

Statement of

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(2001-2005)

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Hearing

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Good morning, Chairman Issa and members of the Committee. My name is Joe Moravec. I have spent most of my career in the commercial real estate industry as a broker, manager and owner of commercial property and commercial real estate services companies. From June, 2001 through July 2005, I had the privilege of serving my country as the Commissioner of GSA's Public Buildings Service, a position for which I was well prepared, professionally.

As Public Buildings Commissioner, my goal was to apply well proven private sector asset management practices to improving our agency's performance as a real property manager.

Prior to 2002, GSA did not have- by private sector standards- a consistent, comprehensive or measurable approach to investing appropriated funds in the repair and alteration of its inventory of owned properties. In simple terms, capital improvement funds were spread yearly over the entire portfolio without adequate consideration of whether buildings were capable of meeting the long term programmatic needs of the agencies they housed or, indeed, whether they were viable as financial assets. Buildings of marginal utility were improved to perfection and buildings housing critical functions were often neglected. The backlog of deferred maintenance, in the absence of disciplined resource allocation, continued to swell.

Our team developed detailed profiles of every single property in GSA's portfolio; determined whether there was a long term federal need for the property; and, assessed whether the rent our agency customers were paying us justified reinvesting in it, and if so, at what level of investment. What emerged was a triaged ranking of GSA's entire inventory, which divided the portfolio into three tiers of assets.

The top tier was comprised of buildings for which there was a clear long term federal need. Investment in these buildings would result in sustainable rental income, providing GSA with capital for continued reinvestment in their upkeep. These buildings merited reinvestment. They could stand on their own. The middle tier were buildings which could be made into sustainable financial assets by judicious reinvestment as outlined in individually approved asset management plans. The lowest tier consisted of buildings which were beyond hope. These went immediately into the disposal process.

This new discipline of looking at buildings as financial assets (just as a private sector owner would) had a profound impact on the Public Buildings Service

organization, and the behavior of our professional managers. Our people understood the new rules and an agency-wide consensus, informed by a sense of urgency, developed around what separated valuable assets from those ready for disposal. Property disposals accelerated and since then, GSA has disposed of hundreds of its owned buildings, representing millions of square feet and translating into hundreds of millions of dollars of savings to the taxpayer. Today, GSA has very few empty buildings in its inventory.

The moral of this success story is that good disposal policy grows out of good, disciplined life-cycle asset management. Moreover, even without any statutory reform, the disposal mechanism which GSA administers for itself and across government can produce results once the bureaucracy understands the rules and is motivated to put individual functionally or physically obsolescent properties serving no programmatic need into the disposal process.

The chief impediments to timely and aggressive disposal of surplus federal properties are these:

- (1) Federal executives have inadequate financial incentive to declare properties “excess” and turn them over to GSA for disposal. Agencies incur front end costs which are often not reimbursed, and in the absence of special legislative authority, they do not get to retain sales proceeds, even if their property makes it to the open market and has any market value.
- (2) The disposal process itself is attenuated and byzantine. Statute and regulation, including adherence to rigid environmental standards, community benefit criteria and historic preservation considerations, virtually insure that disposals become public benefit conveyances, or negotiated sales with no economic benefit to the federal government, as seller; and,
- (3) Politics, or as they say in government “external shareholders”, including members of Congress, special interest and advocacy groups, and state, county and local officials, have ample opportunity to intervene, slow down and redirect the process to achieve every result, except returning money to the Federal Treasury.

A BRAC style approach to federal property disposal such as the Administration and Representative Denham have proposed, would have several distinct advantages over the present system. It would require by law that agencies

produce real lists of excess properties. It would provide the framework for intra-governmental dispute resolution in administering the process, so often lacking now. It would insulate the process from extraneous and unproductive political interference. And it would be measurable, requiring a specific outcome within a finite time frame. All salutary results.

I would add only a few cautionary notes.

First, keep expectations real. With very rare exceptions, most of government's disposable property, as CBO has correctly reported, has limited market value. This is particularly true if property must be offered to public entities, at little or no cost.

Second, ensure that agencies have enough upfront money to participate and to discourage malicious compliance. This means not only providing funds to defray the costs of bringing properties to market but the related and potentially much larger costs of replacing through consolidation and co-location federal workspace eliminated by disposal.

Third, do not underestimate the challenges of applying a BRAC-like discipline, which was created to serve one agency (albeit huge) with one mission, to the entire government, across dozens of agencies, with very diverse missions and constituencies.

Fourth, remove to the greatest extent supportable or feasible the many statutory and regulatory road blocks to bringing properties to the market, including public benefit conveyance and McKinney-Vento requirements. If a private sector result is expected, constraints on the federal government that would not constrain a private seller need to be modified, replaced or suspended, as proposed in Representative Chaffetz's bill.

And finally, know that implementation by law of a wholesale approach to the disposal of surplus federal property will have, I believe, the undesirable practical effect of slowing down, or even stopping, other ongoing disposal activity under present law until it can take effect. So, once implemented, it really needs to work.

Thank you for the opportunity to provide testimony on this critical subject, so very timely as we as a country struggle as never in modern times to reduce the cost of government. I am, of course, available to answer your questions.

