wanted to hear some comments on those.

MR. SIMMS: Sure. So the authorities are enhanced-use lease authority. Essentially, it gives us the ability to outlease land and/or improvements that are underutilized for up to 75 years, so it is a long-term outlease authority.

Prior to 2012, we could outlease property for any purpose. As long as it didn't conflict with VA's mission, we could outlease it for any purpose and we could receive in consideration cash directly, facilities as part of that, or services. So we could receive a number of different things, which made larger projects and true mixed-use redevelopment a possibility.

In 2012, that authority expired. And when Congress reauthorized it, we were limited to only supportive housing type projects. We could receive only cash as consideration or no consideration at all, but they took the facilities and the services out of that.

So what we're left with now, and we still utilize the authority, is predominantly for support housing for homeless veterans. And we partner with HUD on the HUD-VASH program. We're able to take smaller buildings or smaller acreage parcels out there and develop homeless housing, provided that there's a market for that in that area.

But prior to that, we did do a number

of true mixed-use developments. We were able to develop a regional office for our RV VA side that ultimately was constructed and turned over to VA as the owner of that. We have multiple parking garages and parking lots that were developed. There's a retail outlet on that parcel that generates some revenue, and then they're currently working on looking at some other types of mixed-use development.

So that authority would give us the ability to do some larger projects. The Lincoln project is still earlier on. We have developed support housing, so that's a portion of the overall redevelopment. But they're also working on a medical office building that will be then outleased for other purposes, and they've got plans for some additional development on that site.

So those are some of the older projects that we did under the previous authority. But the important components were really just that mixed use. So even if we focus on support housing, allowing other types of development really help the projects be financeable so that you could really get some true development interest, with housing not being the centerpiece but something that would be a direct benefit to VA and the veterans.

MR. BUSH: Yes. Specific to St. Elizabeth's and the NAC, David, we clearly, from the formation of DHS as an entity after 9/11, a golden objective was set to bring together this agency and its headquarters in a unified front. The NAC served that purpose for a number of years up until this past April when the secretary relocated to the center building. We gave up some 180,000 square feet, consolidated into a smaller footprint at the center building to create the real official headquarters for the Department of Homeland Security.

A variety of master planning efforts over the years have caused the headquarters project to languish, along with funding for some of those new facilities there. Originally anticipated, there would be some 4.5 million square feet of space built at the St. Elizabeth's campus, including space across the street that was owned by the District for a FEMA headquarters.

I will tell you, though, when we get completed with the new 1.375 million square feet, we'll have approximately 13,000 employees on the campus itself specifically. That also includes a couple of significant projects that we have underway right now that I haven't mentioned. We have a project underway to optimize space in the Coast Guard building. We will be creating some 540 seats through stacking and a furniture reconfiguration for the CWMD group, which will be moving out of leased space in the '21 time frame. We are also creating some vacancy for Coast Guard for additional mission that they may relocate out of other lease space in the District onto the campus.

And those two projects there, I think, are again illustrations of how we've been able to better utilize space, understanding through, as mentioned earlier, turnstile accounts and general observation the fact that space was not being utilized as efficiently as possible and, at the same time, create greater savings for the agency and GSA.

MS. PHILLIPS: I guess I'm curious from both of you when GSA had reached out for recommendations for properties to be disposed of under FASTA how you went about deciding which were appropriate. I know, looking at some other testimony, Brett, that you had recommended 15 properties, and I'm just curious about what your process was, particularly when, you know, you mentioned there are, on average, 400 vacant buildings in any given year.

MR. SIMMS: So we do maintain centralized inventory to be used for our reporting out there, so it's fairly easy to see which buildings are not in use or at least underutilized. With the 15 properties that were there on the recommendation, it's actually 15 locations, so there's a significantly larger list of improvements on there. It came out to over two million square feet, so there's a fairly significant amount of space there, as well as over 500 acres, that we've identified.

So we did have a robust set of recommendations. A couple of those have actually been completed since the initial list. They've been replaced. So as time has gone on, we will continue to do that.

You know, I'd be lying if I said there wasn't that potential land-banking on the healthcare side on some older campuses because they just don't have a lot of space to expand. But there are a lot of campuses that have significant acres that were turned over 50-plus years ago from the Department of War that they don't need all of that. And we pushed them hard on that. We have a good list of buildings. We pushed them hard on the acreage, and we were able to find a number of those that were suitable.

I can't speak to the valuation of

those. They're not in the most desirable locations. But any acre or any square foot still costs us something to maintain and protect and it adds risk to the portfolio, so we're certainly looking to get rid of those the most expedient way we can.

MR. BUSH: So specific to the National Capital Region and working with GSA, we clearly did cost-benefit analysis, generally referred to as a tax analysis or other life cycle analysis around new construction and/or consolidation within our lease portfolio.

From my perspective, I don't deal with a lot of, very little owned portfolio in the National Capital Region. I can get back to this board with respect to what DHS did around the country. But I do know we are embarking on a significant effort right now on what I will call project evaluations. So we invest around a billion and a half dollars a year into our own inventory, and those projects really require a level of understanding in terms of what their economic return are to the agency and, quite honestly, how they compete against other projects that are within the agency.

So we're developing, utilizing some of the work that GSA has done in their project evaluation tool, that same kind of criteria, so we can better understand amongst a variety of components how money is reinvested into owned property and is it creating the right utilization, the right economic return, for the agency as a whole.

MS. STYLES: Well, thank you both very much for coming here today. We really appreciate your comments, and I'm sure you'll be hearing back from us. And we look forward to working with you.

MR. BUSH: Thank you.

MR. SIMMS: Thank you.

MS. STYLES: All right. We're going to take a five-minute break, and we'll be back.

(Whereupon, the above-entitled matter went off the record at 10:52 a.m. and resumed at

11:01 a.m.)

MS. STYLES: Hi. I'd like to welcome Lori Rectanus. Hopefully, I got your last name correct.

MS. RECTANUS: Very good.

MS. STYLES: GAO has a very significant role in our legislation and our board going forward, so we appreciate you being here to talk with us today.

MS. RECTANUS: Well, thank you, thank you very much. Oh, I feel like they've really done something to the mic here in the break, so I feel like it's actually too loud, so I apologize for that.

Thank you very much. I appreciate the opportunity to be here today. Again, for those of you who may not know, my name is Lori Rectanus. I manage what we call our federal real property portfolio at GAO.

For those of you who may or may not know who GAO is and what we do, we are actually part of the legislative branch. We conduct studies at the request of Congress or through our own authority. We basically follow the federal dollar. Anywhere it goes, we also go. We like to think that for every dollar you invest in GAO, we give a hundred dollars or so back to the taxpayer.

Because of that, federal real property management has been an area that we've been tracking for a really long time. You know, lots of agencies, hundreds of thousands of square footage, millions and billions of dollars. And so that's why almost 20 years ago, back in 2003, we designated federal real property management as what we called a high-risk area. The high-risk series for GAO are where we identified government-wide programs that we feel are either subject to fraud, waste, or abuse, or, because of the dollars involved, deserve special attention by Congress.

We do this high-risk list every two years. And whether good or not, we issued our report in January of this past year, and we noted that the federal real property celebrated it's sweet 16 on the list, so they are still there. And, again, that being said, they're still there for a variety of reasons, but we do want to note that a lot of progress has been made.

So the main areas that we talk about in terms of why the federal real property is on high risk, there are four. First is -- I apologize for that beeping there. The first has to do that we continue to over-rely on leasing --

MR. WINSTEAD: Do you want this? Would it be --

MS. RECTANUS: I have one here. It's up to you all. You're the one that has to listen to the feedback.

So there are four areas that are in our high-risk list regarding federal real property management. The first, as I said, has to do with leasing, over-reliance on leasing. We continue to find that there are times that owning property would be much cheaper than leasing.

The second issue has to do with sort

of what we're here today to talk about, which is not disposing of excess or underutilized property. Again, we continue to spend money on buildings or property that we don't need.

The third issue has to do with data. FRPP specifically, as well as agency data, do we have good data about the kind of properties we have and their characteristics? And the final issue is security of our federal facilities, the physical security.

Now, the interesting thing about, as I said, the high-risk list is this is a government-wide issue. Certainly, GSA has an important role, OMB has an important role, but what we can't forget about is every agency within the government has a responsibility here. As you know, over 30 agencies have, they own or manage their own property. Twenty agencies have disposal authority already. So this really is a government-wide issue,, and I appreciate the Board being able to look at this from a government-wide perspective.

As I said, there's been a lot of improvements. Certainly, in the last administration, GSA and OMB took this very seriously. They took a number of efforts that we thought moved the ball forward. However, we still believe there are things that need to be done. Among them, and Dan Mathews talked about some of these, among them we have the national strategy for 2015 and then the Freeze and Reduce the Footprint strategy that really called on federal agencies to reduce their footprint, get rid of things that they don't need. And we saw some successes with that, right? Like, we've heard statistics of, you know, 24 million square feet were reduced between FY '13 to '15. It got a little smaller as we went into '16, 11 million. And then in 2017, only about one million square feet were reported additional as being reduced. And now this didn't include DoD because, as I think you all know, in 2017 DoD's real property data were so problematic they weren't included in these estimates.

But I think what that speaks to is agencies are doing what they can to co-locate, to consolidate, to use telework, to smoosh more people in a space. But we're getting to a point now where we might need to provide some additional incentives and to provide some additional help to agencies to really look at some of these big-ticket items.

The other thing that we've talked about was FASTA. FASTA being passed was an incredible improvement. We've always been supportive of this concept of the Board identifying these high-value properties. First, what we said recently in January is you hadn't been gotten together yet, so we're thrilled to see you and we're thrilled to be here today to chat with you.

The other main thing that FASTA did that we talked about in our high risk was the requirement that this FRPP data get put into the public domain. The idea there is that if we could have more public transparency about this, more accountability, then agencies would do a better job of making sure that data were correct. And we want to give GSA credit. We know that they've been trying to work with agencies to improve the reporting. Again, Dan Mathews talked a little bit about some of the things that GSA is doing, and we have seen some improvements. We also know that GSA met the requirement to make the data public.

However, we still continue to see there are anomalies in those data. We know that agencies interpret the definitions differently. We know that the data that they provide still have some inaccuracies, which makes it really hard to fully even understand what our portfolio is.

If you look at FY 2017 data, I just looked the other day, it says there's about 3,000 or maybe 4,000 buildings that are underutilized or not utilized. Knowing how they define this concept of underutilized, we at GAO pretty much believe that that's an understatement of the number of buildings that could actually be dealt with or disposed of.

So, again, why is tough to get rid of the property? As others have talked about today, it basically comes down to two issues. One, given the current process, there's not really motivation for agencies to get rid of property. We've talked about the cost. In many cases, if an agency has to get a building up to code or deal with environmental issues, they do not see that it's worth it for them to do that. In terms of some of the government requirements, we've got the historic preservation. We've got some other requirements that may or may not make an agency want to go this route.

The other issue is just in terms of where the buildings are, what the buildings were set up to do. We've talked about it in terms of the zoning. It often takes a lot for an agency to even get up the wherewithal or the energy to put a building into the disposal process. And then if they want to, the process itself is very lengthy. GAO and others have talked about the different steps that have to get taken in order for that building to be disposed of and, at the end of the day, what is the incentive for the agency? Is it to offer it up to other agencies, offer it to homeless community groups, or ultimately get it to sale?

And so, from that perspective, I think, again, Dan Mathews said we have a lot of property out there that probably isn't being used fully. But until we incentivize or hold agencies accountable for getting rid of that, I think that practice is going to continue, which is why I'm really excited to be here today and I admire the work that you all are going to do. And, again, we're thrilled to help you in any way we can.

To me, from the GAO perspective, the two things that I would like to see from the Board kind of come along the areas of, like, political and practical. From the political perspective, as I said, I hope the actions and the mere presence of the Board and the powers that you've been given through the legislation can really be a mover in helping us achieve that national strategy and to Reduce and Freeze the Footprint goal. We think that what's been put out there now has been helpful, but it hasn't helped agencies address some of the real challenges that they've had in trying to get rid of property.

I think the other thing is that your presence, I appreciate that you said it's not a political issue. This is a good government issue. We shouldn't be spending money on things we don't need. We shouldn't be saving property for a mission in the future that we may or may not need. So I feel like this is, I think, with you here, maybe we can convince agencies that this is not a partisan thing, this is a good government approach.

In terms of practical, a couple of things that I would really appreciate seeing from the Board. The one is in terms of stakeholder influence. One of the reasons that it's difficult now in the disposal process, if an agency has a location or a building that they think they want to get rid of, everybody has a view on what should happen with that building. And sometimes the easiest course of action is to do nothing. So I appreciate any efforts the Board can take to try to address some of that stakeholder influence by applying and using the criteria that GSA and OMB are coming up with and fighting the good fight.

I think the budgetary issues, the fact that there is a fund that hopefully can support some agency efforts to get these buildings ready for disposal. Hopefully, that will be helpful.

And then in terms of motivating agencies, again, I think I would look forward to the Board walking that fine line between incentivizing and holding agencies accountable. I think you talked about it. You've got to get this process going and then maybe, once agencies see that there are some value, there is some value to going through this, maybe the Board can continue to do that because right now, until that first portfolio gets sold and we start seeing some of the benefits, it's difficult to convince agencies that there's a role here.

The other thing at GAO we really look forward to is, given that you all have the ability to go in and look at the data yourself, identify potentially other properties that might be available, we really hope that asking agencies questions, the difficult questions about how they interpret definitions, how they report the data, how they ensure the data are accurate, can continue to shed light on the FRPP and the public version of it because, again, it's got to start there. It's got to start, you can't know what your problem is or measure success unless you have really good data.

The final thing I look forward to the Board helping GAO with is providing us lessons learned for the disposal process. Again, GAO and others have done a lot of work on what the problems are in the disposal process, but what we know less about are, when you make changes to the disposal process, does it work?

So in terms of the first round being a little different than the subsequent rounds, we look forward to hearing from you as to what do you think worked, what do you think didn't work, what were some of the biggest challenges that you faced in this process, what suggestions might you have for policy as we move forward because, again, GAO's role is we work with our clients, the Congress, to identify what good policy do we need to put into place to make the federal government work better?

So where do we get involved going forward? And, again, you all know this but for the benefit of others, so FASTA gave GAO a number of responsibilities. So the first one is when GSA and OMB submit the standards, criteria, and recommendations to you and put it into the public domain for the register, we are supposed to get a copy of those, as well. At that point, we're supposed to analyze the recommendations and selection process to make sure that those criteria and standards will follow and to make comments about the properties that are recommended.

At this point, I don't know exactly what that entails and I don't know when that will start. I guess that's going to depend upon when you get what you get. We look forward to working with you to make that a very cooperative approach. Again, because we want to do not only what works for the legislation, but we want to do what works for the country, as well.

The second mandate that FASTA gave us is we're supposed to annually report on agency implementation of the Board's recommendations. So, again, we will work with you on the timing of that work, as well as with our key clients.

We also have an ongoing or an outstanding request from the Senate Governmental Affairs Committee to study the challenges and lessons learned from FASTA and the workings of the Board. So for that work, I anticipate that we will continue to have an ongoing relationship with you to get information from you as to what you think is working and what you think is not working.

So with that, I will stop my remarks. And if you have any questions, I'm happy to answer them. We look forward to working with you, and good luck in your efforts.

MS. STYLES: The microphones aren't working.

MS. RECTANUS: Oh, okay. Do you want this back?

MS. STYLES: No, no. But in terms of recommendations -- so thank you again for coming here today. I had a question about your suggestions for the cooperative approach for GAO. We don't actually anticipate getting recommendations from GSA or OMB before our deadline for high-value properties. Is there anything that you can do from a cooperative fashion working with GAO to talk through those properties to get your, you know, thoughts? You all are very deeply involved in this, particularly issues like talking about the data, operations and maintenance costs, things like that that, frankly, we're struggling, we are struggling with operations, we're struggling with the distinction between land versus an actual building on the property and how we can parse through that in the data that we have.

Do you have any thoughts on how we could work through that?

MS. RECTANUS: I think the first thing we could do is probably just sit down with you and talk to you about the various pieces of work that we've done in all of our high-risk categories. We've done work where we've looked at operations and maintenance issues for buildings. We've done work looking at efforts the agencies made and some of the challenges that agencies have.

I would hesitate to comment on the particular recommendations that you received at this point in time because, in the absence of not knowing the criterion standards that have been developed, I would want to make sure that we're objective in that respect. But we're certainly willing to sit down with you and talk with you about what we know about various buildings, what we know about various agencies' practices, and the data.

MS. STYLES: Do you guys have another question?

MR. RAHALL: When you talk about the data not being, I think you said accurate that you often receive from agencies, is that, am I paraphrasing what you said correctly?

MS. RECTANUS: Again, there's many different fields in the FRPP. There's square footage, there's utilization, there's cost, there's location. There's a lot of different data elements, and we haven't looked at every single data element for every single agency. We know, for example, GSA has done a process where they've gone through and tried to verify some anomalies. We know in some cases agencies changed it based on that. We also know in some cases they didn't.

So there are at least some data elements that we know, for example, are not correct, whether that be the location of a building that might put it in the middle of an ocean. We know there is some square footage numbers that are not correct. So, yes, there are data from various agencies that are not accurate.

MR. RAHALL: And do you somehow find that's on purpose from the agencies?

MS. RECTANUS: I can't say that we have found that there's a malicious intent. I think there's a lot of reasons. One, it could be that the data collection is done to centralize and people have different definitions. It could be that there are entry errors where someone might put in ten and they mean a hundred. There's a lot of reasons, but we have not yet to see that it's been a purposeful --

MR. RAHALL: And are you required to report to Congress agencies that are not reporting accurately?

MS. RECTANUS: Our only requirement for Congress is when we have a request from them to do work looking at particular issues and actually have some work going on right now where we're actually looking at the public FRPP where we will be commenting on the accuracy of some of that information. So from that perspective, we will be requiring, providing some information to Congress about some elements of the data set that we think are not correct.

But, in general, we don't have a requirement that we report to them on the inaccuracies. But that is something we're happy to chat with you about what we know about the FRPP.

MR. RAHALL: Yes, because our main problem is getting accurate data and whether we do or we don't get accurate data. Under our enabling legislation, we are required to report to Congress, I believe.

MS. RECTANUS: That's why I think we

could help you, we could work with you to identify the kinds of questions to ask the agencies. Again, we have some sense of how different agencies either collect the data or define certain things, so I think the great thing you can give is at least trying to find some consistency or develop some consistency across the agencies so that, when a field is filled out, at least everybody is interpreting it the same way to fill it out.

MR. RAHALL: Right. Another kind of issue, you mentioned a problem of getting rid of underutilized properties as a lengthy process. You mentioned environmental laws, historic preservation. What would be your recommendation for speeding up that lengthy process?

MS. RECTANUS: Again, I think that this is -- that's sort of the test of what you guys are trying to do, right? To see whether the benefits outweigh the potential costs or disadvantages, if you will. We have not gone on record as to what we think the answer is, so that's why I think we're looking forward to seeing if you get rid of some of those things, the public conveyance, will it make a difference and will that make it go faster, will that help agencies out?

MR. RAHALL: Thank you. I think we'd like to work together with --

MS. RECTANUS: We're happy to help in any way we can.

MS. PHILLIPS: To the extent that GAO has actually looked -- in all of your work, looked at specific properties or have used a process for identifying the problem areas or problem properties, to the extent that you can share that with us, it would be very helpful because, as you've heard, we're struggling with how we're going to get our hands around this massive database of properties.

MS. RECTANUS: Again, we're happy to sit down with you. I mean, our work tends to be broader and, again, we tend to focus on the government-wide element. But there are some instances where we've been asked to look at particular buildings, particular sites where they've either tried to sell it or lease it or do something. So to the extent to which we can share with you our knowledge, we're happy to do that.

MS. STYLES: Thank you very much. We appreciate it, and we look forward to working with you.

MS. RECTANUS: Thank you.

MS. STYLES: So I don't know --- Maria, are you here? Yes.

MS. FOSCARINIS: Hello. Glad to be here. Thanks for inviting me. Now, let me see. The microphone seems to have disappeared.

MS. STYLES: It's right there by the water.

MS. FOSCARINIS: Oh, it's this.

MS. STYLES: Yes. So you can attach it. It works pretty well if you want to attach it to your --

MS. FOSCARINIS: Okay, all right. So

I will attach it. Okay.

MS. STYLES: Thank you very much. This is Maria -- hopefully, I get this right -- Foscarinis.

MS. FOSCARINIS: Perfect.

MS. STYLES: Excellent. She's with the National Law Center on Homelessness and Poverty, and my understanding is you all were instrumental in actually ensuring that this legislation was enacted. So we're very happy to have you here and look forward to your comments.

MS. FOSCARINIS: Excellent. Well, I am extremely happy to be here. Thank you for inviting me. We were glad to be part of the process. And Acting Chair Styles and members of the Board, thank you for inviting me. And I am Maria Foscarinis, and I'm the founder and Executive Director of the National Law Center on Homelessness and Poverty.

The Law Center is the only national organization dedicated to using the power of the law to advocate for the legal rights of homeless and economically-vulnerable Americans. Since 1989, Law Center attorneys have worked through state and federal courts to expand access to affordable housing, meet the immediate and long-term needs of those who are homeless and at risk of becoming homeless, and to strengthen the social safety net.

Through our work, we've been fortunate to achieve significant progress in meeting these goals. In addition to securing and expanding legal rights for homeless Americans, we've worked with partners throughout the country to provide services to millions of homeless families and children, and we have been very fortunate as part of our work to also have the support of many major law firms and their program of services.

There's still much work to be done. Homelessness remains a national crisis affecting too many men, women, and children in communities across the country and many of our nation's veterans, as well.

A key program designed to assist

homeless Americans is Title V of the McKinney-Vento Homeless Assistance Act, which was originally signed into law by President Reagan in 1987. Title V makes HUD responsible for leading a cross-agency effort to identify surplus federal property suitable for use by homeless assistance organizations, and those can include state and local governments, as well as not-for-profit organizations dedicated to serving homeless people.

Once these properties are identified, homeless service providers have a right of first refusal to acquire the excess property. Title V has enabled service providers and local government agencies to acquire and use surplus property to provide meals, shelter, housing, job training, medical care, mental health treatment for homeless Americans throughout the country. Each year, we estimate that more than two million people receive assistance through Title V.

Title V can apply to all kinds of property. It applies to buildings -- vacant, unused, underused buildings -- but it also applies to vacant land, and there are examples of properties on -- that have acquired vacant land to create programs for homeless people. I've been to visit some of them.

Title V is a proven vehicle for assisting America's homeless with no cost to taxpayers. In fact, I want to emphasize Title V saves taxpayer dollars by reducing operations and maintenance costs associated with unused properties that the federal government does not need.

But despite this success and potential, the Law Center has identified a number of challenges. Most notably, as the Board knows, landholding agencies are all to the whim to retain unneeded or underutilized properties, even though this violates the specific, repeated and consistent directives of Congress. The Law Center has worked for over two decades to push federal agencies to identify all properties available for disposal under Title V.

So I can say with certainty that we share the Board's goal of ensuring that some of those properties are put to better, more productive use, while reducing cost to taxpayers. As we work towards this common goal, Title V must continue to be part of the federal property disposal process. As you will recall, the Law Center supported FASTA, which created this board, and we supported FASTA because, although we generally oppose exemptions from Title V, the act also made helpful improvements to the Title V process. Specifically, FASTA made three significant improvements. First, the act shortened and bifurcated the Title V application process requiring applicants to submit an initial application laying out the discretion of the homeless services that would be provided, the need for those services, and the experience of the applicant that demonstrates the ability to provide such services.

Once the Secretary of Health and Human Services approves the initial application, applicants have 45 days to complete a final application that sets forth a, quote, reasonable plan to finance the approved program, closed quote. This process loaded the burden on applicants from the prior process, which under HHS regulations required a showing that the applicant has the, quote, necessary funds or the ability to obtain such funds to carry out the approved program lease for the property, closed quote.

Second, FASTA provided applicants with discretion to take possession of Title V properties by lease or by deed. Third, the act clarified that permanent housing with or without supportive services is an eligible use of property acquired through Title V, while permanent housing with supporting services for those that can benefit from it is an important solution to the problem of chronic homelessness. Many homeless Americans simply need housing for longer than local shelters can provide but do not also require supportive services. These improvements are intended to ensure that more homeless service providers can put excess surplus, underutilized or unutilized federal properties to use for the benefit of the homeless, which is the central intent of Congress.

With that in mind, we understand that part of this --- the Board's mandate is to identify high-value surplus properties that can be sold off the government's books and provide a cost-savings. But there's also a broader mandate to ensure that all unused or underutilized property is identified and considered for disposal. We're interested in this process in particular and that it maximize the properties that are identified and that can then be considered under a Title V, as well as other disposal.

We urge the Board throughout this process to ensure that the needs of homeless Americans and that potential uses to meet those needs of any property are considered before they are to be sold. At the Law Center, we believe that the right to a home and other necessities of life lie at the heart of human dignity and we envision an America where no one has to go without the basics. Title V is a critical element of this vision and an important tool in fighting homelessness.

So thank you again for the opportunity to speak with you today, and I welcome any questions.

MS. STYLES: Thank you very much. We really appreciate your comments. I'd like to know if you all have recommendations with regard to our approach to high-value properties. I know that they're exempt when we put them up --- put them excess, but I also suspect our high-value properties are in locations that are the largest populations and I'm going to assume that that means higher areas of larger populations are probably the largest ones with homelessness.

Do you have thoughts on how we should approach that, properties that should be chosen as high-value properties versus the other two rounds?

MS. FOSCARINIS: Well, I think you make a very good point, and that's a good question. We would appreciate the Board's considering the needs of homeless populations in those areas. I think you're absolutely right that they are likely to be in areas that have large homeless populations, that have a larger need, and there's nothing that prevents the Board, as I understand it, from recommending that, however those properties are disposed of, that they also consider the needs of homeless populations.

MS. STYLES: Is there a methodology for considering that? I mean, in terms of statistics, right, so if we're looking at a particular city and a particular property, where do we find the statistics that we would need to be able to also make that assessment to put that into -- to factor that into how we're thinking about different properties? Like, we could say we want to keep one off a high-value property list because it's close to a city center, but it might be useless, you know, from your perspective.

MS. FOSCARINIS: Right. So, with that -- unfortunately, there's not a great source of that kind of information. The only data that currently exists -- current data that exists is the annual count that HUD produces every year. It's a required count of the homeless population, so that could provide some indication of where there are likely to be concentrations of homeless populations. We're certainly happy to advise the Board, as well, because there are often undercounts. If anything, that data is likely to underestimate the extent of the need, and we're happy to provide any additional advice that we can.

I think it's probably safe to assume -- especially in your high-population centers -- that there will be significant homeless populations.

MS. STYLES: Okay. Is there some recent data that's out on colleges and universities, as well, on homelessness? I'm pretty sure I read something about there is, and I just didn't know if there had been any kind of a correlation between the colleges and universities and the problems that they're finding with homeless students and available federal property. Have you seen anything that has correlated those two?

MS. FOSCARINIS: I have not, but that's an excellent point. There is a growing problem with college student homelessness, and there are some studies about that, but I have not seen anything that puts the two together.

MS. STYLES: Okay. Thank you.

MR. WINSTEAD: Marie, can you just inform us -- I mean, perhaps just me -- who are the providers? Are they all public municipal agencies that get into renovating the properties, maintaining the facilities for the homeless, or are they non-profits or are they -- I'm just not clear on who manages the delivery.

MS. FOSCARINIS: Sure. It's a mix. It's a mix. They can be municipal entities. They can be cities or states. More often, they're private non-profit organizations, and there's a wide range of different types of organizations. They can be small, they can be larger, they can be sophisticated, they can be less sophisticated.

One of the roles that we play is providing assistance to them because it's a complicated process and they often don't have the expertise to apply for the property. And we are often also getting pro bono help from law firms to help the applicants.

MR. WINSTEAD: Right. But you don't have -- is HUD the one that sort of looks at the competency of the provider?

MS. FOSCARINIS: So, again, it's a complicated process. HUD is the lead agency in the sense that HUD is required to identify properties and determine which are suitable. The application process is overseen by HHS, the Department of Health and Human Services. And HHS determines whether the entity is able to. Yes, and --

MR. RAHALL: I don't have a question, just a comment. I recall in 1987 when President Reagan signed the initial homeless legislation into law. It was pushed very heavily. The main sponsor in the House of Representatives was my former colleague, Bruce Vento from Minnesota. So I just wanted to salute you and the National Law Center on Homelessness and Poverty for the tremendous work you do. It's a growing problem in our society today, unfortunately, especially among our veterans. And to see our veterans go homeless is really something that needs to be addressed and viewed, your people are doing it and I salute you for that.

MS. FOSCARINIS: Thank you very much. I appreciate that. And I really hope that we will be able to work together with this board. Land-banking has really been an issue and a problem that has held this particular program back. I think there's tremendous potential. I think this could really be a win-win if we are able to get -- and with the leadership of this board -- to get more properties identified and through this process and made available to go through the Title V process. I think it can make a big difference.

MS. STYLES: Well, thank you very much. We appreciate you coming, and we look forward to working with you.

MS. RECTANUS: We do, as well. Thank you so much.

MS. STYLES: All right. We have Danny Werfel next.

MR. WERFEL: Hello.

MS. STYLES: Hi. Thank you so much for being here. I know that you probably know other people a little bit better than me on the Board but we really appreciate you kind of taking the time out today to come and talk to us. A lot of it is about your past experience. My understanding is you really got the Federal Property Council up and launched, and you've been intimately involved in the ins of this legislation and ideas for this and how it should work. So we really look forward to hearing from you and thank you for coming.

MR. WERFEL: I mean, again, I want to be as valuable as I can to the process. I do have a lot of the history and was there at the beginning and have been through similar types of efforts, in particular around trying to find the highest-value properties in the U.S. government that could be potentially offloaded. I can talk to you about some of the experience with that, as well. And then just some recent impressions of where we are on real property today, if that's helpful.

MS. STYLES: That would be great.

MR. WERFEL: So this dates back to the Bush administration, the very start of the Bush administration, and they were establishing where there were potential opportunities to drive efficiency in the U.S. government and building what was then termed the President's Management Agenda. And there was a big idea around better managing the real property portfolio and the fact that there was a lot of excess and a lot of value in there in the portfolio. But there was this notion at the time that I think still is relevant today that federal agencies were hampered in their ability to move assets and dispose of assets due to a variety of different requirements, and all of those requirements had good public policy elements to them, whether it was environmental reviews or considerations for the homeless or sharing the property with other federal agencies. All of it resonated. I think the issue was the way it's structured today and the way it was structured back then, it was inhibiting agile and flexible approaches.

And so this concept of the Freedom to Manage Act was developed, and legislation was taken out to try to address this legislatively. And very quickly, and potentially not surprisingly, there was pushback from Congress. And one thing that's true about real property and many other things in the federal government, there's a lot of diverse stakeholder interests and it's very challenging to get those stakeholder interests to align, and the Freedom to Manage Act brought out a lot of stakeholder concerns and it stalled.

And so at that time what the President and his leadership team decided to do, in particular the management leadership team at OMB, said, well, let's do what we can sub-legislatively. And so a team was put together basically to write an executive order with lawyers looking over saying what are the things in the Freedom to Manage Act we can do and we can't do? And that led to the creation of the Federal Property Council.

And there was really a couple of key things in that executive order, which was issued in late 2003 -- I think it was actually February 2004 that it was issued -- and which really kind of launched real properties a major management-focused area in U.S. government and has remained to this day. I think the big thing, in addition to creating the Federal Property Council, which essentially required all the major landholding or property-holding agencies to appoint a senior real property officer. That requirement didn't exist previously or that position didn't exist. So that was one big thing.

The second thing was, through the senior real property officer, creating a council similar to the other C-suite councils that are in the U.S. government, like the CFO Council, the CIO Counsel now. And now there's a council dedicated to real property. And then to update the inventory and to really build -- at the time, there was a GSA-maintained real inventory, but it was widely seen as incomplete, unattended to, and not very strategic in its construction.

And so the notion was, okay, we're going to have senior real properties -- a senior real property officer. We're going to have a real property council. And the first thing that real property council is going to do is it's going to write the DNA and the structure for this inventory.

It also had the requirement going back to, right, to basically establish guidelines for every federal agency to come up with at the time what we called an asset management plan, which was basically saying what is your inventory and how are you going to manage it to be better right-sized and to be better optimized?

And so that was the remand of the Federal Property Council: construct and develop a data inventory and to set up guidance for each agency on how they construct their asset management plan, how they're going to manage real property more smartly.

The bottom line on the inventory was the inventory basically, you know, the guiding principles was let's not overthink this. I think when we first met in the first meeting and we brainstormed and we took in input, I think there was over 120 data elements that were considered. But the group came together and they averaged out to about 24 individual data elements.

Most of those data elements, about 20 to 24, were just basic diagnostics of the property: the longitude and latitude, what it was, what its purpose was, what agency it was in, that type of thing. The real difference-maker was the four what we called performance measures at the time, although I think we misnamed them, but four more performance-oriented data elements. And those four things were the mission criticality of the asset, the condition of the asset, utilization of the asset, and the cost of the asset. And the thinking at the time was for every constructive asset in the U.S. inventory, if we have that information, that we could start to risk tier the properties and create a high-risk list of where we had opportunities.

So, for example, if the property was not mission critical, was a high-cost against benchmark, was low utilized, and was in poor condition, that would help both for each agency to focus on where they needed to manage their real property more effectively but also know how OMB and GSA look across the inventory and to basically categorize assets by -- you didn't have to hit all four. You could have three of the four or two of the four. And it might not be that just because an asset is in poor condition it means that it needs to, you know, it also could be you have an asset that's mission critical in poor condition and, therefore, could make the case that we need to invest more in it.

So it wasn't all about disposition. It was about optimization, right-sizing, and making the smart investments.

So we started in earnest and almost immediately had GAO and others coming in saying that the data lacked good quality, and that's, I think, with any government data collection effort. You're going to have your growing pains. I think one of the big early lessons learned was the challenge around how to normalize reporting.

I think we didn't, we didn't have a good sense of how different agencies were defining mission criticality versus not. It was, you know, there's a little variation and, therefore, some subjectivity into what's mission critical and what's not.

And then, in particular, I think, utilization, back then there was no low-burden effective way of having good timely information on the utilization of buildings. So a lot of agencies went in the direction of more of the plan, what's the plan to utilize this building, and that was what was reported, versus the experience of what the utilization rate is. And I think if you were to look at what our experience was, if you look at what an organization plans to utilize a building for versus what the actual utilization rate is, there's significant gaps there.

So, you know, nevertheless, in the early days when we started to develop the federal property profile, what also started to happen was make the case that it's fairly arbitrary but a lot of administrations do this and it's not necessarily the wrong thing to do. It's sort of setting the goal of we want to save X billion dollars in real property, how are we going to do it? What are the different avenues that we can take to save a billion dollars in real property or three billion by the following year?

And so then, you know, the bigger the number you have, the bigger the savings target, the more you have to start looking at high-value asset disposition because, you know, it's harder to achieve those types of big numbers by just managing O&M and maintenance of the property. Those are real important things to do and they should be done and there's certainly taxpayer savings to be had, but if you, as an administration, can set a big, you know, multibillion dollar target for the overall real property savings, you need to start figuring out which puzzle pieces you're going to put together to get there, and that's when we started having conversations about high-value assets.

One of the things, I'll just share with you more history on this. We put together with the RMOs at OMB a list of the highest-value assets in the U.S. government, in the U.S. inventory. And I don't have access to that list. I'm not at OMB anymore, but it did exist at one time. I hope I'm not saying anything controversial. And, you know, it wasn't all, I will be honest with you, it wasn't all that difficult to put together because it's really about triangulating where this high-value real estate in the U.S. is against the inventory. So if you basically just go to the top 20 metropolitan areas, like Chicago, New York, and you have this real property profile, so now you can basically look at assets and see, for example, what's in high-earning districts, what's waterfront, et cetera. It's not necessarily that if you have a federal asset that's waterfront is the wrong thing. It just raises a question of is this highest and best use? Could it be relocated? And the reality is there's a lot of federal real property in high-value areas in the U.S. space. Also internationally, as well, because you can make the case that there are some, and there was like a big thing around the London Embassy, which it ended up being sold because, the thing was, there was an opportunity to move the London Embassy maybe to an area that would still meet its mission but maybe not in the grand location that it was in.

So there are properties on this list that a lot of people have heard of and that have been thought of and looked at for a long time. You know, there's no reason why I can't name some of them because they should be known to a lot of people. Things like Moffett Field, for example, which is in Northern California. I think it was owned by NASA at the time and is in a very, very high-value area of the United States and it's a big, you know, big area. If I recall correctly, there were a lot of private operators in the Silicon Valley who were using it and renting it to land private airplanes. So the question was what are we doing with this property, and there was a lot of sensitivity around it.

Another one was a VA property in West Los Angeles. Again, big questions around, you know, the property outsized versus the hospital space that was needed, so there were certainly questions around there.

Another one that came up, I think this was the less likely to be disposed of, but it was high on the list of value was the Marine Merchant Academy in Great Neck, New York. It's just one of these things, it's like where is the highest per capita real estate value in the U.S. and where is the property? And if you construct that, you'll hit something like the Marine Merchant Academy because of the property that it sits on in Northern Long Island is very valuable. I'm not suggesting we do something with it, but this is what you're going to start to get into. And once you start looking at each property, you're going to see a whole host of different challenges in thinking about what the political landscape is for disposition.

But, again, there are very controversial ones, like Moffett Field, like West Los Angeles for the VA, but I think, as you work your way through the list, there are less and less controversial ones that could be thought of for potential disposition.

But every time those came up, there was this, you know, very, very -- we were really worried about, even having, you know, the list was kind of nerve-wracking from our standpoint. And we didn't really at the time know how to move forward on any of those properties in a way that was thoughtful because the stakeholder networks were so complicated.

So what did we do? We came up with an idea that's interesting but didn't end up getting enacted. We came up with this idea of doing a civilian BRAC. That was a thought process because, you know, the lesson learned here was from DoD BRAC was, I think, our predecessors 20 or 30 years earlier came to the same conclusion, that there's a lot of excess property and there's opportunities to downsize. But once you start doing that, you run into this tremendous wall of stakeholder concern and the BRAC process was, as I'm sure you're all familiar with it, was an interesting and innovative way to unlock some of the politics and create an environment in which you could push through things that were previously impossible politically. It's not an easy BRAC process, which I think the last BRAC was 2005, so it hasn't happened in a long time. But it's still not easy. It's still extraordinarily difficult. And there's, you know, public forum and meetings and a lot of concern on the Hill in terms of what gets on the BRAC list and what doesn't.

So I'm not saying it's an easy path, but it did create assets that had previously been thought of as not being able to dispose of but were realigned under BRAC. And so we thought, well, maybe the best way to do this is to borrow that concept and think about the civilian assets and run a civilian BRAC process. Otherwise, every property that you put forward is going to potentially run into this type of criticism.

But even the BRAC is such a, it's such a challenging moment in time for all those involved that I think there were concerns on the Hill that creating a civilian BRAC would also create similar challenges and that it wasn't worth it. We didn't have a compelling enough business case around what could be sold off and what the value to the taxpayer would be in order to realize it. One of the reasons why we couldn't build a business case is because some of the properties were so sensitive that there was a worry about even building a business case. So it's kind of like a non-virtuous circle in terms of getting to a point where you're getting really good objective public policy analysis around what the best path is.

Let me pause there and ask if there's any questions or comments or different things I'd share from the history of this issue.

MS. STYLES: Well, how would you, how would you recommend that we deal with the sensitivity of some of these properties? I mean, that is a concern, right, is that, you know, we've got to create pretty much from scratch, I mean, we have some help, but of coming up with a list, and then getting into the details of what would be best for the high-value property list in four and a half months and avoiding some of the controversies that you're talking about. I don't know what to do if it ends up on the list and it goes to excess and there were all kinds of problems that we didn't even consider.

MR. WERFEL: Yes. So in retrospect, I think the best approach is to have a very nonpartisan generic set of criteria and then let the list be what the list is. In other words, you know, if you're saying what we're going to do is we're going to create a list, and we have no idea what's going to be on the list before the list is created, but we're going to spit out the properties that meet these 17 criteria. And it's like if the property sits on a parcel of real estate which has a fair market value of greater than X dollars per square foot, it's going to, you know, so the calculus is there.

So I don't know that Moffett Field ends up on the list and I don't know that West LA or the Merchant Marine Academy or Volpe in Massachusetts or any of these other properties end up on the list, but these are the criteria. And then, once the list is created, then you can basically say and then what is the, before that list is even created, here, very transparently, here's the process we're going to go through for whatever properties end up on that list. I don't know what they are yet.

I think as long as you're kind of establishing getting agreement that you're going to follow a particular process without anyone at this point pinpointing the concern of a particular asset, that might be a better way to do it. And we didn't do it that way. We just created the list without the transparency of exactly how the list was created. And, therefore, it wasn't as easy to basically say, oh, look at this property now because how did you come up with that list and what was the fairness of it.

MS. STYLES: Well, I think we're really back to the data problems with that, right? Particularly where you might want to sell off a parcel of land separate from the building, so we don't have the data to parse through that to come up with a list that would have those. You know, at least from what we've seen so far, the data is not terribly amenable to that. So that's why we can come up with the criteria and come up with some, but I'm not sure it's going to capture all of what we want to capture.

MR. WERFEL: It depends on who's accessing the data or how you construct it. So you're right. If I just asked, if I went on a public website and tried to find this, I couldn't find it. But if I went to OMB, for example, or

GSA and I basically said, okay, let's go with the ten largest capital, the largest urban markets, and then I'm going to ask you to pull data, you know, in an agnostic objective way, you might, you know -- again, the way OMB did it back then was similar to what I just described. Just the methodology wasn't transparent. It was just done behind the scenes, but it was done in a way, work with each agency to basically we're here, where's your waterfront property, where's your downtown, where's your K Street type property that you own, and the data was, it wasn't accessible and it wasn't easily extractable from the federal property profile. It was developed and cultivated based on other data inputs because, you know, this often happens. You create a standard data set, like the federal real property profile, and a question comes up and it doesn't answer it. It partially answers it. It's got some of the puzzle pieces but not all of the puzzle pieces.

So then you go in, usually with OMB in

a real property sense with OMB and the agencies and you fill in the rest of the puzzle pieces. I'm suggesting that if you're very transparent about the methodology, and that might not work because someone might play the chess game and be like the methodology that you just announced, that means that these six properties will definitely be on the list and I'm very uncomfortable with that because I don't want to even go through the process of there being an implication that that asset would be moved off the federal books. That could happen. But I'm saying the best idea I have is to do what OMB did years ago but do it in a very transparent way with an expectation that that list would be public, and then have, you know, and then I'd rather confront the issue, get it out in the public, and then have the debate continue in terms of what the right answer for the taxpayer is on a lot of these assets.

MS. STYLES: So do you think there's enough substantive expertise out in the private sector and the government that we could hold another hearing just on methodology? I mean, so that we could have a real discussion on what the different opinions of methodologies might be.

MR. WERFEL: Absolutely. And I think, you know, there's also not a lot of agencies that are at play here because if you look at your, you know, forget your landholding, that's sort of helpful but it's more constructed asset, and you look at the organizations, the federal organizations, after you get the sixth- or seventh- or eighth-largest constructed asset-holding agency, it really kind of dips down into a long tail, and so you only have to concentrate your effort on the property types of some of the bigger agencies. Look at DoD, for example. Again, DoD implicates the whole BRAC question. So a big question that you should ask yourself is how to think about DoD assets because they're going to be, I think, to my understanding, they're the largest --

MS. STYLES: Yes, but we don't have

authority under most DoD --

MR. WERFEL: Okay. So there you go. But even after DoD, like I mentioned NASA and VA and there's other property holders out there, so, yes, I think you could. I mean, I think that's what you need, a transparent methodology that's not kind of targeting a particular asset and just going after just kind of a generic method to pull the assets that you want to do for a closer review. That's how I'd approach it.

And I think there's some basic criteria that you can come up with that -- I think the more objective you keep it, the better, although there's going to be a tension there because you're going to want to, the methodology is going to benefit from some subjective elements in terms of, eventually, in terms of, for example, I'll give you just an example of where I would start thinking about it.

Let's say, you know, because the world changes and the way we work changes and the economy changes, and so it may be that an agency in 2000 or 1995, in order to meet its mission, needed a big regional footprint, needed to have lots of people out there with a certain amount of citizen touchpoint or interconnectivity in the local government or whatnot. And that probably still exists today. But I would say 20 years later or 30 years later, it's probably different and there's probably opportunities where what seemed to be really critical to have a strong regional footprint now is less critical, just based on the way the world is, the way we work, the way the environment and the program may operate.

And so that type of thing would be an interesting dynamic to look at where you have an agency that has had a large regional footprint where it might not need as large a regional footprint anymore. I'm sure you agree that that would be an interesting way of starting to think about your opportunities for, you know, for creating this high-risk list of assets that could be potentially offloaded. The problem is what I just did is subjective, right? It's like how do you determine on a programmatic-by-programmatic basis this continuum of regional versus central and it's moved over the last few years to be more central?

So there's a tension. The more objective the more false positives you're going to have on your list. And as you go across the continuum and start to get a little bit more strategically insightful on how to construct the list, you're going to introduce some subjectivity. And then it's going to be, you know, the devil in details of how to execute it. And that's always the challenge we've had with a lot of the real property efforts with the agencies because once you have subjectivity, for example, as I mentioned earlier, on mission criticality and even on utilization.

Can I make a quick comment on utilization, too? Something that I wish this existed when I was in the government is the fact that I mentioned that the world is changing. One of the big ways in which the world is changing is in how you can look at utilization today versus back in the day. And what I mean by that is there are digital and technology advances that can change the way we measure utilization in a building.

Here are some examples. First of all, just very basic, from a continuum of just, you know, the technology sophistication. You know, CAC cards and the fact that you're coming in and out of the building and you're swiping in and it's registering that you're in and you're out. And that information, which is not systemic across government, could change the way in which we understand utilization. I happen to know for a fact actually that when GSA remodeled its headquarters during the Recovery Act and 1800 F Street moved to its swing space north of Massachusetts, at the time they did track CAC card entry in and out of their swing space. I don't know if I have my facts exactly right, but it was about 50-percent utilization rate, which was lower than they probably would have predicted but, in retrospect, made sense because even as of early 2011 - 2012, in that time frame, people are more mobile. They're in their offices or in their Blackberry or their iPhone.

Also, what was interesting about that move was they had, they moved a bunch of file cabinets over, which when they were moved they had a bunch of empty file cabinets because they misunderstood at the time how paperless people had become. So, again, that's another element of changing the requirements of what space we need, given technology. So CAC card-capturing of entry and exit.

The other thing that's interesting is just the technology, the fact that we have these, are our laptops. So, for example, computers now, a lot of them, in the interest of cybersecurity, now contain software on them or things that identify in a geospatial way where they are in the system. And so now you could look, if you have that software on the endpoint device, you can look at a heat map of where the hardware is and that can tell you where people are.

I know I'm getting into some, you know, there's privacy implications here and oversight implications and all those need to be managed, but let's get out to a table and see what the opportunities are.

The other really interesting dimension is also just kind of the way in which Google and Waze and others are tracking people's movements. So, for example, if you go to, if you were at Google right now and asked for the National Gallery of Art, what would pop up when you search the National Gallery of Art is a bar chart, 2 p.m., 3 p.m., 4 p.m., 5 p.m. with a bar chart telling you how crowded it is at these different hours. And where are they getting that information? And it's my understanding that they're getting it from the same way that Waze knows what's going on on 395 right now in terms of traffic, all this back-end telecommunications data that's helping kind of see where people are moving at a given point.

I'm just suggesting that there are these ways of now potentially understanding the footprint and the activity at a federal facility. And, of course, there's national security implications to all of this that would have to be found out, but I think it's a really interesting question to ask because right now the utilization information is really poor and this potentially would open it up to kind of more realtime utilization information, and that is a big unlock in my opinion in terms of understanding where assets can be consolidated and disposed of. I think the fact that we never really got really good utilization data is something that I think prevents a stronger set of insights in business cases on real asset disposition. Just for your own thinking. I know there's a lot of policy tensions in what I just described, but I think it's something that the U.S. government, GSA and OMB, should be really studying and understanding before it's dismissed out of hand.

MR. WINSTEAD: Danny, just a quick comment. You know, you're absolutely correct, times have changed since 2005. The technology is out there, and in some of the business forums, Real Estate Roundtable among them, that the number of tech companies in real estate in the last three or four years has just quadrupled. There are a lot of startups looking at all these kinds of ways to better manage property, security in buildings, and all these other things.

But going back to the question about authority, we had Dan who was here earlier talk about, you know, the intended conduits. He was with the committee at that point. And, you know, we have this three-year leaseback authority that would allow us to keep a tenant in while moves occur or better use or relocation. Ground lease exchange.

So these things weren't really around back when you originally were looking at how to deal with these assets, and now at least the Board has some of those tools.

MR. WERFEL: Yes. And I think GSA was successful in getting some authorities, exchange authorities. There are authorities that already exist. I never felt like the government was as aggressive as it could be in figuring out how to deploy some of those, some of those solutions, again, because it's such a sensitive issue that it tends to slow the scaling of how you use those things.

And some of the leaseback issues, there's also, I think, an important fundamental question that an administration has to answer in terms of how it wants to get to real property optimization. So there are things that we can do with our real property on the journey. We can lease property out, we can lean more on the landlord and an entrepreneur with an end game of downsizing. But in the interim, we're playing more of an entrepreneurial role and there are people that, rightfully, have a big concern with the government doing that. They don't want the government to be in the business of being a landlord, even if it's in order to generate revenue for a bid. And let's say you have a five- or ten-year strategy for an asset that's no longer needed and you're going to outsource it or sell it but you're going to lease it first in order to kind of optimize the economics of it, it might make sense from an economic standpoint, but the leadership of the government at that point has to be comfortable with the government taking on that type of role with respect to real property and that's not a given. It's something that different administrations have had different attitudes towards in terms of pulling on some of those levers.

So there's the stakeholder sensitivity, there's the role of government issue that comes up, and then there's just kind of the analytics of can we build these business cases in a robust way, and do we really understand what the market is, do we really understand -- there's a lot that's written on the power of an asset and how we can generate more revenue out of public sector assets. And that's just something that really, in the U.S. in particular, I don't think has taken off, especially at the U.S. federal level in a meaningful way.

Think about GSA headquarters now. We have like those shops in the first floor, and that seems like it's such good business and now they're renting out those first floors and it's good for the employees because now they have different food options. But if you go around town, how many of our federal buildings have that? Yes, there might be security issues, but it's being done at GSA. So more and more of that should be being thought of and probably would not really need to be on that front.

MS. STYLES: Well, thank you very much.

MR. WERFEL: Pleasure.

MS. STYLES: We really appreciate your insights on all of these issues, and we look forward to working with you more and hearing from you again, I'm sure.

MR. WERFEL: Happy to help. Thank

you.

MS. STYLES: Thank you very much. All right. So we are going to open ourselves up to questions and comments from the audience. I do want you to know it's being transcribed, and, once we actually do get our dot gov home, we did get a domain just last week, so hopefully we'll eventually have a website up and running and we will make the transcript available.

But if you do have questions, please feel free to, you know, ask us. We'll do our best to answer them. If you would just identify your name and the organization you're with if you have questions. Okay. No questions. I'm surprised. Oh, there's one question.

MR. DONG: Good afternoon. I'm Norman Dong. I'm with FD Stonewater. I'm a former commissioner of the Public Buildings Service. A really interesting conversation this morning about the charge of this Board, and I wanted to bring the conversation back to the question of utilization data. I think there was a lot of discussion about the imperfect nature of the utilization data.

And I guess my question, listening to the conversation and listening to the charge of the Board and understanding the charge of the Board, is, you know, you'll never have perfect information on utilization. And as we think about these high-value properties, it really kind of comes back to a question not just of federal use but highest and best use, knowing that you could have a federal property that, quite frankly, is fully occupied but it may not be the most productive use or the highest economic use of that asset. So I wanted to get your perspective on that question.

MS. STYLES: Well, personally, from my perspective, that's exactly the kind of thing that we need to look at. I mean, it's important to have a methodology to get one place, but I think there's other pieces that we're never going to be able to fix to come up with a perfect methodology. So there's so many inconsistencies, and utilization as reported by different agencies you can't even say that they're an order of magnitude correct from agency to agency, but we're just going to have to live with that. And we're probably going to have to live with something that isn't a perfectly objective methodology from my perspective.

MR. WINSTEAD: I totally, Angela, I totally agree with you. Obviously, we have authority and we intend, once we get it staffed up, to really reach out and candidly, I know a lot of your question is the whole issue of property location, market, submarket, character, and zoning, and what happens if you do dispose of the property, what's the value created through zoning? And I think we have some input from a consultant that was on early on, but that's the kind of input I think we will see to better understand the best value in terms of redevelopment opportunity.

And in that regard, obviously, the economic development authorities, candidly, any host county that has a federal facility and employment there would be very concerned about losing the employment potentially but then, again, going on the tax roll and generating tax revenue from commercial private sector development. So I think we'll reach out to the economic development crowd where we have these major assets with to raise value.

MR. DONG: Thank you.

MS. STYLES: Thank you. Any other questions from the audience?

MR. WINSTEAD: I have one for the audience just generally. The issue of looking at, you know, having been there, as many of you all have been there, but looking at the assets on the federal level in terms of the state of those assets, the real performance, in terms of deferred maintenance that's been going on for years in some cases because a lack of budgeted funds, candidly. The Federal Buildings Fund is capped out I know when I was there, and it's still the case with the bulk of the monies going to the courts and the border stations. So it's subsumed by expansion needs at the border and the security at federal courts. But is there any thought out there on sort of the state of federal inventory, if you will, that could be helpful to us? And if not, that's okay.

MS. STYLES: Well, we have processes in place ultimately for people to provide, you know, public written comment, as well. We just haven't gotten to that point yet, so we will get there. So, people, think about it, think about the issues that you've heard about here today and actually submitting formal comments to us because that's really helpful to us, too.

Okay. I think we're ready to close out. Does anyone have any closing comments?

MR. WINSTEAD: Well, Angela, you know, I think that we, candidly, we have all the right people or samples of right people in federal agencies. I think it was very helpful.

MS. STYLES: I actually thought it was great. Pulled together in six weeks and to have such a good group of people come here and speak with us, so we look forward to working with everybody in the future and thank you for coming.

(Whereupon, the above-entitled matter went off the record at 12:21 p.m.)

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C E R T I F I C A T E

This is to certify that the foregoing transcript

In the matter of: Public Meeting

Before: Public Buildings Reform Board

Date: 06-17-19

Place: Washington, DC

was duly recorded and accurately transcribed under my direction; further, that said transcript is a true and accurate record of the proceedings.

Neal R Gross

Court Reporter