

Executive Order #13327 for Real Property Asset Management

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Federal Government Real Property Portfolio Profile:

- Portfolio valued at \$326 Billion (2003)
- 3.3 billion square feet of building space
- 655 million acres of land
- ~90% owned assets, ~10% leased assets;
- \$6 billion annually spent on leasing costs

Background

The United States Federal Government owns and leases hundreds of thousands of real property assets, worth hundreds of billions of dollars, in the United States and throughout the world. Over the past several years the government’s real property management practices have undergone extensive scrutiny and in 2003, were designated by the GAO¹ as a high risk area. Unfortunately, a large portion of the government’s real property assets are in a serious state of deterioration with repairs estimated at tens of billions of dollars, according to the GAO report. Many agencies find the properties are not longer able to effectively support their changing missions, and at times, rely heavily on costly leasing arrangements. Moreover there are long standing problems with excess and underutilized property - and compounding all of these problems is the lack of reliable governmentwide property inventory data that is needed for strategic asset management.

Executive Order for real property asset management (EO#13327) and the FRPC

Following the GAO’s report, President Bush signed an Executive Order (EO #13327) in February 2004 for real property asset management, adding it to the President’s Management Agenda (PMA) and signifying the importance of the need for a governmentwide effort of overhauling real property business practices. The EO’s primary objective is to promote efficient and economical use of the Federal government’s real property assets. The EO calls for executive branch departments and/or agencies to establish the position of a Senior Real Property Officer (SRPO), who is held accountable for the effective management of the agency real properties. Each agency must determine what it owns, what it needs, and what it costs to manage its real properties; it must develop and implement asset management plans, develop and monitor real property performance measures, and dispose of properties that are not needed. The Office of Management and Budget (OMB) is responsible for the project management aspects of EO#13327. OMB oversees all Federal agencies’ accountability and monitors both current performance and progress made on the various objectives for both asset management as well as other items on the PMA.

As part of the EO 13327, the interagency Federal Real Property

¹ The GAO -Government Accountability Office - is the nonpartisan investigative "watchdog" arm of Congress charged with examining matters relating to the receipt and payment of taxpayers dollars.

Council (FRPC) was formed and is responsible for developing guidance, serving as a clearinghouse for best practices, and facilitating the efforts of the SRPO. The FRPC has established four working committees to focus on various aspects of the Executive Order:

- Asset Management,
- Performance Measures,
- Inventory, and
- Systems.

Ten Guiding Asset Management Principles

1. Support agency missions and strategic goals
2. Use public and commercial benchmarks and best practices
3. Employ life-cycle cost-benefit analysis
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 safe, secure and healthy workplaces

Primary Data Elements

- Asset ID
- Location/Address
- Real Property Type
- Real Property Use
- Legal Interest
- Status
- Historical Status
- Using Organization
- Size
- Value

Data Elements & Performance Measures:

- Utilization
- Condition Index
- Mission Dependency
- Annual Operating Costs

The role of GSA's Office of Real Property Management is to provide support and facilitation OMB and the four FRPC Committees for developing asset management baseline data, performance measures reporting, real property inventory database standards, as well as promoting other tools for effective asset management. The Office of Real Property Management is also responsible for establishing and maintaining a single, comprehensive, and descriptive database of all Federal Government real property.

FRPC Initiatives

One of the first tasks the FRPC set out to accomplish was issuing guidance documents for agency real property officials that provide an introductory overview for the following components (details for each are shown in the accompanying side bars):

- Ten Guiding Principles for Asset Management;
- The required components/activities of an Asset Management Plan (AMP), including an Asset Management Plan "Shelf Document"; and
- Government-wide inventory data elements and performance measures definitions.

In addition to establishing the guidance documents, the FRPC Committees have made significant progress in building the foundation for improved asset management in a number of areas.

The Performance Measurement Committee has developed the criteria for a disposition decision tree model, utilizing inventory and performance measure data to better target assets for disposal, investment, or other management attention.

The Inventory Committee established the data element and definitions for the inventory system. and the Systems Committees established the system requirements for the inventory system and requested GSA to conduct a cost/benefit analysis to determine the best approach for tracking and managing the data. The alternatives included either modifying an existing software database system (called FRPP-IA for Federal Real Property Profile Internet Application) versus replacing it with a commercial (COTS) real property management system, or a government real property system currently in use by another federal agency.

GSA's Office of Real Property Management serves as the project manager for maintaining and developing the FRPP-IA system, acting as a liaison between OMB, the FRPC and its four Committees, the federal agencies, and the technical consultant/systems developer. Over the past year the system has been modified to accommodate the basic requirements set forth by the FRPC which include:

- The ability to capture required real property data at the constructed asset level;
- A web application that serves as a repository for a vast quantity of data and is capable of both online data entry and data import functions;
- Reporting and querying functions to output and display the information in the inventory to users; and
- A thorough, secure, web-based XML input process from multiple agencies, with logging and error checking facilities.

Planned enhancements will include integrating the disposition decision tree model, additional data elements and performance measures as identified by the FRPC into the reporting/analysis toolkit, and the implementing the capability to capture and report historical information for trend analysis.

Asset Management Plan (AMP) and Project Management

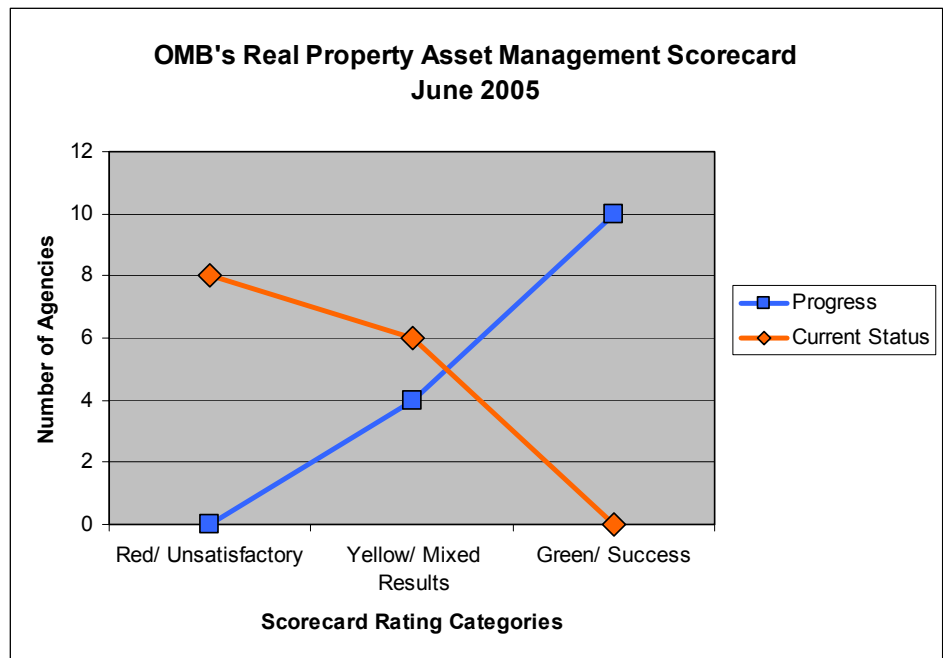
While the EO does not explicitly address project management, the focus on real property and how it is managed requires Federal agencies to address issues of project management from both the macro and micro levels. The format of the AMP forces the agencies to look at how they are managing real property in a structured and measured way.

The structure comes from the asset lifecycle format of the AMP 'shelf document'. Each agency must document how it carries out strategic planning and capital investment for real property and how this in turn relates to the mission of the agency. The AMP must specify the resources and the management structure to support decision making. In the acquisition phase, each agency has to address how it makes decisions on whether to lease, buy or build; how it develops a business case for each decision; and how that decision ties back to the organizational strategy. Within this phase the agency has to address its project management philosophy; how it plans to control the billions of dollars that the Federal government spends on real property construction each year; and how the agency applying the 'Earned Value Management' (EVM) to its construction program. The plan requires that agencies examine how they maintain the property once occupied; how they evaluate property condition and make decisions on its performance to the mission of the agency; how they make decisions on disposal; how they determine what is surplus; and what their business case for disposal is.

Running throughout all the asset lifecycle phases - from acquisition, to management, through disposal - is the requirement for

performance metric definitions – and the outcomes as to whether or not the agency is following through on the AMP. Each year, agencies will continue to be monitored by OMB’s scorecard rating system for both their current status and overall progress in executing the EO for asset management, as well as other PMA initiatives (see Figure 2 for OMB Scorecard result for 2004). The linking of the EO with the PMA brings a quarterly impetus to keep moving forward. The OMB scorecard is not static and requires actions that will improve performance - from red to yellow to green ratings. Maintaining the status quo is not acceptable.

Figure 1: OMB's 2004 Scorecard Ratings for Asset Management



As shown in Figure 1 above, the most recent scorecard ratings (June 2005) from OMB resulted in 8 of 14 agencies receiving a "red/unsatisfactory" rating for the Current Status category, and 6 agencies receiving a "yellow/mixed results" rating, and no agencies receiving a "green/success" rating.. However, for the Progress category ratings, 4 agencies received a "yellow/mixed results" while the remaining 13 agencies received the "green/success" rating, indicating a promising potential improvement for asset management in the years ahead. More OMB Scorecard information can be found at: <http://www.whitehouse.gov/results/agenda/scorecard.html>

All of these issues and questions that need to be addressed have put a spotlight on real property data and management. At the Department of Transportation’s (DOT) Federal Aviation Administration (FAA), as in other agencies, the impact of the AMP has been to bring

real property to the attention of high level executives, from deputy assistants, budget officials, the CFO's office, to day to day managers. All these groups are asking the same questions and working together in unprecedented ways to come up with a focused AMP that provides the vehicle to support a project management philosophy for real property. The efforts to date have moved the DOT in the progress category from poor (red) through good (green) on the OMB scorecard. Changes have been made at the strategic level in tying real property decisions to the agency mission to the top levels in the DOT/FAA. It is a continuous challenge but it will undoubtedly improve how real property assets support the mission.

Future Plans - Public /Private Sector

For the private sector's commercial real estate industry, the inevitable result of the Federal government's mandated focus on the management of its real property assets will be an available inventory of Federal buildings, facilities, and land.

In April of 2005, roughly a year after EO 13327 was signed, Clay Johnson from OMB, testifying before Congress, stated that within four years the Government estimates that it can liquidate approximately \$15 billion in unneeded government real property (representing 5% of its portfolio), and redirect funds to higher priority asset management uses.

As real property asset management continues to move forward, the FRPC Committees plan to evaluate, refine and extend the current data inventory data elements and performance measures. Relating and integrating this initiative to other efforts associated with, for example, sustainability, energy and Building Information Modeling (BIM), might occur. Output for such efforts will include best-practices and performance metrics (or could use measures, just be consistent throughout document) that are relevant not only to the Federal Government but also to the private sector. Commercial real estate professionals -- staying in tune with the Federal government's progress -- may find opportunities for public-private partnerships in state and local communities for developing strategies for new uses of such valuable data and knowledge.

Note about Authors:

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