

**GENERAL SERVICES  
ADMINISTRATION**

[FMR Bulletin 2006–B5]

**Federal Management Regulation; Real  
Property Asset Management Guiding  
Principles****AGENCY:** General Services  
Administration.**ACTION:** Notice; Bulletin.

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**SUMMARY:** FMR Bulletin 2006–B5 rescinds and supersedes GSA Bulletin FPMR D–240, Public Buildings and Space, dated October 2, 1996. This Bulletin introduces new guiding principles to manage and improve real property performance in support of Executive Order (EO) 13327.**EFFECTIVE DATE:** June 16, 2006.**FOR FURTHER INFORMATION CONTACT:** For clarification of content, contact Stanley C. Langfeld, Director, Regulations Management Division (MPR), General Services Administration, Washington, DC 20405; *stanley.langfeld@gsa.gov*, (202) 501–1737. Please cite FMR Bulletin 2006–B5.**SUPPLEMENTARY INFORMATION:** The guiding principles are strategic objectives and goals designed for Federal agencies to adopt into their asset management programs. Agencies are encouraged to implement these principles to enhance real property performance. The guiding principles are as follows:

1. Support agency missions and strategic goals.
2. Use public and commercial benchmarks and best practices.

3. Employ life-cycle cost benefit analyses.

4. Promote full and appropriate utilization.

5. Dispose of unneeded assets.

6. Provide appropriate levels of investment.

7. Accurately inventory and describe all assets.

8. Employ balanced performance measures.

9. Advance customer satisfaction.

10. Provide for safe, secure and healthy workplaces.

Dated: June 1, 2006.

**John G. Sindelar,***Acting Associate Administrator, Office of  
Governmentwide Policy.***BILLING CODE 6820–34–P**

**SUBJECT: Real Property Asset Management Guiding Principles**

1. **Purpose:** This Bulletin introduces new guiding principles to help Federal agencies manage and improve real property performance effectively in support of Executive Order (EO) 13327. This Bulletin rescinds and supersedes GSA Bulletin FPMR D-240, Public Buildings and Space, dated October 2, 1996.

The guiding principles are strategic objectives and goals designed for Federal agencies to adopt into their asset management programs. Agencies are encouraged to implement these principles to enhance real property performance. The guiding principles are as follows:

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  6. Provide appropriate levels of investment.
  7. Accurately inventory and describe all assets.
  8. Employ balanced performance measures.
  9. Advance customer satisfaction.
  10. Provide for safe, secure and healthy workplaces.
2. **Expiration Date:** This Bulletin contains information of a continuing nature and will remain in effect until cancelled.
3. **Background:**
    - a. Over the past decade, the Federal Government increasingly has become aware of the significant challenges it faces in managing its real property portfolio. These challenges include deteriorating facilities, an increasing number of excess and underperforming assets, limited capital investment funds, a reliance on costly leasing, and unreliable governmentwide data for strategic asset management. Since 2000, Congress and each Administration have attempted to improve Federal real property asset management through legislative reform, including:
      - H. R. 3285 – “Federal Property Asset Management Improvement Act of 1999,” 106<sup>th</sup> Congress
      - S. 2805 – “Federal Property Asset Management Reform Act of 2000,” 106<sup>th</sup> Congress
      - S. 1612 – “Managerial Flexibility Act of 2001,” 107<sup>th</sup> Congress
      - H. R. 2710 – “Federal Asset Management Improvement Act of 2001,” 107<sup>th</sup> Congress

- H.R. 2548 – “Federal Property Asset Management Reform Act of 2003,” 108<sup>th</sup> Congress
- H.R. 2573 – “Public - Private Partnership Act of 2003,” 108<sup>th</sup> Congress
- H.R. 3134 – “Federal Real Property Disposal Pilot Program and Management Improvement Act of 2005,” 109<sup>th</sup> Congress

The proposed legislation would have amended title 40, United States Code to authorize landholding agencies to use enhanced real property asset management tools, including the ability to enter into public/private partnerships, to manage their real property more effectively. To date, none of these legislative initiatives have been enacted.

- b. **In January 2003**, the Government Accountability Office (GAO) issued two reports discussing Federal real property asset management.
  - The first, “High Risk Series: Federal Real Property” (GAO-03-122), identified Federal real property as a high-risk area. The report stated that “. . . long-standing problems in the Federal real property area include excess and underutilized property, deteriorating facilities, unreliable real property data, and costly space.”
  - The second, “Strategic Human Capital Management” (GAO-03-120), identified the challenges of a declining Federal workforce and the need to provide cost-effective and flexible work environments. The report discussed the connection between cost-effective, high-performance workplaces and a dynamic, results-oriented workforce.
- c. **In October 2003**, GAO issued “Federal Real Property: Actions Needed to Address Long-standing and Complex Problems” (GAO-04-119T), which concluded that Federal real property was in an alarming state of deterioration, with a significant repair, restoration, and maintenance backlog. Among their findings, GAO identified that key decision makers lack the data required for strategic real property asset management.
- d. **On February 4, 2004**, the President signed EO 13327, “Federal Real Property Asset Management,” and subsequently added Federal real property to the President’s Management Agenda. Designed to promote the efficient and economical use of the Federal Government’s real property assets and rightsize the inventory of Federal real property, EO 13327 established the role of Senior Real Property Officer in every executive branch agency (cited in sections 901(b)(1) and (b)(2) of title 31, United States Code, and the Department of Homeland Security) to manage and oversee asset management activities. The EO also established a Federal Real Property Council (FRPC), chaired by the Office of Management and Budget (OMB), to develop guidance, collect best practices, and help Senior Real Property Officers improve the management of real property assets.

- e. **In December 2004**, the FRPC issued “Guidance for Improved Asset Management,” which established ten governmentwide standards – or **guiding principles** – for improving agency asset management. This information may be accessed at: [http://www.whitehouse.gov/omb/financial/fia\\_asset.html](http://www.whitehouse.gov/omb/financial/fia_asset.html).
4. **Action:** Federal agencies should use the guiding principles to manage and optimize their real property portfolios. When implemented effectively, the guiding principles are designed to promote:
- Sound real property asset management decisions;
  - Healthy and productive workplaces;
  - Reduced costs associated with real property asset management;
  - Disposal of unneeded Federal real property;
  - Repair and maintenance for deteriorating facilities;
  - Incentives to improve real property asset management;
  - Assemblage and maintenance of reliable real property data;
  - Increased efficiency and maximized performance of Federal real property assets; and
  - Strategic use of limited budgetary resources to maximize asset management.

Federal real property asset managers should apply these principles throughout the life-cycle of a real property asset.

5. For further information, contact Stanley C. Langfeld, Director, Regulations Management Division, Office of Real Property Management (MP) at (202) 501-1737 or [stanley.langfeld@gsa.gov](mailto:stanley.langfeld@gsa.gov).

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## REAL PROPERTY ASSET MANAGEMENT GUIDING PRINCIPLES

### EXECUTIVE SUMMARY

Asset management defines the relationship between a property holding agency (*i.e.*, the “owner”) and its property assets. This relationship includes, but is not limited to: financial asset management, day-to-day property management, and occupant satisfaction. The asset management relationship lasts for the entire property life-cycle – from acquisition and utilization to disposal.

Real property asset management presents a variety of challenges that are global in nature and affect both the public and private sectors. Asset management succeeds when organizations implement and use an effective strategic-planning framework to make real property decisions. The guiding principles that comprise this framework are summarized below. The principles are later defined and illustrated with case study examples.

1. **Support Agency Missions and Strategic Goals** by aligning real property decisions with the agency’s strategic mission.

*Case Study:* Lease Consolidation at the Department of the Treasury’s Internal Revenue Service Consolidated Processing Center in Kansas City, Missouri.

2. **Use Public and Commercial Benchmarks and Best Practices** to assess Federal agency asset management performance.

*Case Studies:* “Experience Exchange Report” from the Building Owners and Managers Association; “Real Property Performance Results” report from the General Services Administration (GSA); and “Data Report” from the Society of Industrial and Office Realtors.

3. **Employ Life-Cycle Cost-Benefit Analyses** to justify asset management and acquisition decisions.

*Case Study:* Department of the Interior and Department of Energy Partnership in the Design and Construction of the Zion National Park Visitor Center in Zion, Utah.

4. **Promote Full and Appropriate Utilization** by operating the property asset to its maximum capacity during its useful economic life (determined by using the Government’s financial accounting standards<sup>1</sup>) – while satisfying the occupying agency’s mission requirements.

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<sup>1</sup>For additional information, contact the agency’s Chief Financial Officer (CFO) staff.

*Case Studies:* Renovation of Eastern Stables in Stockholm, Sweden and GSA's Renovation and Reuse of the Federal Building on South Clark Street in Chicago, Illinois.

5. **Dispose of Unneeded Assets** by redeploying, demolishing, or replacing the asset when it fails to support the agency's mission.

*Case Study:* Disposition of the Volunteer Army Ammunition Plant in Chattanooga, Tennessee.

6. **Provide Appropriate Levels of Investment** by making and prioritizing capital investment decisions, such as whether to construct, alter, repair, and/or acquire space to meet changing agency needs.

*Case Study:* Financial Analyses Employed by Lockheed Martin Corporation.

7. **Accurately Inventory and Describe All Assets** by submitting real property data at the constructed asset level (e.g., each building/structure within a complex) as defined by the Federal Real Property Council.

*Case Study:* Federal Real Property Profile Inventory System Developed and Maintained by GSA.

8. **Employ Balanced Performance Measures** to track progress toward achieving real property management objectives and enable benchmarking against public and private sector organizations.

*Case Study:* Balanced Scorecard Approach Used by the Real Property Services Branch of Public Works and Government Services Canada.

9. **Advance Customer Satisfaction** by promoting productive work spaces and focusing on the tenant's needs, primarily changing space requirements.

*Case Study:* Surveys used by GSA.

10. **Provide for Safe, Secure and Healthy Workplaces** by implementing standard policies and procedures, documenting asset conditions, and developing action plans and strategies to support a productive workforce.

*Case Study:* Design of the New Federal Building in San Francisco, California.

## PRINCIPLE #1

### SUPPORT AGENCY MISSIONS AND STRATEGIC GOALS

Real property is the physical foundation that enables Federal agencies to accomplish their missions. Effective asset management – including property acquisition, operation, maintenance, and disposition – requires alignment with the agency's core mission and key decisions. This integration involves having a clear understanding of the agency's core mission, its strategic plan, and how real property supports that plan.

Real property managers should collaborate with their customers to develop workplaces – including real property products and services – that adequately support the occupants' short- and long-term goals.

#### **Case Study: Lease Consolidation at the Department of the Treasury's Internal Revenue Service Consolidated Processing Center in Kansas City, Missouri.**

The Department of the Treasury's Internal Revenue Service (IRS) lease consolidation in Kansas City, MO, illustrates a real property transaction that will support the agency's core mission and strategic goals successfully. This consolidation is part of the larger IRS reorganization, which is focused on agency-wide restructuring to better align operations and serve taxpayers.

The Kansas City Service Center serves as the main hub for IRS activities - receiving, processing, and storing Federal income tax submissions - in the midwestern United States. The center is currently dispersed across seven different locations, including two Federally-owned buildings and five leased properties. To improve operational efficiency and meet IRS's strategic reorganization goals, GSA's Public Buildings Service (PBS) is assisting the IRS in consolidating the agency's space needs into a single location.

On behalf of the IRS, PBS entered into a 15-year lease for 1.14 million rentable square feet of space with the U.S. Postal Service (USPS) to house support activities for the consolidated IRS Service Center. The leased facilities are currently under construction and will be comprised of new and adaptively used buildings, including the historic 475,000-square foot Kansas City Main Postal facility. The lease is scheduled to commence in late 2006. USPS will hold the master lease, and GSA has entered into a Memorandum of Understanding and will pay rent directly to USPS or its representative. IRS will pay rent to GSA pursuant to an occupancy agreement.

Once the new space is available, IRS will move out of its seven existing Kansas City Service Center facilities. Of the two Federally-owned buildings, one has been determined to be excess to GSA's needs and is being evaluated for disposal. GSA intends to fill the other building with new tenants.

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This lease consolidation meets the priorities identified in a study, resulting from the 1998 IRS Restructuring and Reform Act, which evaluated how to improve service to taxpayers while increasing productivity. The study identified as a high priority the need to consolidate the Kansas City Service Center into a new site to accommodate all the IRS functions in a single facility.



## PRINCIPLE #2

### USE PUBLIC AND COMMERCIAL BENCHMARKS AND BEST PRACTICES

Federal agencies should leverage leading public and private sector benchmarks to evaluate asset performance and help plan for future investments. Given the diversity of the Government's real property portfolio, Federal agencies may find it useful to benchmark against other agencies. Benchmarking property performance and sharing best practices have proven to be effective tools for optimizing asset management.

To be defined as a best practice, the initiative must:

- Produce superior results;
- Lead to exceptional performance;
- Be recognized by an industry expert;
- Be deemed a best practice by an agency's customers; and
- Be a new or innovative use of human capital, resources, or technology.

By routinely benchmarking performance and sharing best practices, Federal agencies can better manage their portfolios, thereby developing high performance workplaces, improving citizen services, and protecting the environment.

**Case Studies: "Experience Exchange Report" from the Building Owners and Managers Association; "Real Property Performance Results" report from the General Services Administration; and "Data Report" from the Society of Industrial and Office Realtors.**

The "Experience Exchange Report,"<sup>2</sup> published annually by the Building Owners and Managers Association, provides valuable real estate benchmarking standards. The 2005 edition, which features 2004 data, contains operating income and expense data on over 5,000 public and private sector office buildings and an analysis of current real estate industry trends. Agencies can track cleaning, maintenance, and utility costs (calculated at the asset level on a per-square-foot basis) and compare them to the standards provided in the report.

In addition, agencies can use GSA's "Real Property Performance Results" report<sup>3</sup> to compare performance with Federal real property performance data and private sector benchmarks.

Benchmarking is the process of continuously comparing and measuring an organization's performance - against that of other comparable organizations - to gain information on philosophies, practices, and data for measures. This comparison encourages organizations to take appropriate action(s) to improve their performance.

Best practices are specific business methods, processes, or initiatives that work for one agency. Sharing best practices promotes innovation and provides ideas, options, and insights for other agencies.

<sup>2</sup>To view highlights of the "Experience Exchange Report," go to [www.boma.org](http://www.boma.org), The BOMA Store, Benchmarking.

<sup>3</sup>To view "Real Property Performance Results" from the Office of Real Property Management, go to [www.gsa.gov](http://www.gsa.gov), Policy, Real Property Management, Performance Measures, Library.

Agencies can determine if leasing costs are comparable to private sector markets by referencing private sector benchmarks provided in the “Society of Industrial and Office Realtors Data Report.”<sup>4</sup>

Finally, the Federal Government is committed to continuously collecting and developing innovative tools, methods, and best practices to improve asset management for its 3.7 billion square foot inventory. GSA recognizes and disseminates governmentwide best practices through the annual Real Property Innovations Awards Program<sup>5</sup>, annual “Best Practices Special Edition Real Property Policysite” newsletter<sup>6</sup>, and the Office of Real Property Management website<sup>7</sup>.

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<sup>4</sup>For more information on the “SIOR Data Report”, go to [www.sior.com](http://www.sior.com), Publications.

<sup>5</sup>To learn more about GSA’s Real Property Innovations Awards Program, go to [www.gsa.gov](http://www.gsa.gov), Policy, Real Property Management, Award Program.

<sup>6</sup>To learn more about GSA’s “Best Practices Special Edition Real Property Policysite,” go to [www.gsa.gov](http://www.gsa.gov), Policy, Real Property Management, Newsletters, Real Property Policysite.

<sup>7</sup>To view best practices from the Office of Real Property Management, go to [www.gsa.gov](http://www.gsa.gov), Policy, Real Property Management, Best Practices.

**PRINCIPLE #3****EMPLOY LIFE-CYCLE COST-BENEFIT ANALYSES**

OMB Circular No. A-94 requires Federal agencies to justify asset management and acquisition decisions using life-cycle cost-benefit analyses. Life-cycle cost analysis (LCCA) is a method of assessing the overall costs of project alternatives. It is used to select the design that will provide the lowest overall cost of a facility's ownership consistent with its quality and function.

LCCA accounts for initial (capital) and recurring costs (maintenance, refurbishment, and operations) and residual asset value upon decommissioning or disposal. LCCA is well suited for evaluating design alternatives that satisfy a required level of building performance, but may have different initial investment, operation, maintenance and/or repair costs, and possibly different useful lives.

LCCA is especially useful when project alternatives that fulfill the same performance requirements - but differ with respect to initial and operating costs - have to be compared to select the one that maximizes net savings. For example, LCCA will help determine whether the incorporation of a high-performance heating, ventilating and air conditioning or glazing system, which may increase the initial cost but result in reduced operating and maintenance costs, is cost-effective or not. These analyses help agencies make improved real property investment decisions.

LCCA should be applied within a life-cycle assessment framework that accounts for both the costs over the asset life and the environmental consequences of investment decisions on upstream (*e.g.*, extraction, production, transportation, and construction), ongoing (*e.g.*, health impacts on tenants and the community), and downstream (*e.g.*, decommissioning and disposal) costs.

Sustainable design and development, defined as meeting the needs of the present without compromising the ability of future generations to meet their own needs, represents the simplest model for comprehensive life-cycle costing. It offers the longest view of direct and possible side effects of investment decisions.

**Case Study: Department of the Interior, National Park Service and Department of Energy Partnership in the Design and Construction of the Zion National Park Visitor Center in Zion, Utah.**

The Zion National Park Visitor Center in Zion, Utah, illustrates a design and construction project that considered LCCA and sustainable development.<sup>8</sup> The mission of the National Park Service (NPS) is to promote and regulate the use of national parks, monuments, and reservations in a manner consistent with the principles of sustainable development; that is, to conserve the scenery, natural and historic objects, and wildlife within and to provide for their enjoyment in a manner that will leave them unimpaired for the enjoyment of future generations.

<sup>8</sup>For additional information about the Zion National Park Visitor Center, go to [www.eere.energy.gov/Buildings, A-Z Index, High Performance Zion Visitors Center](http://www.eere.energy.gov/Buildings_A-Z_Index_High_Performance_Zion_Visitors_Center).

In creating the Zion National Park Visitor Center, NPS, working with the U.S. Department of Energy's National Renewable Energy Laboratory, effectively aligned their mission with the new facility by considering the life-cycle costs associated with both. In so doing, they created a building that uses seventy percent (70%) less energy at a cost less than that of a conventional visitor center.

While performing LCAA, the design team found the optimal space configuration that led to decreased construction costs. They separated the restroom facilities from the main building, which improved pedestrian traffic flow. In addition, they used landscaping and covered areas to create shaded outdoor rooms, which increased the effective space available for visitor amenities. By moving these circulation and exhibit spaces outdoors, the total area of the buildings is now approximately 6,500 square feet less than the original plan.

NPS's comprehensive approach to LCCA also involved the following strategies:

- **Transportation** – Automobile traffic of more than 2.5 million annual visitors caused air and noise pollution as well as congestion, which were detrimental to the park's resources and visitor experience. Visitors now leave their vehicles at facilities outside the park and ride clean-running propane buses to stops in the park and nearby town.
- **Energy Management Computer (EMC)** - A computer collects weather data and makes decisions so that all the building's energy-efficient features work together.
- **Lighting** – Daylight is the primary source of light in the Visitor Center. The EMC adjusts the fluorescent lamps and compact-fluorescent lamps, as needed.
- **Windows** – EMC-controlled clerestory windows are part of the lighting and heating and cooling systems. Alternatives for window size, material, and placement were analyzed to keep the space primarily naturally heated in winter and cooled in summer.
- **Passive Down-Draft Cooltowers** - When natural cooling is not adequate, "cooltowers" help bring the indoor temperature down by producing cool air that is circulated throughout the building under the control of the EMC.
- **Energy-Efficient Landscaping** - Landscaping provides outdoor "rooms" for permanent displays and minimizes heat gain in the building, resulting in lower capital and operation costs.
- **Photovoltaics** – Photovoltaic panels (7,200 watts) provide the majority of the electricity. The use of these photovoltaic panels is possible because the building requires minimal lights and does not use an air-conditioning system, which eliminated the need for large electric loads.

By employing LCAA and including sustainable development, NPS designed and constructed a building that incorporates the area's natural features and energy-efficient building concepts into an attractive design, saves energy and operating expenses, and protects the environment.

## PRINCIPLE #4

### PROMOTE FULL AND APPROPRIATE UTILIZATION

The Federal Government is responsible for fully and effectively using its real property assets to their maximum capacity during their useful economic life (determined by using the Government's financial accounting standards).<sup>9</sup> Moreover, Federal agencies should use space for the purpose for which it was intended (*e.g.*, office space should not be used for storage/warehouse purposes).

When planning and continually evaluating space needs, agencies should explore alternatives that meet the goals of EO 13327 and other Federal laws and EOs concerning agency location.<sup>10</sup> Such alternatives include adapting, supplementing, or consolidating into existing historic facilities that can be cost-effectively upgraded and operated, including underutilized properties available from other Government agencies.

Converting and upgrading existing assets are viable alternatives to constructing new buildings, especially given the limited availability of new construction funding.

OMB Circular No. A-11 requires agencies to determine the usefulness of an asset and identify assets suitable for disposal. Real property holding agencies must continuously analyze their space needs. If a property is no longer needed, the agency should take steps toward removing that asset from the agency's inventory, rather than retaining the asset for an undetermined future need.<sup>11</sup>

#### **Case Studies: Renovation of Eastern Stables in Stockholm, Sweden and GSA's Renovation and Reuse of the Federal Building on South Clark Street in Chicago, Illinois.**

The renovation of Eastern Stables, Sweden's oldest surviving military establishment, represents a re-utilization success story. The rebuilding of Eastern Stables occurred through close cooperation between the tenant, the National Heritage Board, and the National Property Board, which owns and manages Government buildings in Sweden's Krubban block. Eastern Stables was dilapidated and needed extensive rebuilding and restoration.

Holding on to assets that no longer support the agency's mission represents mismanagement of Federal resources. To help agencies monitor an asset's utilization, the FRPC established a utilization rate performance metric in the Federal Real Property Profile (FRPP).

<sup>9</sup>The useful life of an asset is primarily related to its economic value and not its physical life. Elements affecting an asset's useful life include: 1) Physical deterioration; 2) Functional obsolescence; 3) Technological obsolescence; and 4) Economic obsolescence. For additional information, agencies should consult with the agency's Chief Financial Officer.

<sup>10</sup>Other federal laws and EOs include the Rural Development Act of 1972, as amended, EO 13006 "Locating Federal Facilities on Historic Properties in our Nation's Central Cities," and EO 12072 "Federal Space Management."

<sup>11</sup>For additional information on assessing utilization, contact your agency's Senior Real Property Officer.

Given Eastern Stables' historical significance dating back to the early 19<sup>th</sup> century, the Swedish Government wanted to preserve as much of the original character as possible, maintaining the building's historical dimension. The National Property Board and the National Heritage Board considered cultural, historic, technical, and functional aspects of the building. Their collaboration resulted in the preservation and redevelopment of the historic asset into an acceptable and modern work environment.

Another example of full and appropriate space utilization is the renovation and reuse of the Federal Building on South Clark Street in Chicago, IL. The 10-story, 590,000 gross square foot Federal Building was built in 1912 and had deficiencies that negatively affected safety, building operations, tenant comfort, and energy efficiency. The building housed tenants from numerous agencies; however, since the Department of the Treasury's Financial Management Service vacated a large portion of the building in November 2000, the building was underutilized.

In 1999, to support full utilization of the building, GSA proposed a \$61-million renovation and tenant alteration project, which was significantly more cost-effective than new construction. The project will consolidate the Department of Homeland Security operations from several leased and Federally-owned locations around Chicago into the Federal Building. Renovation activities began in FY 2002 and are expected to be completed in FY 2006. The previous, smaller tenants were moved into leased space.

Upon completion, the project will result in an effectively utilized, modern facility that meets the Department of Homeland Security's mission and long-term space requirements.

## PRINCIPLE #5

### DISPOSE OF UNNEEDED ASSETS

An asset should be designated as **surplus property – and redeployed, demolished, or replaced** – when it no longer meets a Federal need. The decision to dispose of an asset is best made when it is based on an in-depth strategic portfolio review. This approach includes assessing market availability, supply and demand, property performance, physical conditions, future mission needs, and prospective housing profiles.

Retaining ownership of underutilized or unneeded properties results in:

- Lost equity value, while not contributing to the Government's mission or strategic goals;
- Negative impact on local economies, tax revenues, and employment;
- Increased operating costs;
- Drain on limited agency resources; and
- Ineffective property stewardship for the Federal real property portfolio.

The most common options for asset disposition, depending on agency specific authorities, include:

- Transferring the asset to another Federal agency;
- Exchanging it for another mission-related property;
- Outleasing to non-Federal organizations;
- Making property available for public benefit conveyances; and
- Selling or leasing the property to generate revenue for the Federal Government.

Selection of the disposition option should be based on an economic analysis of the alternatives. If the transaction is handled properly, it will result in a smooth transition of ownership and produce a return to the Government that is in the best interest of the taxpayers.

#### **Case Study: Disposition of the Volunteer Army Ammunition Plant in Chattanooga, Tennessee.**

The Volunteer Army Ammunition Plant (VAAP) in Chattanooga, TN, is a successful disposition project of an underutilized, unneeded, contaminated property that was effectively reused for economic development purposes.

EO 13327 is intended to reduce the number of unneeded Federal assets. An asset that has no potential use by any Federal agency should be designated as "surplus property" and appropriately disposed of in accordance with Federal statutes.

Agencies should consider outleasing space in historic properties to non-Federal entities under Section 111 of the National Historic Preservation Act. Section 111 enables private reinvestment and re-use of Federal historic buildings while the Government holds title to the property.

The plant, consisting of 6,350 acres, 370 buildings and structures, 80 miles of roadway, and 20 miles of railroad, was located on undeveloped land in a prime area for redevelopment purposes. The Department of the Army (Army) reported the facility as excess property in 1998.

The VAAP disposal was complicated because the property was contaminated. The Army was responsible for phased remediation of the site. The remediation process involved numerous stakeholders, including the Army, the City of Chattanooga and Hamilton County (CCHC), GSA, the Tennessee Department of Environment and Conservation, and the Environmental Protection Agency, prior to disposal.

The planned reuse of VAAP was to support local and regional goals for economic development and sustainable growth. CCHC believed re-use of the VAAP would elevate the region's business and industry profile; increase the availability of jobs; and provide opportunities for active and passive recreation, educational needs, and open space. In collaboration with GSA, CCHC developed a comprehensive re-use plan including park and recreation, education, law enforcement, industrial and manufacturing, and emergency management uses. The plan involved identifying and separating parcels, based on factors such as highest and best-use analyses and levels of contamination.

CCHC purchased 940 acres of VAAP in September 2000, and the local government marketed the property to large-site users, such as automotive assembly and parts manufacturers and medical components manufacturers. In April 2005, CCHC purchased an additional 1,800 acres for economic development purposes. GSA also made approximately 3,000 acres of land available for public benefit conveyances – at up to a one hundred percent (100%) discount – including 2,800 acres for park and recreational uses.



**PRINCIPLE #6****PROVIDE APPROPRIATE LEVELS OF INVESTMENT**

The Federal Government is accountable for providing appropriate asset investment, which includes determining the costs and benefits of the investment and how the assets are designed, constructed, maintained, managed, protected, and disposed. Ultimately, the Government must effectively manage its global property portfolio – consisting of approximately \$1.2 trillion in assets (plant replacement value) – to obtain optimal use and efficiency.

There is a high level of deterioration in existing federal assets, which has significant financial implications. GAO estimates the repair backlog to be in the range of tens of billions of dollars.

Effective portfolio management requires agencies to continuously analyze investment decisions, such as whether to construct, alter, repair, and/or acquire workspace, to meet changing mission needs. Decisions for major investments should be based on an investment framework consisting of financial analyses, valuation criteria, and other required information to determine the proper level of investment. The Capital Programming Guide, Supplement to Part 3 of OMB Circular No. A-11, provides guidance for employing a disciplined capital programming process, focusing on key principles such as thorough planning, risk management, full funding, portfolio analysis, performance-based acquisition management, accountability for meeting goals, and cost effective life-cycle management.<sup>12</sup>

Agencies are encouraged to modernize and maintain real property so that it continues to support the Government's mission. Appropriate reinvestment:

- Provides healthy and safe workplaces;
- Increases the asset's desirability and its fair market value;
- Supports advancing business practices and technologies; and
- Enhances hiring, retention, morale, and productivity of associates.

An agency can also reinvest in existing high-value assets by supplementing them with new construction instead of completely replacing them. This type of investment increases the Government's equity in high-value assets.

**Case Study: Financial Analyses Employed by Lockheed Martin Corporation.**

Lockheed Martin Corporation (LMC) is one of the world's largest technology companies, with \$35.5 billion in net sales and 135,000 employees operating in nearly 500 cities, 45 states and 56 countries.

Reinvestment projects are major renovation or reconstruction activities necessary to keep existing facilities modern and relevant in an environment of changing standards and missions. Reinvestment extends the service life of facilities or restores lost service life.

<sup>12</sup>To view the Capital Programming Guide, go to [www.whitehouse.gov/omb/circulars/a11/cpgtoc.html](http://www.whitehouse.gov/omb/circulars/a11/cpgtoc.html).

LMC Properties, Inc. (LMCPI), the wholly-owned real estate subsidiary of LMC, is responsible for 81 million square feet of space, of which 36 percent is owned and 64 percent is leased. The portfolio is diverse, spanning office facilities, manufacturing plants, warehouses, service centers, and laboratory sites across the globe. LMCPI responsibilities include the acquisition and disposition of corporate real estate, commercial leasing, capital projects involving construction and infrastructure, and facilities management of selected properties.

LMCPI aggressively seeks to align real estate capital expenditures with LMC's corporate growth needs and risk tolerance. To guide profitable capital investment decisions, LMCPI uses several valuation models for evaluating building purchases or new construction. The models include:

- 1) **Net Present Value**, embedded with the Corporate Hurdle Rate: analyzes a project's cash flow and associated risk;
- 2) **Internal Rate of Return**: Directly links the project to an economic return; and
- 3) **Lease versus purchase**: Gauges the effect of not using internal capital for a new real estate project.

When making capital investment decisions related to real property expansions, upgrades, energy projects, or maintenance replacement items, LMCPI uses a combination of internal rate of return, discounted payback period, return on invested capital, and lifecycle benefit analysis. LMCPI also combines discounted payback period and return on invested capital techniques to consider the time value of money, impact of the initial investment, and life-cycle analysis.

By using these techniques, LMCPI has been able to prioritize and allocate funding for hundreds of projects on an annual basis. Even though the Federal Government is subject to different constraints than the private sector, agencies could adopt some of the valuation techniques used by LMCPI, particularly for reinvestment projects.

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**PRINCIPLE #7****ACCURATELY INVENTORY AND DESCRIBE ALL ASSETS**

Real property holding agencies must develop and maintain inventory-tracking systems to assist in managing their asset portfolios. The collection of reliable, uniform data enables agency decision makers to:

- Improve asset management;
- Provide data to aid in timely and informed portfolio management decisions; and
- Respond to inquiries from Congress, the Administration, stakeholders, and the private sector.

**Case Study: Federal Real Property Profile Inventory System Developed and Maintained by GSA.**

GSA has been collecting governmentwide real property inventory data and producing a summary report for Congress since 1955. The database that originally collected the data has been modified over the years into the system currently known as the Federal Real Property Profile (FRPP) - a single, centralized and descriptive database of all real property managed by executive branch agencies.

In consultation with the FRPC, GSA's Office of Governmentwide Policy evaluated several technology approaches and determined that enhancing the existing FRPP was the most cost-effective solution for developing the governmentwide real property inventory system mandated by EO 13327. Consequently, the FRPP was enhanced in 2005 to provide a more user-friendly, easily-navigable interface, improved security policies, increased asset search capabilities, and enhanced online data transmission, validation, and error-correction functions. Executive branch agencies are required to submit real property data to the FRPP at the "constructed asset level" (*e.g.*, each building/structure within a complex).

In upcoming years, the FRPP will continue to be modified as the system/application matures. Modifications and enhancements may include:

- Establishment of additional data elements and/or performance metrics;
- Refinement of existing data elements;
- Accommodation of uploads from agencies more than once per year;
- Storing historic data (even after an asset is disposed of and is no longer in the agency's inventory);
- Improved reporting and querying facilities (*e.g.*, ad hoc reporting, graphics/charts, mapping data); and
- A portal environment (offering application web features to save and customize user environments).

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By supplementing agency-specific data, the FRPP provides important inventory-related information and assists the agency in making timely and informed portfolio decisions.

GSA uses the data gathered in the FRPP to produce a governmentwide real property inventory summary report. The report provides an overview of the Federal Government's owned and leased real property portfolio and summarizes the data submitted by holding agencies. The report, in combination with other available data, is used for:

- Planning space needs;
- Promoting fuller utilization of assets;
- Conducting property management and property accounting surveys;
- Evaluating funding requests for acquisition of real property (office, warehouse, industrial, etc.); and
- Facilitating on-site inspection activities.

The inventory summary report provides a centralized source of information for Congress, OMB, GAO, GSA, and other Federal agencies, as well as universities, libraries, trade associations, the press, the private sector, and the general public.

**PRINCIPLE #8****EMPLOY BALANCED PERFORMANCE MEASURES**

The FRPC promotes the use of balanced performance measures and management techniques to monitor and evaluate asset efficiency regularly. The FRPC identifies and defines performance measures that Federal agencies are required to collect and report to GSA's Governmentwide inventory system. The results of these performance measures assist Federal agencies in determining the effectiveness of their asset management decisions. The FRPC has defined four "First Tier" performance measures:<sup>13</sup>

- 1) Utilization;
- 2) Condition index;
- 3) Mission dependency; and
- 4) Annual operating and maintenance costs.

The FRPC continues to evaluate additional performance measures that may be included in the inventory reporting system in the future.

In addition to these governmentwide performance measures, many agencies currently maintain and track their own agency-specific performance measures.

**Case Study: Balanced Scorecard Approach Used by the Real Property Services Branch of Public Works and Government Services Canada.**

"Results of Using the Balanced Scorecard in the Public Sector," published in the *Journal of Corporate Real Estate* (December 2003), discusses the development of performance measures within organizations. The article presents a generic balanced scorecard framework that allows the global real estate community to monitor the effectiveness of its strategies and benchmark performance across organizations.<sup>14</sup> This framework uses logic models to describe:

- An organization's core activities;
- Major outputs;
- Desired outcomes; and
- How these outcomes benefit the client.

Performance measures are specific data definitions that enable agencies to track their progress toward achieving management objectives. Performance measures provide vital management information through the life of an asset, providing senior management with a reliable monitoring mechanism.

<sup>13</sup>For additional information on the "First Tier" performance measures, contact your agency's Senior Real Property Officer.

<sup>14</sup>For additional information on using the balanced scorecard approach, refer to the following source: Hagarty, D. Wilson, C. Gauthier, J. "Results Using the Balanced Scorecard in the Public Sector," *Journal of Corporate Real Estate*, Volume Six, Number 1, December 2003.

The balanced scorecard approach includes four perspectives – financial, client, internal business process, and learning and growth – that have specific key performance indicators.

The Real Property Services Branch of the Public Works and Government Services Canada, the Canadian government organization responsible for providing cost-effective and productive work environments, uses the balanced scorecard approach to measure organizational performance. The following table provides an example of RPS's categories of desired outcomes and key performance indicators.

**Balanced Scorecard Approach Used by Canada's  
Real Property Services Branch**

<b>PERSPECTIVE</b>	<b>CATEGORIES OF DESIRED OUTCOMES</b>	<b>KEY PERFORMANCE INDICATORS</b>
Financial	<ul style="list-style-type: none"> <li>• Financial management</li> </ul>	<ul style="list-style-type: none"> <li>• Budget management (e.g., operating and capital)</li> <li>• Accuracy of financial forecasting compared to year-end results</li> </ul>
Client	<ul style="list-style-type: none"> <li>• Client relations</li> <li>• Expanding RPS's policy role</li> </ul>	<ul style="list-style-type: none"> <li>• Overall client satisfaction with RPS services</li> <li>• Overall tenant satisfaction with property management services</li> <li>• Contribution to public policy priorities, such as the Workplace of the Future Program and Greening of Government Operations</li> </ul>
Asset Management (Internal Business Process)	<ul style="list-style-type: none"> <li>• Real property assets</li> <li>• Valued services</li> </ul>	<ul style="list-style-type: none"> <li>• Accommodation usage (e.g., cost/rentable m<sup>2</sup>)</li> <li>• Vacancy rates in owned office space</li> <li>• Return on investment</li> </ul>
People (Learning and Growth)	<ul style="list-style-type: none"> <li>• RPS's people</li> <li>• Strategic relations</li> </ul>	<ul style="list-style-type: none"> <li>• Overall staff satisfaction</li> <li>• Workforce profile (total population by employment status)</li> </ul>

The *Journal of Corporate Real Estate* article concludes that applying performance measurement techniques is critical for effective asset management and “should be viewed as a key management tool in telling a performance story on strategy implementation.”

**PRINCIPLE #9****ADVANCE CUSTOMER SATISFACTION**

To advance customer satisfaction, agencies need to assess their customer relationships holistically by:

- Focusing on a tenant's mission;
- Proactively monitoring changing space; and
- Providing a productive workplace.

Customer satisfaction is increased when agencies work collaboratively with their tenants to define specific requirements, integrate these requirements into asset management decisions, and transform decisions into innovative and responsive workplaces. Agencies should continually strive to improve tenant relations and advance customer satisfaction.

As part of these efforts, agencies are encouraged to develop high-performance workplaces and alternative workplace strategies tailored to the tenant's needs.

**Case Study: Customer Satisfaction Surveys Used by GSA** – the Tenant Satisfaction Survey, Ordering Official Survey, Realty Transaction Survey, and Workforce Engagement Survey.

GSA's PBS works to increase customer and employee satisfaction by collecting information through the following three surveys:

- 1) *Tenant Satisfaction Survey*: Collects information from tenants in Government-owned and leased buildings (approximately 8,300 nationwide) by conducting surveys adapted from the International Facilities Management Association. Administered by the Gallup Organization, the survey provides building reports that identify how each building scored in the previous survey, the ten drivers of satisfaction for the building, and building tenants' written comments. The survey is administered to one-third of the building inventory each year. PBS has established a goal of attaining 80 percent customer satisfaction nationwide.
- 2) *Ordering Official Survey*: Assesses specific customer agency experience in doing business with PBS. The survey has five questions related to:
  - a. Overall satisfaction with services provided;
  - b. Overall satisfaction with value received;
  - c. If a customer agency would recommend PBS to another agency;
  - d. If services provided contribute to agency productivity; and

High-performance workplaces are those that meet agency business needs, are best suited to their employees' work functions, and are readily adapted to accommodate new work practices and strategies with minimal expense and delay.

- e. If there is an anticipated change in the volume of work the agency will request from PBS next year.

The survey is delivered to customers via phone and is completed in approximately eight minutes. PBS uses the Ordering Official Survey to obtain perceptions of agency leadership, ordering officials, and billing contacts.

- 3) *Realty Transaction Survey*: Helps determine how well PBS provides new owned and leased space to its clients by measuring their satisfaction with each space transaction. PBS uses the survey results to assess its real estate services, program efficiency, training needs, and level of customer service. Real estate specialists and building managers use the data to develop action plans and to improve their processes for providing clients with new space and the most productive workplaces possible. Portions of the Realty Transaction Survey are combined with the Tenant Satisfaction Survey to generate a Customer Relationship Index performance measure.

GSA measures employee engagement in the workplace agencywide by collecting information through the *Workplace Engagement Survey (Q12)*. Developed by The Gallup Organization, the survey consists of 12 questions that measure employee engagement in the workplace. Research has found a statistical relationship between work units whose associates have high scores on the Q12 questions and an increase in the following five business outcomes:

- a. Productivity;
- b. Profit;
- c. Employee retention;
- d. Customer satisfaction; and
- e. Workplace safety.

Agencies that understand their customer's requirements are best equipped to provide highly customized workplaces, increasing customer satisfaction and the potential for successful business performance.



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**PRINCIPLE #10****PROVIDE FOR SAFE, SECURE AND HEALTHY WORKPLACES**

Effective management of Federal facilities requires that buildings provide safe, secure, and healthy working environments that support a productive workforce. Implementing standard policies and procedures and developing action plans to monitor and maintain workplaces complement the development of, and are basic requirements for, robust asset management strategies. These policies include:

- Minimizing environmental problems and liabilities;
- Complying with building security, fire, and life-safety codes and standards; and
- Meeting historic building and Americans with Disabilities Act requirements.

The highest priority for real property holding agencies is to protect their most important assets – their employees.

In today's world, agencies are developing concepts to promote safe, secure, and healthy workplaces that go beyond simple compliance. Referring to principles established by President John F. Kennedy in 1962 in the *Guiding Principles for Federal Architecture*, agencies are designing Government facilities that are not only "efficient and economical" but also contemporary architectural expressions of "the dignity, enterprise, vigor, and stability of the American Government." As this ideal has matured, the goal has been to establish a definition of excellence that makes safe, secure, and healthy workplaces integral aspects of Federal building projects.

**Case Study: Design of the New Federal Building in San Francisco, California.**

The new Federal Building in San Francisco, California, represents a model of a safe, secure, and healthy working environment. The project consists of two structures, totaling 575,000 square feet, separated by a public plaza and 3,000-square-foot cafeteria.

The first structure is an 18-story glass tower. The tower is 60 feet wide with high ceilings, which enables natural light to fill the offices and provides almost all employees outside views. Above the fifth floor, operable windows bring in fresh air and cool the building with natural ventilation, replacing a mechanical heating and cooling system. On the 11th floor, a three-story sky-garden provides a dramatic venue for conversation and creative thinking.

The second structure, a four-story building, houses Federal employees that interact with the public. This structure includes a neighborhood daycare center and a restaurant for casual dining, creating a total environment where adults can work productively and enjoy leisure time and children can safely run and play.

The building's facades, setbacks, and perimeter design meet the latest security requirements in ways that create a vibrant landmark and landscaped plaza in the dense

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“South of Market” section of the city. The innovative architecture is also safe and secure, not only by physically protecting the facility and its inhabitants, but by encouraging lively public use.

The Federal Building exemplifies the most effective strategies for developing an environment where inhabitants are not only physically safe, secure, and healthy as they work, but also feel that way – facilitating tenant satisfaction and high productivity. In serving the public and reflecting the openness of American democracy and the *Guiding Principles of Federal Architecture*, it promises to be one of the Government’s most desirable and productive offices.

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