

GAO

Report to the Ranking Member,
Committee on Homeland Security and
Governmental Affairs, U.S. Senate

June 2007

FEDERAL REAL PROPERTY

DHS Has Made
Progress, but
Additional Actions Are
Needed to Address
Real Property
Management and
Security Challenges





Highlights of [GAO-07-658](#), a report to the Ranking Member, Committee on Homeland Security and Governmental Affairs, U.S. Senate

Why GAO Did This Study

The Department of Homeland Security (DHS) has a large, diverse portfolio of property it uses to carry out its mission. GAO's objectives were to (1) describe DHS's real property portfolio; (2) determine what challenges, if any, DHS faces in managing real property and what actions it has taken in response to the administration's real property initiative; (3) determine what challenges DHS and the General Services Administration (GSA) face in consolidating DHS's Washington, D.C. headquarters; and (4) describe actions DHS has taken to help ensure the security of its facilities. GAO reviewed documents and interviewed officials from DHS, GSA, and other stakeholders, including the National Capital Planning Commission (NCPC) and the District of Columbia (D.C.).

What GAO Recommends

GAO recommends that DHS (1) use capital planning principles to link its capital needs with its asset management plan and (2) develop a physical security plan. GAO also recommends that DHS and GSA (3) develop a more comprehensive analysis of the costs to the government as a whole for DHS's headquarters consolidation. DHS agreed with the first two recommendations. GSA did not agree with the third recommendation, while DHS partially agreed. GAO maintains that such an analysis is needed. GAO also obtained comments from other stakeholders.

www.gao.gov/cgi-bin/getrpt?GAO-07-658.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Mark Goldstein at (202) 512-2834 or goldsteinm@gao.gov.

FEDERAL REAL PROPERTY

DHS Has Made Progress, but Additional Actions Are Needed to Address Real Property Management and Security Challenges

What GAO Found

DHS's 10 major organizational components have a portfolio that includes more than 27,000 owned or leased buildings and structures totaling about 78 million square feet. About 72 percent of DHS real property is federally owned, while about 28 percent of DHS real property is federally leased. The U.S. Coast Guard has the majority of DHS real property, accounting for 69 percent of its buildings and about 41 percent of its square footage. DHS faces challenges but has made progress toward addressing them in response to the administration's real property management initiative. One major challenge relates to DHS being a new federal department that combined 22 existing agencies, which has made the development of a cohesive approach to real property management a significant undertaking. On the administration's scorecard for real property management, DHS has achieved a "yellow" status, which indicates progress in strategically managing real property by, for example, designating a senior real property officer and developing an OMB-approved asset management plan. However, DHS could do more to link its capital decision-making practices to its real property initiatives.

Consolidating DHS's Washington, D.C., area locations will be challenging because of the costs involved, estimated to be at least \$3.26 billion, and stakeholders' concerns about the redevelopment of the West Campus of St. Elizabeths Hospital—DHS's preferred location—which is under the control of GSA and is a National Historic Landmark District. DHS believes that by consolidating most of its headquarters operations, greater efficiencies would result, its mission would be better integrated, and security of the facilities could be better managed. DHS has testified that an estimated \$1 billion would be saved over 30 years through the consolidation, although a revised analysis estimates cost savings at \$743 million. However, this savings analysis does not (1) use actual and projected leasing costs for locations where DHS is currently housed, (2) include DHS costs of \$1.32 billion to develop the site, and (3) examine a range of square footage alternatives. A more comprehensive analysis would improve transparency and help key stakeholders, including Congress, make more informed decisions about the consolidation. Also, several key stakeholders are concerned about compliance with historic preservation and environmental laws and the effect the project will have on the local community, although some community leaders support it. In July 2007, GSA plans to issue a draft Master Plan for stakeholder review that, according to GSA, will address these concerns.

In recent years, DHS has taken actions intended to improve the security of its facilities, but its efforts fall short in certain key areas. DHS has designated a Chief Security Officer for the department and has established a Chief Security Officer Council to evaluate security issues. However, most DHS components have not fully implemented risk management for facility protection, which DHS has advocated for other agencies, nor has DHS developed a physical security plan, as required by HSPD-7.

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Abbreviations

AMP	asset management plan
CAO	Chief Administrative Officer
CIS	Citizenship and Immigration Service
CBP	Customs and Border Protection
DDOT	District Department of Transportation
DO	Departmental Offices
DHS	Department of Homeland Security
FEMA	Federal Emergency Management Agency
FLETC	Federal Law Enforcement Training Center
FPS	Federal Protective Service
FRPC	Federal Real Property Council
GSA	General Services Administration
HSPD-7	Homeland Security Presidential Directive Number 7
INS	Immigration and Naturalization Service
ICE	Immigration and Customs Enforcement
ISC	Interagency Security Committee
NCPC	National Capital Planning Commission
NEPA	National Environmental Policy Act
NHPA	National Historic Preservation Act
NTHP	National Trust for Historic Preservation
OMB	Office of Management and Budget
RPMC	Real Property Management Committee
S&T	Directorate for Science and Technology
SRPO	Senior Real Property Officer
TAPS	The Automated Prospectus System
TSA	Transportation Security Administration
USSS	U.S. Secret Service

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United States Government Accountability Office
Washington, DC 20548

June 22, 2007

The Honorable Susan Collins
Ranking Member
Committee on Homeland Security and
Governmental Affairs
United States Senate

Dear Senator Collins:

The Homeland Security Act of 2002 combined 22 federal agencies specializing in various disciplines—such as law enforcement, border security, biological research, computer security, and disaster mitigation—into the Department of Homeland Security (DHS) to bring a central focus to the government’s efforts to prevent and respond to terrorist threats. DHS is now the third largest federal agency, with an estimated 180,000 employees and a budget authority of \$42.8 billion for fiscal year 2007. Much of DHS is housed in facilities managed by the General Services Administration (GSA), including both government-owned property and space GSA leases from the private sector. The Federal Protective Service (FPS), which is located within DHS, protects GSA buildings where DHS is a tenant, while DHS components are responsible for protecting federal buildings under DHS’s control that FPS does not protect.

We have found over the years that many federal agencies face long-standing challenges involving excess and underutilized property, deteriorating facilities, unreliable property data, a heavy reliance on costly leasing, and facility protection in the post-September 11 environment. These findings led to our designation, in January 2003, of real property management as a high-risk area.¹ In response to our high-risk designation, the administration added a real property initiative to the President’s Management Agenda; and the President issued Executive Order 13327, which implements the real property initiative by outlining several requirements intended to have agencies accurately account for, maintain, and manage their real property assets. As such, in reviewing real property management activities at DHS, we addressed the following questions:

¹GAO, *High Risk Series: An Update*, [GAO-07-310](#) (Washington, D.C.: Jan. 31, 2007).

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1. What is the profile of DHS's real property portfolio?
 2. What challenges, if any, does DHS face in managing its real property portfolio and what actions has it taken in response to the administration's real property initiative?
 3. What challenges do DHS and GSA face in consolidating DHS's headquarters in Washington, D.C.?
 4. What actions has DHS taken to help ensure the physical security of the facilities where it is located?

To answer our first question, we obtained and analyzed DHS and GSA real property data. We also interviewed DHS and GSA real property officials and a contractor that is helping DHS develop its real property inventory. Although we identified challenges that DHS faces with collecting some real property data elements, we determined that other data elements—such as total number of buildings and structures—that we are presenting later in the report were sufficiently reliable for the purposes of our review. To answer our second question, we interviewed DHS real property officials about challenges and considered the extent to which DHS has implemented Executive Order 13327 as the basis for measuring DHS's progress in real property management. For the first and second questions, we also interviewed Office of Management and Budget (OMB) staff because OMB oversees real property management governmentwide. To answer our third question, we reviewed and analyzed key documents and interviewed DHS real property officials from headquarters and GSA officials responsible for assisting DHS with its headquarters consolidation efforts. This included reviewing planning documents related to a proposed consolidation of DHS headquarters on the West Campus of St. Elizabeths Hospital in the District of Columbia. We also interviewed additional stakeholders, including officials from the National Capital Planning Commission (NCPC) and the District of Columbia Office of Planning. The stakeholders we contacted are discussed in more detail in appendix 1. To answer the fourth question, we interviewed DHS physical security headquarters officials and security officials from DHS's various components. We also interviewed FPS officials and GSA officials responsible for security at locations where GSA houses DHS. We analyzed pertinent physical security documents and policies from DHS and GSA. We conducted our work between March 2006 and April 2007 in accordance with generally accepted government auditing standards.

Results in Brief

DHS's 10 major organizational components have a large and diverse real property portfolio that consists largely of properties where DHS's legacy agencies were housed before the department's creation. According to DHS and GSA data, this portfolio includes more than 27,000 owned or leased buildings and structures, totaling almost 78 million square feet. Property in this portfolio generally falls into four categories: (1) federally owned property that DHS controls; (2) federally owned property that GSA controls and DHS rents from GSA as a tenant agency; (3) property that is not federally owned that DHS leases through GSA, which acts as a leasing agent for DHS and charges DHS rent to occupy the space; and (4) property that is not federally owned that DHS leases directly without GSA involvement. About 72 percent of DHS real property is federally owned, either controlled by DHS or GSA, while about 28 percent of DHS real property is federally leased, either directly from a nonfederal entity by DHS or through GSA. These percentages are similar to governmentwide percentages for these property categories. Seventy nine percent of federal real property is federally owned, while 21 percent is leased or otherwise managed. The U.S. Coast Guard (Coast Guard) occupies the bulk of DHS real property, accounting for 69 percent of its buildings, 90 percent of its structures, such as docks, piers, bridges, monuments, and statues, and about 41 percent of its square footage. DHS's real property portfolio reflects the diversity of its components' various missions and thus includes office buildings, law enforcement training centers, laboratories, border control sites, and detention facilities.

DHS faces challenges in the real property area, but has made progress toward addressing them in response to the administration's real property management initiative. One major challenge relates to DHS's creation as a new federal department that combined 22 existing agencies, which has made the development of a cohesive approach to real property management a significant undertaking. For example, some components, most notably the Coast Guard, arrived intact with stable real property portfolios as well as strategies, an organization, and processes for managing assets. Others, such as Customs and Border Protection and Immigration and Customs Enforcement, were formed from multiple legacy agencies, each with different real property portfolios and asset management strategies. Other challenges DHS faces—including making better use of underutilized property and ensuring data are reliable—are typical of those we have found at other agencies in recent years. For example, DHS reported that about 9.7 percent of its inventory was underutilized, and DHS has yet to fully assess the reliability of its real property data. DHS also faces other challenges common to many federal agencies, including various legal and budget-related limitations that often

do not lead to businesslike outcomes and a need for improved capital planning. To address the challenges, DHS has clearly benefited from the administration's focus on improving real property management across government. On the administration's agency scorecard for real property management—established in fiscal year 2004 to measure each agency's progress in implementing Executive Order 13327—DHS has achieved a “yellow” status, which indicates progress in strategically managing real property by, for example, designating a senior real property officer and developing an OMB-approved asset management plan. However, we found that DHS could do more to improve its capital decision-making practices by embracing OMB's capital planning principles, such as developing a departmentwide capital plan. We are recommending that DHS's Secretary use OMB's capital planning principles to link DHS's long-term capital needs with the asset management planning activities required under the President's real property initiative.

Consolidating its Washington, D.C., area locations will be challenging for DHS because of the costs involved, currently estimated to be at least \$3.26 billion, and key stakeholders' concerns about the redevelopment of the West Campus of St. Elizabeths Hospital, DHS's preferred location. DHS believes that by consolidating most of its headquarters operations, greater efficiencies would result, its mission would be better integrated, and the security of its facilities could be better managed. In the Washington, D.C., area, DHS has seven core operating components from 22 legacy agencies in 53 locations, accounting for approximately 7 million square feet of federally owned and leased office space with most leases due to expire in the next 10 years. DHS is pursuing St. Elizabeths for its consolidation, based on analyses conducted by GSA, and ultimately wants 4.5 million square feet of space at this location. The St. Elizabeths West Campus has 61 buildings on 176 acres and is a National Historic Landmark District. As the government's real property disposal agency, GSA gained custody and control of the site after it was transferred in December 2004 from the Department of Health and Human Services. According to GSA and DHS, the St. Elizabeths site is able to accommodate DHS's preferred amount of development and is advantageous from a security perspective because of its security setbacks, the space between a property's perimeter barrier and a building's exterior.

GSA and DHS estimate that the overall consolidation would cost at least \$3.26 billion if 4.5 million square feet of office space, plus parking, is developed at the St. Elizabeths West Campus. Using an analysis prepared by GSA, DHS has also testified that a consolidation alternative of 4.5 million gross square feet would save an estimated \$1 billion over 30 years

in current dollars over an alternative involving renewing leases, although a revised GSA analysis—that assumes a lower rental rate for parking space than office space—currently estimates cost savings at \$743 million. However, it is important to note that this cost-savings analysis does not (1) use DHS’s actual and projected leasing costs for locations where it is currently housed; (2) include DHS costs to develop the site, which include costs such as tenant building improvements and currently stand at \$1.32 billion, or how those costs would vary depending on the alternative chosen; and (3) examine a range of possible alternatives to house DHS and their associated costs for the St. Elizabeths site. Additionally, GSA and DHS could better support their case for consolidation at St. Elizabeths West Campus with a thorough analysis of the savings they expect from reducing the costs of physical security investment and hardening at downtown leased locations. While GSA’s analysis is useful to determine whether a construction and leasing alternative is more cost effective, a more comprehensive analysis that considers the additional factors above would improve transparency and allow for more informed decision making. We are recommending that DHS and GSA develop a more comprehensive cost analysis to better justify the St. Elizabeths consolidation from the perspective of the government, as a whole. In addition to the challenge of obtaining funding for a series of projects of this magnitude, DHS and GSA face objections from several key stakeholders that are concerned about whether the project would comply with current historic preservation and environmental laws. These stakeholders generally support federal use and development of the property, up to 2.5 million square feet of office space, but have concerns about the magnitude of the current alternatives under consideration, given the designation of St. Elizabeths as a National Historic Landmark District. There is also concern about the project’s effect on the local community, including the project’s traffic impacts and the availability of contracting and retail opportunities. However, some community leaders have stated that they support locating federal development at St. Elizabeths as an economic driver and magnet for additional development and revitalization. Critical to the outcome of the proposed consolidation is GSA’s development of a Master Plan, currently scheduled to be released in July 2007 for review and public comment with a final Master Plan scheduled to be submitted by December 2007.

In recent years, DHS has taken actions intended to improve the security of its facilities, but its efforts fall short in certain key areas, such as fully implementing risk management across its components. Like other federal agencies, DHS has made physical security improvements to its facilities, such as adding pop-up bollards and installing bullet-resistant glass. DHS

has also designated a Chief Security Officer for the department and established a Chief Security Officer Council to assist the Chief Security Officer in evaluating security issues. DHS also plays an important role in developing guidance for agencies to follow in protecting federal facilities against the threat of terrorism through the Interagency Security Committee (ISC), which DHS chairs. However, despite the actions DHS has taken and its prominent role in facility protection governmentwide, most DHS components have not fully implemented risk management for facility protection, which we have recommended and DHS has advocated for federal agencies. Risk management is useful for ensuring that security resources are directed where they are needed most and yield the greatest improvements in facility protection. Furthermore, despite DHS's role in developing guidance for federal, state, and local officials in performance measurement, no DHS components currently have a fully developed set of agency- and facility-specific physical security performance measures. And, FPS has not finalized a transformation strategy, which we recommended almost 3 years ago, to address several challenges FPS faced, including its expanding mission and issues related to funding. We also found that DHS has not developed a physical security plan, as all executive agencies are required to develop under Homeland Security Presidential Directive 7 (HSPD-7). It is critical that DHS lead by example in the physical security area, and we are therefore recommending that DHS develop a physical security plan that addresses DHS's plans to fully implement risk management and develop performance measures for facility protection.

DHS concurred with our recommendations to link DHS's long-term capital needs with its asset management planning activities and to develop a physical security plan, but it only partially agreed with our recommendation to develop a comprehensive cost analysis for the St. Elizabeths site. GSA did not concur with our recommendation to develop a comprehensive cost analysis for the St. Elizabeths site. We maintain that such an analysis would lead to more informed decision making. See appendixes III and IV for DHS's and GSA's letters and our comments. DHS's and GSA's comments are also discussed at the end of the report. Other stakeholders—the D.C. Office of Planning, NCPC, the Advisory Council on Historic Preservation, and the U.S. Commission of Fine Arts—provided comments and additional information which we have incorporated in this report, as appropriate.

Background

The Homeland Security Act of 2002 combined 22 federal agencies specializing in various disciplines into the Department of Homeland Security. DHS is organized into directorates, components and agencies,

collectively referred to as components. Responsibility for real property asset management resides in the Office of the Under Secretary for Management, which is also responsible for the DHS's budgets, expenditure of funds, accounting and finance, procurement, human resources, information technology systems, facilities and equipment, and the identification and tracking of performance measurements.

The 10 major components with real property requirements and portfolios are as follows:

- The *Federal Emergency Management Agency* (FEMA) prepares the nation for hazards, manages federal response and recovery efforts following any national incident, and administers the National Flood Insurance Program.
- The *Transportation Security Administration* (TSA) protects the nation's transportation systems to ensure freedom of movement for people and commerce.
- *Customs and Border Protection* (CBP) protects the nation's borders to prevent terrorists and terrorist weapons from entering the United States, while facilitating the flow of legitimate trade and travel.
- *Immigration and Customs Enforcement* (ICE) the largest investigative arm of DHS, identifies and mitigates vulnerabilities in the nation's border, economic, transportation, and infrastructure security.
- The *Federal Law Enforcement Training Center* (FLETC) provides career-long training to law enforcement professionals to help them fulfill their responsibilities safely and proficiently.
- *Citizenship and Immigration Services* (CIS) administers immigration and naturalization adjudication functions and establishes immigration services policies and priorities.
- The *Directorate for Science and Technology* (S&T) is the primary research and development arm of DHS. It provides federal, state, and local officials with the technology and capabilities to protect the homeland.
- The *U.S. Coast Guard* (Coast Guard) protects the public, the environment, and U.S. economic interests—in the nation's ports and waterways, along the coast, on international waters, or in any maritime region as required to support national security.
- The *U.S. Secret Service* (USSS) protects the President and other high-level officials and investigates counterfeiting and other financial crimes,

including financial institution fraud, identity theft, computer fraud, and computer-based attacks on the nation's financial, banking, and telecommunications infrastructure.

- *Departmental Offices* (DO) provide vision, strategic planning, organizational structure, policy guidance, and executive leadership.

Since January 2003, we have identified federal real property as a high-risk area because of long-standing problems with excess and underutilized property, deteriorating facilities, unreliable property data, and a heavy reliance on costly leasing. Federal agencies were also facing many challenges in protecting their facilities against the threat of terrorism. In addition, we found that these problems have been exacerbated by competing stakeholder interests in real property decisions, various legal and budget-related disincentives to businesslike outcomes, and the need for better capital planning among agencies.

DHS must meet key real property management requirements established in

- Executive Order 13327,
- Federal Real Property Asset Management Initiative (real property initiative),
- Federal Real Property Council guidance, and
- OMB guidance for the real property initiative.

In response to our high-risk designation, the President signed Executive Order 13327 in February 2004, Federal Real Property Asset Management, which directs each executive agency such as DHS to (1) appoint a Senior Real Property Officer (SRPO), (2) develop and implement an asset management plan, (3) develop and use a real property data inventory, and (4) develop and use performance measures. The executive order also called for the establishment of the interagency Federal Real Property Council (FRPC) to develop guidance to implement the executive order, serve as a clearinghouse for best practices, and facilitate the efforts of the SRPOs. FRPC initially identified and defined 23 data elements that must be captured and reported by the 15 largest federal landholding agencies,

including DHS (see app. II for a description of these 23 data elements).² Four of the 23 data elements established by FRPC are performance measures—utilization, condition index, mission dependency, and annual operating and maintenance costs. OMB is responsible for overseeing the implementation of these real property requirements through its real property initiative, the goal of which is to ensure that agencies maintain their property inventories at the right size, cost, and condition to support agency missions and objectives.

The National Capital Planning Act of 1952, as amended, requires federal agencies to prepare master plans for proposed development using federal funds in consultation with NCPD, which provides overall planning guidance for federal land and buildings in the Washington, D.C., metropolitan area. A master plan should include the present composition of a site and the plan for its orderly and comprehensive long-range development, generally over a period of 20 years. NCPD has determined that a master plan is a required preliminary stage of planning prior to agency preparation and submission to NCPD of site and building plans for individual projects. Master plans are necessary for sites on which more than one principal building, structure, or activity is located or is proposed to be located. A master plan also serves as the basic planning document for intergovernmental coordination on developments and projects within a site. GSA is preparing a Master Plan for the St. Elizabeths site in conjunction with the environmental impact statement that it must prepare for the site under the National Environmental Policy Act (NEPA).

After the 1995 bombing of the Alfred P. Murrah Federal Building in Oklahoma City, the Department of Justice created minimum security standards for federal facilities. In October 1995, the President signed Executive Order 12977, which established ISC. ISC was expected to enhance the quality and effectiveness of security in, and protection of, facilities in the United States that are occupied by federal employees for nonmilitary activities and to provide a permanent body to address continuing governmentwide security issues for federal facilities. ISC is expected to have representation from all the major federal departments and agencies, as well as a number of key offices. ISC's specific responsibilities under the executive order generally relate to three areas: developing policies and standards, ensuring compliance and overseeing implementation, and sharing and maintaining information.

²In August 2006, FRPC added a 24th data element on disposition of real property.

In November 2004, we identified key practices that collectively could provide a framework to guide agencies' facility protection efforts, including allocating resources using risk management, leveraging security technology, and measuring program performance. We also identified obstacles to implementing these key practices, including challenges in developing quality data to form the basis for risk management, ensuring that technology performs as expected, and determining how to measure the impact of various facility protection approaches on improving facility protection. In July 2004, we identified challenges facing FPS as it moved from GSA to DHS.

Since September 11, 2001, the focus on protecting the nation's critical infrastructure has grown considerably. The Homeland Security Act of 2002 and other administration policies assigned DHS specific duties associated with coordinating the nation's efforts to protect critical infrastructure, and HSPD-7 stated that Secretary of Homeland Security was responsible for coordinating the overall national effort to identify, prioritize, and protect critical infrastructure and key resources. Under the Homeland Security Act of 2002, the FPS was transferred from GSA to DHS and, as a result of this transfer, DHS assumed responsibility for coordinating ISC in March 2003.

DHS Has a Large and Diverse Real Property Portfolio

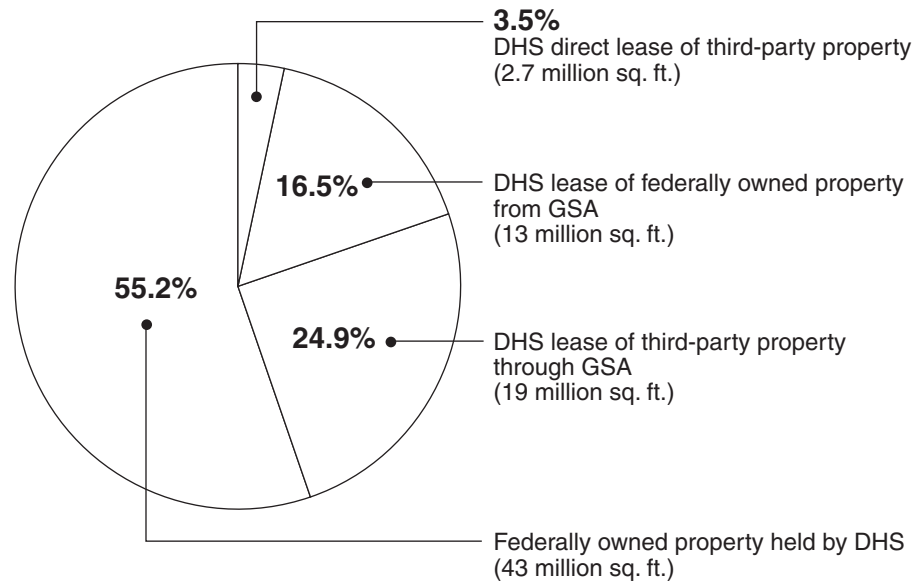
DHS's 10 major organizational components have a large and diverse real property portfolio that largely consists of the property where DHS's legacy agencies were housed before the department's creation. According to DHS and GSA data, this portfolio includes more than 27,000 owned or leased buildings and structures totaling about 78 million square feet, accounting for 2 percent of the federal real property portfolio. As shown in figure 1, property in this portfolio generally falls into four categories: (1) federally owned property that DHS controls; (2) federally owned property that GSA controls and leases to DHS as a tenant agency; (3) property that is not federally owned that DHS leases through GSA, which acts as a leasing agent for DHS and charges DHS rent to occupy the space; and (4) property that is not federally owned that DHS leases directly without GSA involvement.

As the federal government's real property manager, GSA provides office space for most federal agencies, including DHS, and also provides other types of space, such as laboratories and border stations. The Federal Buildings Fund, which is administered by GSA, is an intergovernmental revolving fund that GSA uses as a means to finance the operating and capital costs associated with federal space under its control or custody.

GSA charges agencies—including DHS—rent, and the receipts are deposited into this fund. Congress exercises control over the fund through appropriations that set annual limits—called obligational authority—on how much of the fund can be expended for various activities. In fiscal year 2006, DHS paid GSA approximately \$828 million in rent for the lease of federally owned property held by GSA and for property leased from a third party through GSA, depicted in figure 1 as 16.5 percent and 24.9 percent, respectively. Although DHS obtains 42.0 percent of its space through GSA (fig. 1) more than one-half of DHS property does not involve GSA. This property is either federally owned property held directly by DHS or property DHS leased from a third party, depicted as 55.2 percent and 3.5 percent, respectively, (fig. 1). Overall, the percentages of DHS-occupied space that are federally owned versus leased generally fall in line with trends for the government, as a whole. About 72 percent of DHS real property is federally owned, either controlled by DHS or GSA, while about 28 percent of DHS real property is federally leased, either directly from a nonfederal entity by DHS or indirectly through GSA. By comparison, 79 percent of federal property is federally owned, while 21 percent is leased or otherwise managed.³

³Otherwise-managed properties are those owned by a state government or foreign government that holds title to the real property, but has granted rights for use to a federal government entity in other than a leasehold arrangement.

Figure 1: Profile of DHS's Real Property Portfolio



Source: GAO analysis of DHS and GSA real property data.

U.S. Coast Guard Has the Majority of DHS Property

At the component level, the Coast Guard occupies the majority of DHS real property, accounting for 69 percent of its buildings, 90 percent of its structures, and about 41 percent of its square footage. As shown in table 1 and figure 2, CBP and ICE have the second and third highest real property square footage, 19 percent and 10 percent, respectively. CBP and ICE also lease the most property, about 12 million square feet and 6 million square feet, respectively. Fifty-five percent of DHS's square footage is federally owned and under the control of DHS, while 41 percent is leased through GSA. If Coast Guard real property is excluded from the analysis of DHS real property, DHS components lease about 71 percent of the remaining real property, a higher rate of reliance on leases than is found governmentwide. Some components, like ICE and CIS, said that they preferred to lease much of their property so that they would have the flexibility to move offices to wherever immigration populations increase or clusters of activity develop. For changing and short-term needs such as these, it may make economic sense to lease. However, DHS is trying to reduce its reliance on leasing for long-term needs. For example, in January 2007, CBP purchased the 10 acre Nogales Border Patrol Station in Arizona for \$5.4 million with 30 months remaining on a \$90,000 per month lease. This purchase saved CBP \$2.7 million in future lease payments through 2008 plus the cost of subsequent leases. In another example, DHS hopes to

consolidate its Washington, D.C., headquarters at the St. Elizabeths site to reduce its reliance on leasing in the Washington, D.C., metropolitan area. As we have reported, building ownership—rather than ordinary operating leases—is often a less expensive way to meet agencies’ long-term space requirements.⁴

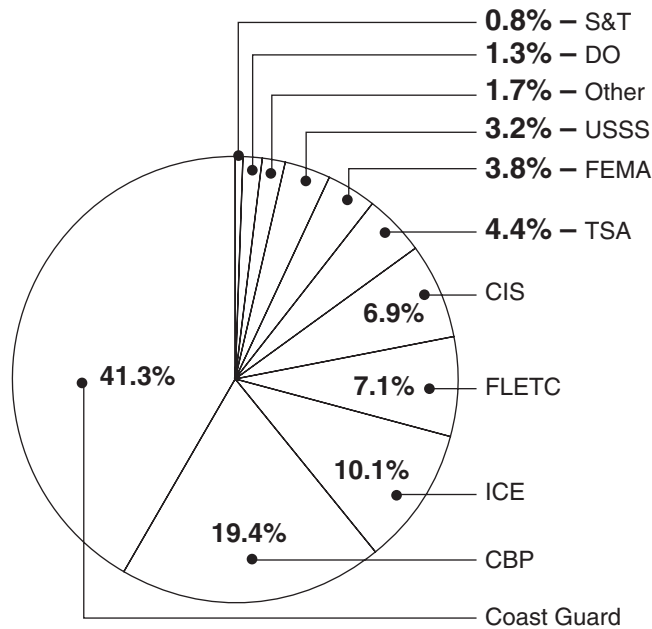
Table 1: DHS Real Property Profile by Component

Component	Occupied square footage (SF)	Percent of total SF	Leased SF	Percent leased SF	Owned SF	Percent owned SF
Coast Guard	32,158,182	41.3 %	2,466,826	7.1 %	29,691,356	69.1 %
CBP	15,077,506	19.4	11,764,095	33.7	3,313,411	7.7
ICE	7,866,571	10.1	6,463,027	18.5	1,403,544	3.3
FLETC	5,550,505	7.1	4,079	0.0	5,546,426	12.9
CIS	5,373,280	6.9	5,373,280	15.4	0	0
FEMA	2,922,833	3.8	1,918,223	5.5	1,004,610	2.3
USSS	2,459,577	3.2	2,184,049	6.3	275,528	0.6
TSA	3,397,519	4.4	3,397,519	9.7	0	0
DO	1,038,313	1.3	1,038,313	3.0	0	0
S&T	659,701	0.8	101,062	0.3	558,639	1.3
Other	1,331,850	1.7	146,370	0.4	1,185,480	2.8
Total	77,835,837	100	34,856,843	100	42,978,994	100

Source: GAO analysis of DHS and GSA real property data.

⁴GAO, *High Risk Series: Federal Real Property*, [GAO-03-122](#) (Washington, D.C.: January 2003).

Figure 2: Percentage of Square Footage across DHS Components (Owned and Leased)



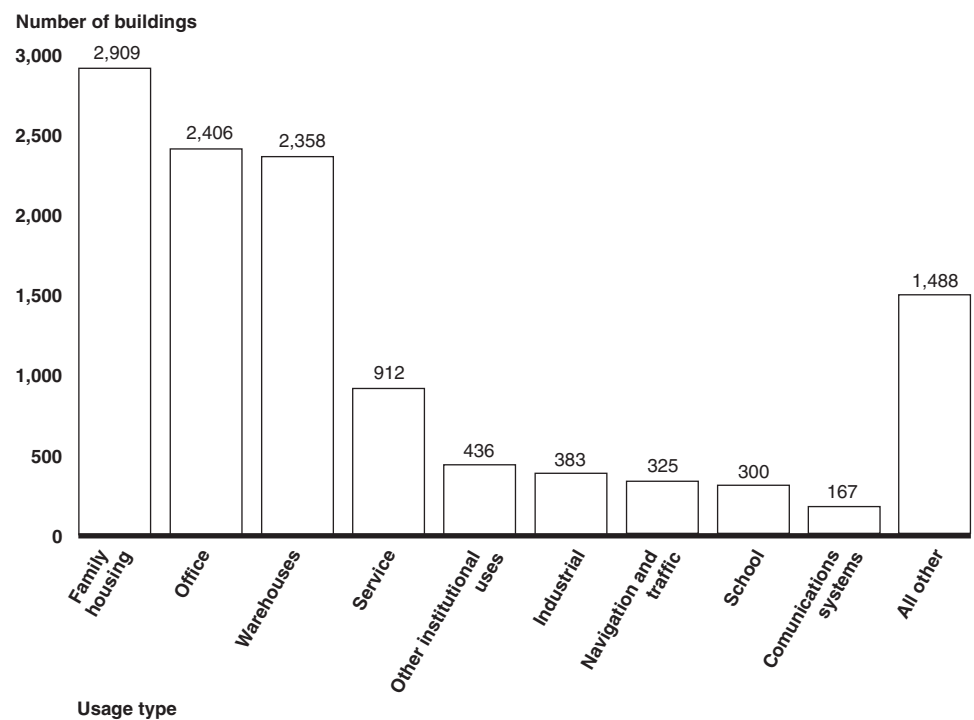
Source: GAO analysis of DHS and GSA real property data.

Types and Locations of DHS Property

Not surprisingly, DHS's real property portfolio reflects the diversity of its components' various missions and thus includes office buildings, law enforcement training centers, laboratories, border control sites, and detention facilities. Of over 11,700 buildings in its portfolio, three building-use types were most common: family housing, warehouses, and offices (see fig. 3). Family housing, most of which is associated with the Coast Guard, is the most common building type, accounting for about 2,900 buildings or 25 percent of DHS's building inventory. Offices and warehouses account for about 2,400 and 2,350 buildings, respectively, or 21 percent and 20 percent of DHS's building inventory. In terms of square footage, offices account for 44 percent of DHS's inventory, while family housing and warehouses account for 17 and 6 percent, respectively. Examples of other relatively common building usage types include service

buildings and institutional buildings.⁵ By comparison, in 2005, offices were the most common building type across the federal government, accounting for 20 percent of the federal government’s square footage, while family housing and warehouses were second and third, accounting for 18 and 13 percent of the federal government’s square footage, respectively (fig. 3).

Figure 3: Building-Usage Types across DHS



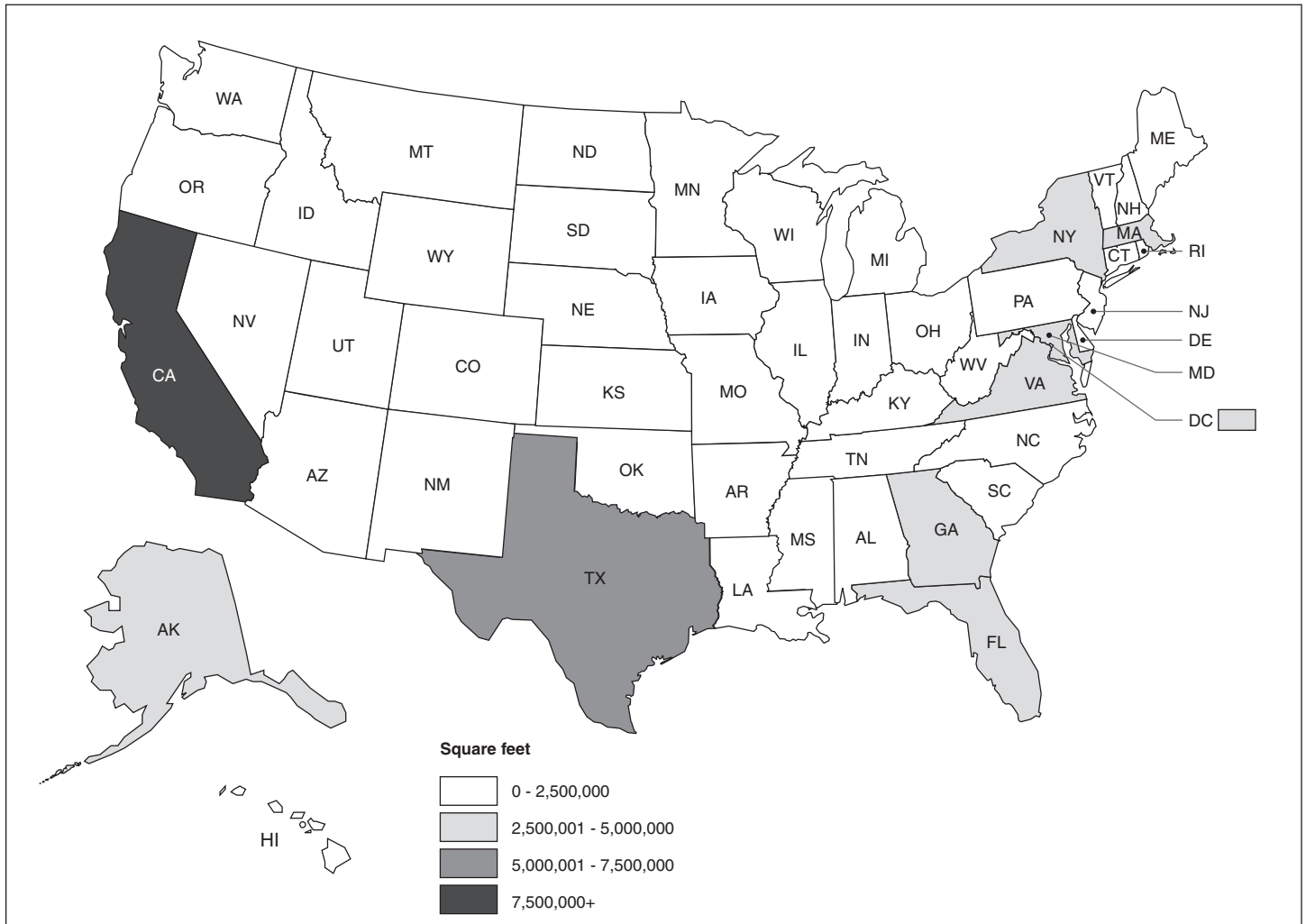
Source: GAO analysis of DHS and GSA real property data.

As shown in figure 4, California has the most DHS real property square footage. DHS also has a significant presence in Texas, Alaska, Florida, Georgia, Virginia, Maryland, the District of Columbia, New York, and Massachusetts. This is generally consistent with federal space

⁵Service buildings are used for service activities, such as maintenance and repair shops, dry cleaning plants, post exchange stores, airport hangars, and buildings primarily used for vehicle maintenance and repair. Institutional buildings are used for institutional purposes other than schools, hospitals, and prisons, such as libraries, chapels, outpatient clinics, dining facilities, and buildings housing entertainment and recreational activities.

governmentwide, which is concentrated heavily in California, Texas, Virginia, Maryland, and Florida.

Figure 4: DHS Real Property Square Footage by State



Source: GAO analysis of DHS and GSA real property data.

DHS Faces Several Challenges Managing Real Property but Has Made Progress Addressing Them

In addition to the challenge associated with being a new federal department, DHS faces other challenges that, in some key areas, are typical of those we have found at other agencies in recent years. Since we designated federal real property as a high-risk area in 2003, we have reported on long-standing problems across several agencies that include unneeded and deteriorating property, unreliable real property data, and heavy reliance on costly leasing. In addition, deep-rooted obstacles, including competing stakeholder interests, legal and budgetary limitations, and a need for improved capital planning, continue to hamper reform. DHS has taken steps to address the challenges, largely in response to the administration's real property initiative.

DHS Faces the Challenge of Integrating the Real Property Management Activities of 22 Legacy Agencies

DHS faces the major challenge of being a new federal department that combined 22 existing agencies, making the development of a cohesive approach to real property management a significant undertaking. Some components, most notably the Coast Guard, arrived intact with stable real property portfolios as well as established strategies, organization, and processes for asset management. Others, such as CBP and ICE, were formed from multiple legacy agencies, each with distinct real property portfolios and asset management strategies that needed to be integrated to function as one. Components such as TSA and S&T are relatively new federal functions with growing portfolios and newly established real property asset management organizations. DHS and OMB officials cited the integration of DHS's 22 legacy agencies, whose primary missions are not real property management, as one of the biggest challenges facing managers of DHS real property. Examples of the challenge of integration at the component level include the following:

- CBP, which was created through the consolidation of Customs, the Border Patrol, and the inspective functions of the Immigration and Naturalization Service (INS) and of the Agriculture and Plant Health Inspection Service into a new parent organization, was challenged with inventorying unique types of property (roads, walls, and technical infrastructure) within the Border Patrol that have not been inventoried in the past. CBP recently completed its real property inventory of assets, including its border patrol stations.
- ICE, formed in 2003 by combining the law enforcement arms of INS and the former U.S. Customs Service, is facing the challenge of increasing its real property staff to do all the needed real property work. A senior ICE real property official said that very few real property staff transitioned with ICE in 2003, so ICE's real property program is behind the programs of

most other DHS components. This official said that ICE plans to have a complete real property staff by the end of fiscal year 2007.

- CIS, which transitioned into DHS with the service and benefit functions of INS, also faces transition challenges. According to DHS officials, it did not receive any administrative staff and not enough security staff, so CIS had to set up its own management processes in these areas and start over.

DHS officials recognize the significant challenge they face developing a cohesive approach to real property management at DHS. To address this challenge and respond to the administration's real property initiative, DHS created the Chief Administrative Officer Council and the DHS Real Property Management Committee (RPMC) in fiscal year 2004. Both were established to review and coordinate DHS real property issues. The activities and makeup of these councils will be discussed later as they relate to DHS's actions in response to the real property initiative.

Percentage of Underutilized Property Is Higher for DHS than for Some Other Large Agencies

In our update of the high-risk series for real property in 2007, we reported that according to DHS, approximately 9.7 percent of its inventory is underutilized.⁶ DHS reported more combined underutilized and excess property than some federal departments that we surveyed.⁷ For example, some departments, including the Department of the Interior, the Department of State, and the Department of Veterans Affairs report levels of underutilized or excess property at or below 2 percent. Other agencies—including the Department of Energy, the National Aeronautics and Space Administration, and large real property holding agencies like DHS—have similar or higher levels of underutilized property and report that over 10 percent of the facilities in their inventories were underutilized. Retaining excess and underutilized properties is not the best use of federal dollars because properties are costly to maintain and results in lost opportunities when they are not put to more beneficial uses. In addition, continuing to hold real property that may no longer be needed or

⁶GSA Management Regulations define underutilized property as an entire property or portion of a property that is used only at irregular periods or intermittently by the accountable agency or property that is being used for the agency's current program purposes that can be satisfied with only a portion of the property. (41 C.F.R. 102-75.50).

⁷GAO, *Federal Real Property: Progress Made Toward Addressing Problems, but Underlying Obstacles Continue to Hamper Reform*, GAO-07-349 (Washington, D.C.: Apr. 13, 2007).

that could be better used does not present a positive image of the federal government in local communities.

At the time of our review, DHS was developing a Vacant Space Report that its components will use to report on their underutilized and excess real property. As new space requirements arise, they will be evaluated against this Vacant Space Report to determine if the new requirement can be accommodated in the underutilized or excess space before DHS seeks new space. If no suitable candidate can be found for excess real property, the disposal process will be initiated. At the moment, a Vacant Space Report is being developed for use only for the Washington, D.C., area. Underutilized space is tracked via DHS's Real Property Information System. DHS currently follows the Coast Guard's policies, procedures, and authorities for real property disposal. This is in accordance with established DHS policy to continue using legacy authorities, policies, and procedures under Management Directive 560. DHS also follows Coast Guard policy because the Coast Guard has about 69 percent of the federally owned real property in the DHS portfolio.

DHS Real Property Data Are Improving, but Some Components Struggle to Collect Complete Information on Some Data Elements

Overall, DHS real property data are mostly complete because DHS has compiled an initial set of data on its real property consistent with FRPC definitions.⁸ DHS components provide data for all data elements required under FRPC guidance, although some data elements are temporary proxies. Some DHS components, such as the Coast Guard and TSA, said that they have a robust real property data inventory that they use daily in their decision making. For example, a TSA real property official noted that TSA's real property database is able to generate daily reports about TSA real property needs. DHS as a whole is working toward providing evidence to OMB that all its components use an accurate and current inventory in their daily management decision making.

Although DHS components' data are mostly complete, some components, such as CBP and ICE, are using data proxies for some data elements until these components can develop more robust data measures. The condition index, a measure of an asset's condition at a particular point in time, is an example of a problematic performance measure. A common problem for some components, particularly the larger ones that were formed from

⁸Although DHS has yet to assess the accuracy and reliability of its real property data, we deemed the dataset complete and reliable enough to report broadly on its profile.

multiple legacy agencies, is finding the resources to fully develop certain data elements, so components are developing proxies in the interim. For example, as a proxy for a building's condition index—which, according to a DHS official, would be expensive to perform—CBP hired a consultant to do a mini-assessment of its properties. The consultant rated each of CBP's properties on a scale of 1 to 5 (with 1 being in excellent condition and 5 being unusable.) CBP will use these ratings to prioritize decisions about how best to maintain its real property assets.

CBP and ICE have not developed a true condition index for each of their real property holdings because, according to DHS officials, these components lack the funding to conduct full facility condition assessments. These assessments are important because they establish an ongoing process for monitoring facility conditions and enable an agency to develop a comprehensive plan for facility maintenance and building renewal. Data from the assessments enable the agency to prioritize projects for budget requests and increase the agency's accountability since the assessments enable the agency to show a direct correlation between its facility needs and budget plans. Full facility condition assessments would also allow DHS to accurately estimate its deferred maintenance backlog, which it is currently unable to do.⁹ DHS officials say there are disparities in how components track deferred maintenance across the department and acknowledge that this is a problem. DHS said it had to take a sample of deferred maintenance in the department to estimate that its deferred maintenance costs in fiscal year 2005 were between \$497 million and \$619 million.

Components such as the Coast Guard, CBP, and ICE use data proxies to report annual operating and maintenance costs. These components are having difficulty tracking costs for recurring maintenance and repairs, utilities, cleaning and janitorial services, and landscaping at the building level. For example, the Coast Guard noted that tracking annual operating costs was difficult because, although the Coast Guard can easily calculate the costs of managing a facility (which consists of multiple buildings), the agency does not have the systems in place to account for cost streams at the building level. For example, the Coast Guard cannot capture the costs of janitorial services and landscaping at the building level. Without building-level cost information, it becomes more difficult for the Coast

⁹Deferred maintenance is maintenance that was not performed when scheduled and is put off for the future.

Guard to identify how its costs may be increasing over time, which could help the Coast Guard take action to reduce costs. DHS is working to correct this challenge within each of these components.¹⁰

The Coast Guard, CBP, FEMA, and ICE have also struggled to report on various property restrictions, such as whether property has historical, endangered species, developmental, or environmental restrictions. Some components use a data proxy as a substitute for fully researched data on restrictions. For example, since the Coast Guard and CBP do not have data on which buildings have lead-based paint and collecting these data for thousands of buildings would take considerable time and resources, the agencies are using each building's construction date as a proxy for environmental restrictions. Buildings constructed after 1977, when lead-based paint was banned from housing, are not restricted. Without information on buildings' potential health hazards, such as lead-based paint or asbestos, DHS real property managers cannot make fully informed real property management decisions. DHS officials noted that it was difficult for components with hundreds or thousands of buildings and structures, such as the Coast Guard and CBP, to review the thousands of documents associated with all the buildings in their portfolios that would need to be reviewed to accurately identify all restrictions.

Lastly, some components are not reporting all real property assets to DHS's Real Property Information System. For example, the Coast Guard's reported inventory did not include approximately 2.3 million square feet of GSA-leased space and 1.0 million square feet of directly leased space. FEMA's real property inventory is missing some disaster leases and structures. Having a real property database with complete data on an agency's real property assets is important for effective real property management decision making. DHS's components are working to fully update this information before their next submission to DHS's Real Property Information System.

¹⁰In commenting on this report, CBP stated that although there are ongoing difficulties in gathering some of this operating cost data, changes made to CBP's enterprise system in fiscal year 2007 will allow CBP to start tracking expenditures for specific utility and service contract material groups by building. CBP is also working with local and regional energy providers to update account and location information to provide better tracking of utility costs.

DHS Officials Believe That Better Tools Would Help Address Legal and Budgetary Limitations

As at other federal agencies, we found that the complex legal and budgetary environment in which real property managers operate has a significant impact on real property decision making and often does not lead to businesslike outcomes at DHS. For example, many agencies, including DHS, are not authorized to retain any of the proceeds from the sale of surplus property. We have reported that this legal limitation can lead agencies to retain unneeded assets that create maintenance and upkeep costs for the government. Coast Guard officials said that having the authority to retain some reasonable percentage of proceeds from disposal of surplus real property would help offset the amount of time and cost it takes to complete a sale.

To facilitate the disposal of federally owned historic lighthouses, the National Historic Preservation Act (NHPA) was amended to provide a mechanism for their disposal.¹¹ Under this program, a senior Coast Guard official noted the agency works with GSA to sell Coast Guard lighthouses to a responsible party. The act authorizes the crediting of net proceeds from the public sale of historic lighthouses under Coast Guard control to the Coast Guard appropriation account that is used to maintain lighthouses remaining under the Coast Guard's control.¹² According to this official, a similar arrangement between DHS and a third party for real property other than lighthouses would help DHS make better use of its underutilized assets.

In addition to the authority to retain proceeds, Coast Guard officials identified enhanced-use leasing as a real property management tool that they do not have but that would enable them to better manage their real property portfolio.¹³ The Departments of Defense and Veterans Affairs have been authorized to enter into enhanced-use leasing agreements. Enhanced-use leasing encourages innovative public-private partnerships that leverage underutilized properties to generate revenues and reduce operating costs.

¹¹The National Historic Lighthouse Preservation Act of 2000 amended NHPA. See 16 U.S.C. § 470w-7.

¹²16 U.S.C. § 470w-8.

¹³Enhanced-use lease agreements are lease agreements for property under an agency's control or custody that the agency can (1) enter into with a public or private entity and (2) receive as payment under the lease either cash or other consideration such as repairs of the facilities.

Capital Planning Functions across DHS Are Relatively New

Over the years, we have reported that prudent capital planning can help agencies to make the most of limited resources and that failure to make timely and effective capital acquisitions can result in increased long-term costs.¹⁴ Real property is one of the major types of capital assets that agencies acquire. Other capital assets include information technology, major equipment, and intellectual property. GAO, Congress, and OMB have identified a need to improve federal decisions about capital investment. Our *Executive Guide*,¹⁵ OMB's *Capital Programming Guide*, and OMB's revisions to *Circular A-11* have been designed to provide guidance to agencies for making capital investment decisions. However, agencies are not required to use this guidance. Furthermore, agencies have not always developed overall goals and strategies for implementing capital investment decisions, nor has the federal government planned or budgeted for capital assets over the long term.

Our prior work assessing agencies' implementation of the planning phase principles in OMB's *Capital Programming Guide* and our *Executive Guide* found that some agencies' practices did not fully conform to OMB's principles and that the agencies' implementation of capital planning principles was mixed. Specifically, for the agencies we reviewed, their capital planning processes were generally linked to their strategic goals and objectives, and most of them had formal processes for ranking and selecting proposed capital investments; however, the agencies had limited success using agencywide asset inventory systems and data on asset condition to identify performance gaps. In addition, we found that none of the agencies had developed a comprehensive, agencywide, long-term capital investment plan.¹⁶

During this review, we found that DHS's long-term capital planning is relatively new and generally needs improvement. DHS does not yet have a departmentwide capital plan but is working toward developing one. DHS's

¹⁴Capital plans, covering 5 years or more, explain and justify an agency's long-term capital asset decisions. These plans should be the result of an executive review process that has determined the proper mix of existing assets and new investments needed to fulfill the organization's missions, goals, and objectives. Capital assets are land, structures, equipment, and intellectual property that are used by the federal government and have an estimated useful life of 2 years or more.

¹⁵GAO, *Executive Guide: Leading Practices in Capital Decision-Making*, [GAO/AIMD-99-32](#) (Washington, D.C.: December 1998).

¹⁶GAO, *Agency Implementation of Capital Planning Principles Is Mixed*, [GAO-04-138](#) (Washington, D.C.: Jan. 16, 2004).

Investment Review Process is designed to promote sound capital asset decisions across the department. However, we have reported that this process has problems, such as reliance on interim guidance that has changed frequently over the last 2 years, making it difficult for staff to know if they are using the latest version. The Coast Guard has a well-established capital planning function, but other DHS components have capital planning functions that have just been formed. For example, CBP established its capital planning process in November 2004, but has not developed a comprehensive long-term capital plan, although it does have documents that contain some elements of such a plan.¹⁷ CIS's capital planning process, also established in 2004 after the formation of DHS, uses a long-term strategic plan to assess the current state of its real property assets and to work toward developing a longer-term capital plan. Other DHS components, such as ICE and FEMA, have long-term capital planning functions that are in early stages or lack real property programs with long-term capital plans. In February 2007, ICE developed a draft 20-year leasing plan that charts real property inventory, lease acquisition, and other key metrics. According to ICE officials, the 20-year plan allows ICE the ability to forecast capital needs and align staff and resources to execute projects. However, although ICE has made progress, additional work is needed.

Without capital plans for each of its components, DHS will have difficulty making the most of limited resources and making timely and effective capital acquisitions that will reduce long-term real property costs and free funding for mission-related activities. Having capital plans for its components would be particularly beneficial, given that DHS is a relatively new federal department that inherited the real property portfolio held by its components' former agencies and is now responsible for aligning its real property assets with its current and future mission. Once plans are developed and aggregated, linking the agencywide capital plan with DHS's asset management plan, which we have recommended that OMB require for other agencies, would be beneficial. Without a clear linkage or crosswalk between these two plans, the relationship between the real property goals specified in the asset management plan and the agency's longer-term capital plans could be uncertain.

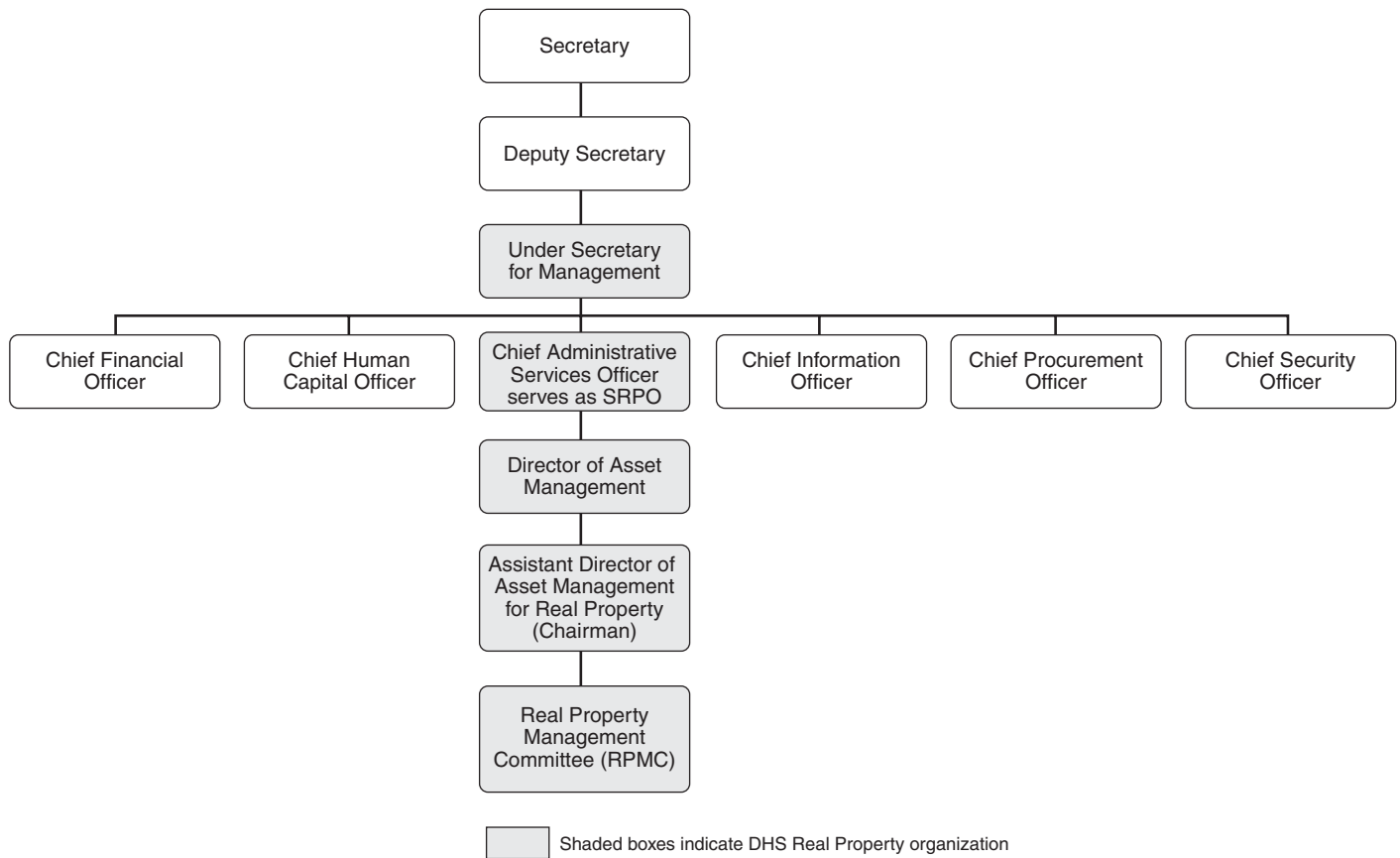
¹⁷GAO, *Federal Capital: Three Entities Implementation of Capital Planning Principles Is Mixed*, GAO-07-274 (Washington, D.C.: Feb. 23, 2007).

DHS Is Making Progress Meeting the Requirements of the Administration's Real Property Initiative

DHS has taken several actions to implement key real property management initiatives set forth in Executive Order 13327 and other guidance documents.¹⁸ First, DHS has designated its Chief Administrative Officer (CAO) as DHS's Senior Real Property Officer (SRPO). According to DHS officials, this official's functions as SRPO and CAO are evenly split. As SRPO, this official serves on the FRPC and coordinates the formulation and implementation of real property management planning and policy for DHS. As CAO, the official manages and directs the department's administrative service functional areas, including asset management, occupational safety and health, environmental planning and management, historic preservation, and energy management. The CAO supervises a Senior Executive Service-level Director of Asset Management who in turn supervises an Assistant Director for Real Property. The CAO reports to the Under Secretary for Management (see fig. 5).

¹⁸See the background section of this report for background on the key real property management requirements DHS is required to meet.

Figure 5: DHS's Real Property Organization



Source: DHS.

A key step in implementing these real property management initiatives and in formulating a DHS-wide real property strategy was the creation of the Chief Administrative Officer Council and the DHS Real Property Management Committee in fiscal year 2004. Both were established to review and coordinate DHS real property issues. The Council is chaired by the DHS Chief Administrative Officer and includes all the senior real property officers of the components. The Committee is chaired by the DHS Headquarters Assistant Director of Asset Management for Real Property, and the remaining members are real property chiefs representing the components. The Committee plays a lead role in developing and implementing DHS real property policies and processes, including DHS's asset management plan.

The administration's Executive Order 13327 required DHS to develop and implement an asset management plan (AMP),¹⁹ develop a real property inventory that tracks DHS's assets, and develop and use performance measures. OMB approved DHS's AMP in June 2006. The objective of the AMP is to foster an environment within DHS that will promote better asset management and the disposal of unneeded federal properties. The plan is also designed to implement the Real Property Initiative, the goal of which is to ensure that real property inventories are maintained at the right size, cost, and condition to support agency missions and objectives. DHS says that the goals of the asset management plan are to help DHS provide appropriate facilities and infrastructure, in an expert, cost-effective, and timely manner to achieve the right mix of facilities for specified and implied missions, professional working environments, and responsible stewardship of public and private resources.

OMB Has Upgraded DHS's Real Property Management Score

In June 2006, OMB upgraded DHS' Real Property Asset Management Score from red to yellow after DHS (1) designated a SRPO, (2) developed an approved asset management plan, (3) developed a generally complete real property data inventory, (4) submitted this inventory for inclusion into the governmentwide real property inventory database, and (5) established performance measures consistent with FRPC standards. In order to receive a green designation, DHS developed an OMB-approved 3-year timeline (approved in the 2nd quarter of fiscal year 2007) for implementing its asset management plan, and is now implementing the plan and must now take steps to demonstrate daily decision-making using real property data and performance measures, and show that its strategic plans, asset management plan, and performance measures are consistent (see table 2).

¹⁹An asset management plan lays out an agency's plan to promote the efficient use of its real property assets by, among other things, accurately inventorying and describing its assets, aligning its assets with its mission, and disposing of unneeded assets.

Table 2: DHS's Implementation of OMB's Real Property Initiative

Real property management action	Implementation
Agency has an SRPO who actively serves on the FRPC.	Yes
Agency has completed and maintained a comprehensive inventory and profile of agency real property.	Yes
Agency has established asset management performance measures.	Yes
Agency has provided timely and accurate information for inclusion into the governmentwide real property inventory database.	Yes
Agency has developed an OMB-approved asset management plan.	Yes
Agency has established an OMB-approved 3-year rolling timeline with date-certain deadlines by which agency will address opportunities and determine its priorities as identified in the asset management plan.	Yes
Agency has demonstrated steps taken towards implementation of the asset management plan.	No
Agency routinely uses accurate and current asset inventory information and asset maximization performance measures in management decision making.	No
Agency's management of its property assets is consistent with the agency's overall strategic plan, asset management plan, and performance measures.	No

Source: OMB.

DHS has developed an OMB-approved 3-year timeline to implement the goals and objectives of its asset management plan. Consistent with the goals and objectives of the asset management plan, DHS has developed the following goals to be fulfilled through a series of initiatives over the next 3 years:

- Instill a culture of informed, results-based decision making;
- Achieve greater uniformity in real property policies and approaches;
- Leverage human capital to maximize value added to real property decisions;
- Deploy acquisition tools that promote effective asset management;
- Identify requirements for long-term data management and begin investment selection steps;
- Develop a measure to track customer satisfaction and use results to continuously improve real property service delivery;
- Accelerate disposal of unneeded assets;
- Colocate appropriate facilities.

For example, DHS's Asset Management Real Property Division has started to identify requirements for long-term data management and to begin the investment review steps required by DHS to plan the acquisition of a new system. In doing so, DHS has begun to define a program of requirements for a real property asset management data system. In addition, to develop a measure to track customer satisfaction and use the results to improve real property service delivery, RPMC will lead a task force to develop a customer satisfaction survey applicable to all components. Also, with the goal of instilling a culture of informed, results-based decision making, DHS plans to implement and institutionalize the appropriate use of key performance measures as the basis for real property management decisions. Core performance measures will include a mission dependency index, facility utilization rate, facility condition index, and operating costs. DHS is currently addressing comments by OMB to include additional milestones that will lead to measurable results for the identified initiatives. Furthermore, since DHS initially set a very aggressive goal of meeting OMB's green standard by the end of 2007, DHS and OMB agreed to the rebaselining of achieving the green standard to the 3rd quarter of 2008 to establish a more realistic implementation schedule.

However, as discussed earlier, DHS has struggled with some elements of assembling a complete real property data inventory, including collecting data for some performance measures such as facility condition. And, for DHS as for many other federal agencies, it is too early to tell whether the implementation of its asset management plan will be successful, although DHS appears headed in the right direction. DHS officials have indicated that among its next steps is to prioritize funding to fully assess the condition of its facilities. Without complete facility condition data, active and efficient stewardship of government real property assets is difficult. DHS must also link its asset management plan with its yet-to-be-developed capital plan.

DHS Headquarters Consolidation Faces Challenges Related to Its Cost and Stakeholder Concerns

DHS components are currently dispersed throughout the Washington, D.C., area, and DHS wants to better align its real property portfolio in the area with its mission by consolidating its headquarters facilities. GSA and DHS estimate that the total cost of a DHS consolidation that involves 4.5 million square feet space, plus parking—the amount of office space DHS says it needs—will be at least \$3.26 billion. According to GSA, this estimate is a preliminary, planning-level estimate based on alternatives

currently under study. DHS believes that lessons learned from Hurricane Katrina and the department's Second Stage Review²⁰ have reinforced its need to be better integrated to prepare for and respond to natural disasters or terrorist attacks and to meet its mission of leading a unified national effort to secure America. GSA has identified the West Campus of St. Elizabeths site as the best candidate for the consolidation in the Washington, D.C., area, but the cost of the planned consolidation and stakeholders' concerns pose challenges for DHS. GSA is currently preparing a Master Plan for the redevelopment of the site as it incorporates stakeholder input. An official draft that incorporates all stakeholders' input has not yet been presented to stakeholders. A draft is due to be submitted to NCPD for review and public comment in July 2007.

DHS states that consolidation of the core of its operations at St. Elizabeths will better integrate the department. In the Washington, D.C., area, DHS has seven core components in 85 buildings and 53 locations, accounting for approximately 7 million gross square feet of government owned and leased office space. We agree that DHS's current housing configuration is too dispersed and needs to be better integrated. DHS anticipates that the end state of the consolidation effort will result in DHS being down to six to eight locations. DHS expects its need for office space to grow to about 8 million square feet over the next 5 years. About 70 percent of DHS's space in Washington, D.C., is privately held and is leased directly by DHS or through GSA.

According to DHS, its components' dispersion across multiple locations creates less than ideal facility protection capabilities and adversely affects communication, coordination, and cooperation across components. In October 2006, DHS developed a plan for consolidation called National Capital Region Housing Master Plan for the Washington, D.C., area, which presents DHS's strategy for consolidating its headquarters and operating components in the Washington, D.C., area.²¹ Under this plan, DHS would

²⁰DHS's Second Stage Review was a systematic evaluation of its operations, policies, and structures completed in June 2005.

²¹DHS was directed to submit a comprehensive headquarters master plan for the future location of all DHS offices and components. See H. R. Conf. Rep. No. 109-699, at 118-119 (2006) accompanying the Department of Homeland Security Appropriations Act for Fiscal Year 2007, P. L. 109-295 (2006). The *Conference Report* further stated that DHS was prohibited from relocating Coast Guard headquarters or any other DHS component until DHS completed the plan and GSA submitted a prospectus for congressional review and approval. DHS submitted its *National Capital Region Housing Master Plan* to Congress in October 2006.

consolidate its mission execution functions on the West Campus of St. Elizabeths site in Washington, D.C., and it would also consolidate its support services, such as procurement, but at a location other than St. Elizabeths. In addition, DHS maintains that consolidation will reduce the department's costs to manage its real property portfolio by enabling the department to avoid the costs of renewing leases for 4.7 million square feet of office space in the Washington, D.C., metro area that expire over the next 10 years. According to DHS, since its plan for consolidation at St. Elizabeths uses a campus with security setbacks—the space between a property's perimeter barrier and a building's exterior—it would also save costs by reducing the need for extensive blast protection hardenings throughout the campus.

The plan states that increased colocation and consolidation will be necessary to achieve the following five objectives:

- improve mission effectiveness,
- create a unified DHS organization,
- increase organizational efficiency,
- size DHS's real property portfolio accurately to fit its mission,
- reduce real property occupancy costs.

DHS considered a baseline scenario (existing conditions) and three alternative housing scenarios to determine which scenario would best accomplish these five objectives (see table 3).

Table 3: DHS Real Property Housing Scenarios for the Washington, D.C., Area

Scenario	Description
Baseline	Existing conditions, 85 buildings in 53 locations.
Dispersed	Multiple buildings averaging between 185,000 and 300,000 rentable square feet that consolidate components or similar purpose facilities.
Mid-sized building	Multiple buildings averaging between 300,000 and 850,000 rentable square feet, supported by several smaller buildings, including unique facilities.
Campus	Consolidation resulting in several campuses, including one large campus, in addition to unique facilities that require strategic locations.

Source: DHS.

DHS found that the colocation and consolidation benefits of the campus scenario are more favorable than those of the other scenarios and the estimated annual costs of the campus scenario are 10 to 15 percent lower than for the baseline scenario. Although the campus scenario involves higher short-term transition costs than the alternative scenarios, DHS concluded that the life-cycle and organizational benefits to DHS outweigh these costs.

Consolidation at St. Elizabeths Could Cost over \$3.26 Billion

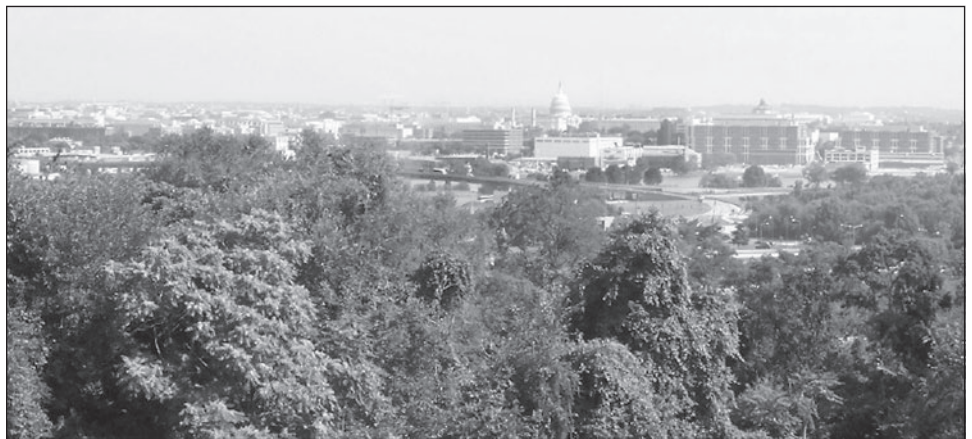
The West Campus of St. Elizabeths has 61 buildings containing 1.1 million square feet of space on 176 acres located in the Anacostia neighborhood of Southeast Washington, D.C. It is a National Historic Landmark District. This designation recognizes the exceptional national significance of the property and is the same designation given to the White House and the Capitol. In commenting on this report, the U.S. Commission of Fine Arts and the Advisory Council on Historic Preservation noted other values of the property, including the site's historic and cultural value related to the history of the treatment of mental illness and serving as a hospital site during the Civil War, and the architectural value of many buildings that display the Gothic-Revival architectural style. Figure 6 shows the Administration Building on the campus. In addition to the buildings on the West Campus, the National Historic Landmark designation covers the landscaping and grounds, the scenic vistas of the river and city, and the Civil War cemetery (see fig. 7). GSA took custody and control of the site after it was transferred in December 2004 from the Department of Health and Human Services, which no longer needed the site. According to GSA, there was extensive deterioration of all the buildings and the campus due to lack of maintenance and preservation by Health and Human Services prior to GSA taking custody and control. The buildings are in such poor condition, restoration is needed, according to GSA and other stakeholders.

Figure 6: The Administration Building on the West Campus of St. Elizabeths



Source: GAO.

Figure 7: View from St. Elizabeths West Campus Looking North



Source: GAO.

The West Campus of St. Elizabeths is GSA's preferred site for consolidation because, according to GSA, it (1) can accommodate the 4.5 million square feet of office space, plus parking, DHS maintains it needs and (2) is available immediately, which are two key requirements for DHS. According to DHS, the occupancy plan is based on the guiding principle

that the campus must serve as the central hub for leadership, operations coordination, policy, and program management in support of the DHS's strategic goals. According to DHS, a campus setting promotes those critical mission execution functions that facilitate integrated decision making, effective communications, cooperation, and coordination. GSA analyzed available properties within the Washington metropolitan area and determined that the West Campus of St. Elizabeths is the only site capable of meeting these two core requirements.²² No single site under the federal government's control and custody can accommodate DHS's need of 7 million square feet. Because the St. Elizabeths West Campus is already owned by the federal government, acquisition costs for the consolidation as a whole would be low.²³ DHS also cites St. Elizabeths' location and capacity for high-security features as additional reasons for selecting the site. St. Elizabeths is located within 2.5 miles of the U.S. Capitol and 3 miles from downtown D.C. In addition, St. Elizabeths' terrain provides some natural buffer zones, while if DHS is to remain in locations downtown, costly hardening of buildings for security purposes would be required.

GSA and DHS estimate that the total cost of a DHS consolidation at St. Elizabeths that involves 4.5 million square feet of office space, plus parking, will be at least \$3.26 billion, based on alternatives currently under study.²⁴ According to GSA, \$150 to \$200 million of this cost estimate includes the costs of infrastructure improvements and design. Infrastructure costs include the costs of installing utilities, fiber-optic lines, and telephone lines, and also the costs of GSA's transportation improvements on or adjacent to the site. According to GSA, the total scope of transportation improvements will be determined when the Record of

²²GSA's alternative location analysis lists locations that GSA considered to house DHS and why each was eliminated from further study.

²³GSA is requesting funds in its fiscal year 2008 budget to purchase about 2 acres of land from both the District of Columbia and CSX Corporation; a similar request was submitted for land necessary to access the site from Malcolm X Drive. This acreage is necessary to develop entrance/exit points to the West Campus to reduce the increased traffic generated by the new federal campus.

²⁴According to construction industry standards, estimates made during the conceptual design phase of a construction project, the current phase of the Coast Guard component of the St. Elizabeths development, generally have a degree of accuracy of plus or minus 30 percent.

Decision is signed by the GSA Regional Administrator.²⁵ Other expenses included in the \$3.26 billion total include construction, renovation, information technology, furniture, fixtures and equipment, and moving costs. (See table 4 for a summary of estimated costs to develop the St. Elizabeths site.)²⁶ GSA's estimate includes the cost of transportation improvements to streets, roads, and highways in the vicinity of St. Elizabeths to support the federal redevelopment project. The transportation improvement estimate ranges from \$27 million to \$40 million, of which the District Department of Transportation's (DDOT) costs range between \$4 million and \$14 million, according to GSA. GSA's estimate does not include all the mitigations—such as dioxin remediation and landscaping—that may be required to meet the concerns of stakeholders.²⁷ In addition, access to the campus is dependent on transportation projects estimated to cost over \$1 billion to be borne by the D.C. government—costs that are not part of the total estimate. These projects were planned by DDOT before GSA formulated its plans to redevelop the St. Elizabeths West Campus. The D.C. government has only approved partial funding for these transportation improvements thus far. DDOT is a cooperating agency for the Environmental Impact Statement currently under development by GSA. According to GSA, it is coordinating with the Federal Highway Administration and DDOT to help ensure that regional projects planned for the area are funded consistent with the St. Elizabeths West Campus development schedule.

²⁵The Record of Decision is the decision document for an environmental impact statement that identifies all alternatives and describes the reasons for the selection of an alternative.

²⁶Infrastructure costs include costs such as planning and design, demolition of selected structures, utility upgrades, roadwork, perimeter security, and landscape repair.

²⁷GSA has identified the presence of dioxin on-site. The cost of remediation is unknown and would be borne by the Department of Health and Human Services, as required by a Memorandum of Agreement signed when the site was transferred to GSA in December 2004.

Table 4: Preliminary Estimate of the Cost to Develop the St. Elizabeths Site

Type of cost	Amount
Build out, design, moving and furnishings (DHS cost)	\$1.32 billion
Construction and infrastructure (GSA cost)	\$1.94 billion
Additional development costs	(1) \$4 to 14 million in off-site improvements at the Malcolm X Interchange funded by DDOT. (2) Unknown mitigation costs such as dioxin remediation funded by the Department of Health and Human Services and other mitigations funded by GSA.
Total	\$3.26 billion (plus additional development costs such as mitigation costs)

Source: GSA and DHS.

Based on a GSA cost analysis, DHS has testified that without federal construction at St. Elizabeths, the department will continue to be housed in leased space resulting in an estimated \$1 billion more in cost over a 30-year period compared with the consolidation.²⁸ A revised GSA cost analysis received on June 13—that assumes a lower rental rate for parking space than office space—estimates savings at \$743 million. We did not assess the assumptions that form the basis of either analysis, as they were provided right before this report was published. Furthermore, it is important to note that the analysis is not designed to assess costs to the federal government as a whole and does not include actual costs where DHS is currently housed. According to GSA, this analysis is based on average rental rates for Washington, D.C. While GSA’s cost analysis is useful in determining whether construction or leasing is more cost-effective, a more comprehensive analysis that includes additional factors is necessary to determine the cost of the St. Elizabeths development to the

²⁸DHS testified on the results of GSA’s cost analysis on March 1, 2007, before the House of Representatives Homeland Security Committee, Subcommittee on Management, Investigations, and Oversight. GSA conducted this analysis using the Automated Prospectus System (TAPS), a cost analysis tool used by federal agencies to assist in real estate decision making. GSA uses TAPS analysis to make decisions about leasing and new construction options. GSA’s St. Elizabeths cost analysis looked at the present value of the cost of ownership over 30 years—not the overall costs to develop St. Elizabeths, currently estimated at \$3.26 billion—which occur at the front end of this 30 year period and then do not recur. GSA’s cost of ownership analysis does not include DHS’s \$1.32 billion in development costs, but does include costs for utilities and repairs that would not be part of development costs.

government as a whole. For example, a more comprehensive analysis could take into account (1) DHS's actual and projected leasing costs for locations where it is currently housed;²⁹ (2) DHS costs to develop the site—including costs such as tenant building improvements, which stand at \$1.32 billion—and how those costs would vary depending on the alternative ultimately selected, and (3) a range of leasing and construction alternatives and their associated costs for the St. Elizabeths site, depending on the square footage that actually goes to the St. Elizabeths West Campus. A comprehensive cost analysis would improve transparency and allow for more informed decision making. Actual and projected leasing costs for the locations where DHS is currently housed would provide a more accurate estimate of costs if a consolidation at St. Elizabeths does not occur and serve as a baseline against other consolidation alternatives. Accounting for all of DHS's current locations in an analysis and identifying which leases could potentially be replaced by space at St. Elizabeths would also be helpful to decision makers in understanding the consolidation. Furthermore, incorporating DHS costs such as tenant building improvements and moving and furnishing costs—which stand at an estimated \$1.32 billion—and how those costs would vary depending on the alternative ultimately selected, would be important in order to evaluate St. Elizabeths costs from the perspective of the federal government as a whole, not simply from GSA's perspective. And, examining the costs of a range of varying amounts of development at the site would be useful should funding for the preferred option become difficult to obtain. Finally, GSA and DHS could better support their case for consolidation at St. Elizabeths West Campus with a thorough analysis of the savings they expect from reducing the costs of physical security investment and hardening at downtown leased locations.³⁰ A more comprehensive St. Elizabeths cost analysis such as this would improve transparency and help GSA, DHS, and key stakeholders, including

²⁹ According to GSA, DHS is currently paying an average of \$30 per square foot for its leased locations totaling \$135 million annually. In addition, in commenting on a draft of this report, GSA said that it has awarded a contract to verify the DHS headquarters occupancies in the National Capital Region and to develop scenarios that identify the most cost-effective approach to achieve DHS's final housing solution, recognizing DHS's colocation requirement. This study is scheduled for completion in the fall of 2007.

³⁰ GSA provided us with an analysis that compared the cost of providing security to the Bureau of Alcohol, Tobacco, Firearms, and Explosives to the cost of providing security at the St. Elizabeths West Campus. However, because it was provided right before this report was published, we did not assess it.

Congress, better assess the merits of the consolidation from a cost perspective for the government as a whole.

GSA and DHS are moving forward with requesting funding for the first phase of the consolidation, and therefore a more comprehensive analysis would better inform decision making. GSA has tentatively developed a three-phased approach for managing the consolidation, with construction funding originally requested for the Coast Guard's new headquarters building in fiscal year 2007 and ending with final occupancy of the third phase in fiscal year 2015 (see fig. 8). According to GSA, the Coast Guard requires fiscal year 2011 or earlier occupancy for their new headquarters space, and timely Coast Guard occupancy is critical. Due to the lack of funding for the St. Elizabeths project in the fiscal year 2007 Continuing Resolution, GSA is concerned that the overall schedule may be delayed with corresponding adverse impacts on DHS operations and integration. GSA and DHS are working together to update the schedule and will work with Congress on options to recover from any schedule slippage that results from not receiving funding in fiscal year 2007. GSA and DHS have requested funds for the project for fiscal year 2008.³¹ DHS headquarters and remaining components would relocate in the second and third phases. During phase 1-a and 1-b, which extends from the end of 2007 to 2011, DHS anticipates bringing 3,860 employees to the site. During phase 2, which ends in 2013 if construction begins in 2009, and Phase 3, which ends in 2015 if construction begins in 2011, DHS will add another 5,000 employees each, for a total of up to 14,000 employees. While this three-phase approach distributes costs across a number of years, according to DHS, it prolongs the current fragmented DHS housing structure and could thus affect mission performance. DHS intends to evaluate options to accelerate construction and combine phases with GSA to the extent that funding is available to do so. The Coast Guard would be the first DHS component to move its headquarters under current plans. Because of recent hiring, the Coast Guard has outgrown its current primary headquarters location; the lease expires in May 2008.³² Other Coast Guard

³¹The Revised Continuing Appropriations Resolution for Fiscal Year 2007 specifically stated none of the funds appropriated or otherwise made available for GSA's Real Property Activities, Federal Buildings Fund may be obligated for the Coast Guard consolidation and development of St. Elizabeths campus in the District of Columbia. P.L. No. 110-5, 121 Stat. 8, 57 (2007).

³²DHS said that this lease expiration will be bridged until the new headquarters is completed.

offices in the Washington, D.C., area will also be incorporated in the consolidation.

Figure 8: GSA’s Proposed St. Elizabeths Standard Development Schedule

Project component	Prior year	Prior year	Prior year	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9
Stabilization and infrastructure	Site Studies, Predevelopment & Infrastructure - utilities construction, landscape restoration Facilities Management, Stabilization, Access, On site road work, Utilities construction, Landscape restoration											
Coast Guard		Master planning, Site studies & Predevelopment										
		Customer Planning (24 months)	Campus and Phase 1-A and 1-B Design (15 months)	Phase 1-A Construction 1,135K GSF plus 260K GSF of parking (38 months)			Move (6 months)					
					Phase 1-B Construction 203K GSF plus 140K GSF of parking (26 months)		Move (6 months)					
Tenant B		Planning (5 months)	Planning (12 months)	Planning (6 months)	Phase 2 Design (9 months)	Phase 2 construction total 1,581K GSF (42 months)				Move (6 months)		
Tenant C		Planning (5 months)	Planning (12 months)			Planning (6 months)	Phase 3 Design (9 months)	Phase 3 construction, total 1,581K GSF (42 months)			Move (6 months)	

Source: GSA.

GSA and DHS officials said that GSA would fund about \$1.94 billion and DHS would fund about \$1.32 billion of the current estimated \$3.26 billion dollar total. Under the current GSA development schedule, the Coast Guard is scheduled to be fully moved in by fiscal year 2011, if GSA receives appropriations as requested. DHS stated that most of the DHS-specific costs will be incurred, regardless of whether the St. Elizabeths West Campus is developed because of the need to renew expiring leases over the coming years. More specifically, funding activity and related planning thus far have been as follows:

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- To begin funding the consolidation, GSA was provided \$24.9 million in fiscal year 2006 for the design phase of the Coast Guard headquarters construction project. GSA also received \$13 million for, according to GSA, identification of fire code deficiencies, renovation cost estimates, a buildings demolition study, master planning, NEPA studies, site exit analysis, a Campus Design (infrastructure only), restoration of landscaping, cleaning of storm water systems and underground pipe replacement, upgrades to selected fire protection systems, repair of the wastewater system, deferred maintenance, and repair and stabilization of selected structures at the St. Elizabeths West Campus site in fiscal year 2006.
 - GSA and DHS did not receive any funding for DHS headquarters consolidation for fiscal year 2007.³³ The Coast Guard and Maritime Transportation Act of 2006 provided that the Coast Guard cannot move any personnel, property, or other assets to St. Elizabeths until the GSA Administrator submits a plan for the site to certain congressional committees.³⁴ As required by law, the plan should include, among other things, the design of facilities for at least one federal agency other than the Coast Guard, which houses no fewer than 2,000 employees. GSA is now developing a plan in response to the act. GSA is also developing a Master Plan for the St. Elizabeths site, which will be discussed in more detail later.
 - GSA's fiscal year 2008 request was about \$347 million, the bulk of which was for phase 1-a and phase 1-b of the proposed project. Phase 1-a is proposed to provide 1.135 million square feet of space and 650 parking spaces for the Coast Guard headquarters facility, which will house 3,860 Coast Guard employees. Phase 1-b is proposed to provide 203,000 square feet of shared support and other space and 350 parking spaces. Phase 1-a and phase 1-b, according to GSA, are required to fully support the Coast Guard's operations, and therefore are scheduled to be completed together. This request also includes \$26 million for the design of phase 2.

³³Despite not receiving funding in fiscal year 2007, DHS states that due to delays in the Master Plan and Environmental Impact Statement development, the actual delay in the project due to the lack of fiscal year 2007 funding is only about 2 to 4 months.

³⁴GSA was required to submit the plan to the House Committee on Transportation and Infrastructure and the Senate Committee on Commerce, Science, and Transportation and the Senate Committee on Environment and Public Works. See P. L. No. 109-241, 120 Stat. 516, 523-524 (2006).

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- After not receiving any funding in fiscal year 2007, DHS has requested \$120 million for fiscal year 2008 to continue with its consolidation plans for the St. Elizabeths site. According to DHS; DHS, GSA, and OMB have developed a balanced funding stream that takes into account the lack of fiscal year 2007 appropriations. In commenting on a draft of this report, GSA expressed concern about its ability to meet the U.S. Coast Guard requirements within its fiscal year 2008 St. Elizabeths budget of approximately \$347 million. This funding will be used for Coast Guard headquarters construction costs over and above what GSA is paying, tenant-specific phase 2 and phase 3 design costs, and staffing costs. This is a portion of the \$1.32 billion that DHS estimates is needed for all costs associated with the development of and move to St. Elizabeths.
 - The balance of project funding for phase 2 (\$491 million) was to be requested in a future fiscal year. The goal of phase 2 is to provide 1.6 million square feet of highly secure housing plus parking garages containing 2,000 spaces to consolidate other DHS components.
 - Phase 3 would add another 1.6 million square feet of space to accommodate what DHS hopes will be the bulk of its remaining components.

According to GSA, the final cost of the St. Elizabeths West Campus development will depend, initially, on the final Master Plan layout and density selected and then by the final design and construction contracts awarded by the federal government. GSA is currently preparing the Master Plan for the redevelopment of the site and was originally exploring seven development scenarios that ranged from 1.4 million to 4.5 million square feet of modern office space (plus parking) that would reuse most of the historic structures on the site. However, because the Coast Guard and Maritime Transportation Act of 2006 stipulated that the Coast Guard may not move to the site until, among other things, a plan for the site includes a facility for at least one federal agency other than the Coast Guard that houses no fewer than 2,000 employees, GSA said that it is no longer considering the two alternatives that looked at developing only 1.4 million square feet of space. Only the five alternatives that develop 3.0 million and 4.5 million square feet of space (plus parking) will now be considered.³⁵ DHS maintains that it currently plans to reuse 77 to 81 percent of the

³⁵If parking is included, the square footage for each Master Plan alternative ranges from 4.34 million square feet to 6.36 million square feet.

existing square footage that contributes to the site's status as a National Historic Landmark, even in the most intensely developed alternatives.

GSA plans to issue a draft Master Plan for public comment in July 2007 and to submit the final Master Plan by December 2007. According to GSA, GSA and NCPC have agreed to a 60 day review for the preliminary and final St. Elizabeths West Campus Master Plan submissions. As the central planning agency for the federal government in the National Capital Region, NCPC is charged with planning for the appropriate and orderly development of the national capital and for the conservation of important natural and historic features. To this end, NCPC is charged with preparing a comprehensive plan for federal activities in Washington, D.C., and reviewing the development plans for federal agencies for consistency with the comprehensive plan. Under 40 U.S.C. § 8722, NCPC has approval authority over site and building designs and uses NCPC-approved Master Plans as the basis for subsequent reviews and approvals. The U.S. Commission of Fine Arts was established by Congress in 1910 as an independent agency to advise the federal and District of Columbia governments on matters of design and aesthetics that affect the appearance of the nation's capital. One of the roles of the U.S. Commission of Fine Arts is to provide advice on proposed building projects.

Key Stakeholders Are Concerned about Historic Preservation, Environmental Issues, and Impact on the Local Community

In redeveloping St. Elizabeths, GSA must comply with the NHPA and the NEPA. Under NHPA, federal agencies are required to consider the effects of their activities on historic properties and to undertake planning and actions necessary to minimize harm to the historic property.³⁶ As part of the NHPA process, GSA is consulting with the D.C. State Historic Preservation Officer, the Advisory Council on Historic Preservation, NCPC, the U.S. Commission of Fine Arts, and many other groups. NEPA provides for the consideration of environmental issues in federal agency planning and decisionmaking. NEPA requires federal agencies, such as GSA, to prepare an environmental impact statement for actions that may significantly affect the quality of the human environment. GSA is conducting both reviews concurrently to avoid duplication, since both are public processes and NEPA addresses preservation issues as well as environmental concerns.

³⁶16 U.S.C. § 470f and 16 U.S.C. § 470h-2.

As part of its consultations with various organizations in developing the Master Plan, DHS and GSA have encountered objections from several key stakeholders that are concerned about whether the project would comply with current historic preservation and environmental laws. Views expressed are generally the views of senior staff and do not represent the final positions of the organizations themselves, which will officially provide comment as consulting parties once GSA submits its draft Master Plan in July 2007. According to January 19 and September 21, 2006, letters submitted to GSA by NCPC's Executive Director, NCPC is concerned that GSA's alternatives for the St. Elizabeths West Campus thus far do not sufficiently protect the historic and natural settings of the site. According to NCPC and other stakeholders, including the U.S. Commission of Fine Arts, the Advisory Council on Historic Preservation, the National Trust for Historic Preservation, and the D.C. Office of Planning's Historic Preservation Office, DHS's programmatic requirements are taking precedence over the preservation and planning interests of the campus itself. NCPC and other stakeholders are concerned that developing 4.5 million square feet of office space, plus parking, for DHS at St. Elizabeths will not protect the site's status as a National Historic Landmark District. Some stakeholders maintain that developing this much space, as well as other alternatives that have been discussed involving 3.0 million square feet, will have significant, adverse effects on the historic setting and character of the site and make mitigation and minimization under NEPA and NHPA difficult if not impossible to achieve. Stakeholders generally support federal use and maintain that the site can hold about 2.0 to 2.5 million square feet of development (plus parking) without compromising the site's status as a National Historic Landmark District.³⁷

In addition, according to the National Trust for Historic Preservation (NTHP), each alternative requires a more thorough exploration of options for off-site and underground parking, in order to minimize harm to the maximum extent possible by reducing the additional mass and bulk of aboveground structures in the National Historic Landmark District. During

³⁷ According to the District of Columbia Historic Preservation Office, a few years ago the District of Columbia Office of Planning conducted a study of St. Elizabeths for the purpose of a redevelopment plan. That study proposed 2.7 million gross square feet for the West Campus prior to any preservation reviews. In addition, both NCPC and the D.C. State Historic Preservation Officer point to GSA's own August 2005 Land Use Feasibility Study, which lays out the risks associated with various development scenarios, to illustrate risks to historic resources under the alternatives considered. Of the eight scenarios considered, only the 1.6 million square foot scenario was not high risk for protecting St. Elizabeths as a National Historic Landmark.

our review DHS maintained that it currently plans to reuse 77 to 81 percent of the existing square footage that contributes to the site's status as a National Historic Landmark District, even in the most intensely developed alternatives.

GSA does not concur with stakeholders views on historic preservation issues. According to GSA, it will, to the maximum extent possible, undertake planning and actions necessary to minimize harm to the landmark as is required by the National Historic Preservation Act. GSA acknowledged that it had not yet developed an alternative that reflected the views of many of the stakeholders, but stated that a draft Master Plan would be available for review in July 2007 and that certainly this was possible.

Furthermore, according to the NCPD Executive Director in a September 2006 letter, the proposed St. Elizabeths development does not address a number of significant policies in the *Comprehensive Plan for the National Capital: Federal Elements*, including policies to sustain exemplary standards of historic property stewardship and to preserve open space at St. Elizabeths for public use and enjoyment of views from the site.³⁸ GSA noted that although it may not address the policies discussed above because sometimes there are trade-offs that must be made in the process of developing a site, it does address the vast majority of the Comprehensive Plan.

In addition, some stakeholders assert that GSA has not adequately considered other DHS headquarters alternatives. For example, in a letter dated January 26, 2007, the NTHP suggested that GSA could explore financing the acquisition of an alternative site by disposing of the St. Elizabeths campus for preservation-sensitive development. GSA responded by stating that it is statutorily obligated to first consider land that it owns to meet government housing needs. In addition, GSA argues that it does not make financial sense to pay for a lease or the costs of a land swap when the St. Elizabeths site can meet DHS's needs if National Historic Landmark issues can be resolved satisfactorily. Moreover,

³⁸We do not address the issue of public access in detail in our report, but in general, most stakeholders with whom we talked supported some type of limited public access to the site such as access to the Point for certain holidays and access by permit to the Civil War cemetery. Most stakeholders acknowledged that unlimited access was not a realistic option. We agree with DHS that in the post 9-11 security environment, access to the site is a complicated issue.

according to GSA, it will be able to preserve the site's historic and natural character while developing 4.5 million gross square feet of office space, plus parking. Overall, the debate centers on how much development the site can accommodate while protecting the site's status as a National Historic Landmark District.

In addition to concerns about the historic preservation and environmental issues related to DHS's consolidation at St. Elizabeths, D.C. planning officials and residents of the community have concerns about how the proposed development will affect those living in the area. The residents of Ward 8, the community that would be most affected by the St. Elizabeths development, are primarily concerned about increased traffic and whether the potential economic benefit of job availability, contracting opportunities, and retail possibilities will materialize. A D.C. planning official also expressed concern that a federal presence there will offer no taxable infrastructure, require increased public service response (fire, ambulance, hospital), and expose the community to the risk of a terrorist attack. However, some community leaders have stated in various public forums that they support locating federal development at St. Elizabeths as an economic driver and magnet for additional development and revitalization.

Master Plan Is Critical to the Consolidation's Outcome

Critical to the outcome of the proposed consolidation is GSA's development of the Master Plan, currently scheduled to be released for comment by July 2007 and submitted by December 2007 to NCPC for review and public comment. A completed plan should allow a better estimation of the overall costs of this consolidation and should incorporate stakeholders' concerns. Most stakeholders we contacted—including NCPC, the Advisory Council on Historic Preservation, and the D.C. Planning Office—acknowledge that GSA's outreach to the local community, review agencies, and interested consulting parties has been extensive, even though many stakeholders believe that GSA has not sufficiently incorporated stakeholders' concerns into the five current Master Plan alternatives by adding an additional alternative that accommodates their concerns. GSA has not developed an additional alternative, but says it has made modifications to the existing alternatives, including moving development away from vistas and sight lines, preserving a majority of the historic buildings, and limiting the height of new buildings on the site.

Federal agencies are required to consult with NCPC prior to the preparation of construction plans originated by the agency for proposed

developments and projects within the National Capital Region. According to NCPC, once GSA's draft Master Plan is completed, NCPC will review it for compliance with federal environmental and historic preservation laws. NCPC will prepare a report with recommendations to the agency, which GSA must consider. GSA hopes its efforts to reach out to stakeholders and resolve their concerns will conclude with an agreement with the D.C. State Historic Preservation Officer and Advisory Council on Historic Preservation as signatories.

DHS Has Taken Actions Intended to Improve the Security of Its Facilities, but Its Efforts Are Lacking in Certain Key Areas

DHS has taken a number of actions intended to improve the security of its facilities. Like other federal agencies, DHS has made physical improvements at the individual building level, such as adding pop-up bollards, installing bullet-resistant glass, and implementing access controls in many buildings across the department. For example, ICE is using new smart-card technology through a security pilot project at several of its facilities across the country, including Federal Plaza in New York City. The Coast Guard is using the latest technology to evaluate the credentials of contractors. FLETC is using bullet-resistant glass at key access control points and pop-up bollards to repel unauthorized vehicles. FLETC has also established fingerprint systems and captures facial images via digital cameras to improve access control. FEMA has installed pop-up bollards and added surveillance cameras to its headquarters in downtown Washington. TSA told us that it utilizes closed circuit television, contract security guards, access control, intrusion detection and vehicle security barriers. TSA also told us that it has established network connectivity for its closed circuit television at its Washington, D.C. facilities, enabling the TSA Chief Security Officer and his headquarters staff to monitor each facility.

DHS security officials said that increasing the use of technologies like access controls, while requiring an initial up-front investment, would save DHS money in the long run since fewer guards would be needed. It would also improve security they said. At DHS's Nebraska Avenue Complex, for example, where some of DHS' headquarters offices are located, DHS uses glass-partitioned turnstiles with access control card readers to give cleared employees access at this location. Employees swipe their access card and if the card is approved, the turnstile opens. The access control validates the card without involving guards. DHS has backed up this system through the use of closed circuit television cameras that monitor the turnstiles. All activity is recorded by digital video that can be reviewed if necessary following a breach. By efficiently using technology to supplement and reinforce other security measures, DHS can more

effectively address vulnerabilities that are identified by the risk-management process with appropriate countermeasures. Our past work showed broad concurrence among GAO, Inspectors General, facility security experts, and agency experts that making efficient use of security technology to protect federal facilities is a key practice.³⁹

DHS Has Taken Actions to Improve Communication among Components and across Functional Lines

Besides taking actions at the individual building level, DHS has implemented several management changes intended to improve facility protection. DHS has designated a Chief Security Officer for the department and established a Chief Security Officer Council to assist the Chief Security Officer in evaluating security issues.⁴⁰ In addition, DHS's Chief Administrative Officer, Chief Security Officer, and ISC personnel are working together to integrate physical security programs and plans into DHS's overall real property management program. DHS real property management officials and physical security officials have begun to communicate and coordinate regularly through meetings. For example, DHS real property and security officials are collaborating on the design of the St. Elizabeths site headquarters buildings to ensure that building designs are properly evaluated from a security perspective. The security coordinator makes certain that security features are considered early and incorporated into each building's design. This coordination should reduce the need for making costly changes later or creating security risks that are impossible to mitigate later. The coordination has also led to discussions about including physical security data, such as data on compliance with ISC standards and security levels, in DHS's Real Property Information System. Coordination also allows DHS's physical security officials to provide input upfront about how real property decisions affect physical security. For example, if DHS decides to rent one floor of a particular office building, consideration must be given to the consequences of DHS's presence there. DHS often ends up needing to secure the entire building, which can be costly, or DHS cannot afford to secure the entire building, which may pose a security risk. DHS currently occupies about 2,400 office

³⁹GAO, *Homeland Security: Further Actions Needed to Coordinate Federal Agencies' Facility Protection Efforts and Promote Key Practices*, [GAO-05-49](#) (Washington, D.C.: Nov. 30, 2004).

⁴⁰OMB has directed DHS to move the chairman of the Interagency Security Committee in fiscal year 2008 to DHS's Office of the Under Secretary for National Protection and Programs.

buildings that are leased or owned, so there is considerable potential for security savings if security is considered upfront.

DHS has also improved internal security coordination in other ways. For example, DHS has formed the Facility Security Commodities Council, which meets once every 2 months to discuss security issues and share information, such as which companies are providing the best contract guard service, what to include in a standard contract for guard forces, or how to add on to security equipment contracts to get security equipment such as X-ray machines less expensively. Information sharing and coordination among organizations are crucial to producing comprehensive and practical approaches and solutions to address terrorist threats directed at federal facilities. Our work showed a broad consensus—on the basis of prior GAO and Inspector General work and information from agencies and the private sector—that by having a process in place to obtain and share information on potential threats to federal facilities, agencies can better understand the risk they face and more effectively determine what preventive measures should be implemented. Establishing a means of coordinating and sharing information is crucial to determining the appropriate amount of security for facilities.

DHS also plays an important role in developing guidance for federal agencies and its own components to follow in protecting federal facilities against the threat of terrorism through ISC, which DHS chairs. ISC, which includes representatives of all the major property-holding agencies and was established after the bombing of the Oklahoma City federal building in 1995, has a range of governmentwide responsibilities relating to protecting nonmilitary facilities. These generally involve developing policies and standards, ensuring compliance and overseeing implementation, and sharing and maintaining information. To ensure that DHS itself follows ISC guidance, draft DHS Management Directive 11001 formalizes the requirement that DHS components meet ISC standards.⁴¹ The compliance reporting process will begin in 2008. For example, beginning in 2008, each component must report how many of its buildings are in compliance with Management Directive 11001 and, if not, it must provide an explanation. DHS has also recently developed a compliance checklist, which provides a baseline of basic physical security considerations that DHS's components

⁴¹Management directives for DHS are under a top to bottom review by order of the Deputy Secretary. The issuance of Management Directive 11001 is dependent on the results of the review.

can use in determining what facility protection activities they need to undertake.

DHS Has Not Yet Fully Implemented Risk Management Practices for Its Facilities

Despite these improvements and DHS's prominent role in facility protection governmentwide, most DHS components have not fully implemented risk management for facility protection, which we have recommended and DHS has advocated for other agencies, or the components use risk management tools that DHS officials said have limited capabilities. DHS components are in the process of determining risk management methodologies to assist in prioritizing resources. Some components, such as ICE, currently use a risk management tool with capabilities that, according to FPS officials, are not as robust as necessary to fully prioritize security needs. FPS, located within ICE and responsible for protecting thousands of federal facilities, conducts security risk assessments for ICE and for all DHS space leased through GSA using risk management software. FPS officials said that this tool is not sophisticated enough to effectively allow them to prioritize physical security improvements building by building. FPS officials have three primary concerns about the current risk management tool. First, current risk management software does not allow FPS to compare risks from building to building so that security improvements to buildings can be prioritized. Second, current risk assessments need to be categorized more precisely. Too many assessments are simply categorized as high or low, which does not allow for a refined prioritization of security improvements. Third, the risk management tool does not allow for tracking the implementation status of security recommendations based on assessments. CIS also uses FPS's risk management tool to conduct its risk assessments. According to FPS, FPS is leading the development of a new software tool that will meet obligations under the *National Infrastructure Protection Plan*. In partnership with other DHS components, including CBP and FEMA, this risk assessment and management program will be made available to all government entities in need of a risk assessment methodology. FPS expects this tool to be available by fiscal year 2008.

Some components are closer to fully implementing risk management practices to prioritize resources than others. For example, the Coast Guard has an initiative under way to tier its assets into categories to help prioritize facility protection resources for the assets that are most critical to DHS's core mission. The Coast Guard has been conducting vulnerability assessments within each tier for the past year and a half. Components such as FEMA and TSA do not use formal risk assessment tools to prioritize security resources across the component. FEMA, for example,

prioritizes security resources through the judgments of security officials using criteria such as the seriousness of the security issue, the location, and the resources available at the time. TSA noted that although it does not use a formal risk assessment tool to prioritize resources across the department, it has conducted a risk assessment for its headquarters and Transportation Security Operations Center, based on threat and vulnerability assessments and incorporated additional appropriate security measures across its facilities.

DHS headquarters security officials said that while DHS components do not have a formal, common tool to conduct risk assessments to prioritize funding for facility protection, components can rely on ISC criteria and DHS's June 2006 *National Infrastructure Protection Plan* for risk management guidance.⁴² ISC places federal facilities in five different categories (with corresponding security standards) based on factors such as building size, agency mission and function, tenant population, and level of public access. For example, a level II building is defined as having between 2,500 to 80,000 square feet and between 11 and 150 employees engaged in routine activities with a moderate level of public access. A level IV building is defined as occupying more than 150,000 square feet of space and housing more than 450 employees with a "high volume of public contact." At each level of security, ISC specifies minimum security standards that must be met.⁴³ The *National Infrastructure Protection Plan* risk management framework establishes a process for combining consequence, vulnerability, and threat information to produce a comprehensive, systematic, and rational assessment of risk that drives protection activities for a component. According to senior DHS headquarters security officials, each component within DHS must develop its own risk assessment program and ensure that they are aligned with its mission and needs.

A more robust risk management approach can help DHS make decisions systematically and is consistent with the *National Strategy for Homeland Security* and DHS's strategic plan, which have called for the use of risk-

⁴²The *National Infrastructure Protection Plan* provides the overarching approach for integrating the nation's many critical infrastructure and key resource protection initiatives into a single national effort.

⁴³Under its Action Plan for 2007 and 2008, the Interagency Security Committee has a work group updating the physical security standards for existing buildings, which includes updates to building levels I to V and the Department of Justice's *Vulnerability Assessment of Federal Facilities*, published in 1995.

based decisions to prioritize DHS's resource investments in homeland security-related programs. Likewise, the President and Congress have widely supported a risk management approach for homeland security, and the Secretary of Homeland Security has made risk management the centerpiece of departmental policy. Allocating resources using risk management is a systematic and analytical process to consider the likelihood that a threat will endanger an asset, such as real property, and identify, evaluate, select, and implement actions that reduce the risk or mitigate the consequences of an event. Although risk management principles can be applied to facility protection in various ways, our past work has shown that most risk management approaches generally involve identifying potential threats, assessing vulnerabilities, identifying the assets that are most critical to protect, in terms of mission and significance, and evaluating mitigation alternatives for their likely effect on risk and their cost. In short, risk management is useful for ensuring that security resources are directed where they are needed most. Our past work has also shown that there was consensus in the security community—including GAO, inspectors general, agencies, national experts, and the private sector—that using risk management practices provides the foundation for an effective facility protection program.

Some agencies we have reported on use more robust methods of risk management. For example, as we reported in June 2005, the Department of the Interior (Interior) has developed a uniform risk assessment and ranking methodology called the National Monuments and Icons Assessment Methodology.⁴⁴ According to information from Interior, this methodology is specifically designed to quantify risk, identify needed security enhancements, and measure risk-reduction benefits at icons and monuments. The National Monuments and Icons Assessment Methodology has a consequence assessment phase and a risk assessment phase. During the consequence assessment phase, there is an asset tier ranking process, in which each asset's iconic significance is subjectively determined. Specific attack scenarios—involving threats such as chemical/biological agents, aircraft, or improvised explosive devices—are used to evaluate security at each asset and score attack consequences. Consequence categories include casualties, economic impact, and length of disruption. During the risk assessment phase, Interior uses the methodology to determine the effectiveness of existing security systems for preventing or

⁴⁴GAO, *Homeland Security: Actions Needed to Better Protect National Icons and Federal Office Buildings from Terrorism*, [GAO-05-790](#) (Washington, D.C.: June 24, 2005).

mitigating the specified attack scenarios. Using risk values calculated from this comparison, Interior assigns asset risk ratings of high, medium, or low, and formulates specific mitigation recommendations. Before developing this approach, Interior did not have a uniform, comprehensive risk management approach for icons and monuments. It relied instead on the judgment of senior officials in determining where resources should be directed, and the risk assessments completed at individual sites were done by a number of external experts using different methodologies.

DHS Has an Incomplete Set of Facility Protection Performance Measures to Help Ensure Agency Accountability for Meeting Program Goals

Under HSPD-7, the Government Facilities Sector, for which ICE is responsible, is tasked with establishing performance measure guidance for federal, state, and local governments so that they can better assess the effectiveness of their facility protection programs. ISC is working with the Government Facilities Sector to develop this performance measure guidance. It is expected that this guidance will be complete at the end of fiscal year 2007. This guidance is designed to measure agency-level performance; it does not address facility-specific performance measures.

Even though DHS has a leadership role in this area, none of its components had a fully established set of agency- and facility- specific physical security performance measures to evaluate the effectiveness of physical security programs at the time of our review. Some components are in the process of developing measures or have an incomplete set. For example, TSA does not have a set of performance measures to fully evaluate how it protects its facilities, but said it was currently considering using performance measures such as the number of unauthorized people who enter a building or the number of people who are blocked at entrances. TSA also noted that it considers its facility protection to be successful because it has no known breach in its headquarters and Transportation Security Operations Center. FEMA officials told us that in order to assess its progress in improving security, the agency needs to develop performance measures that allow it to track security assessments and recommendations. FPS, located within ICE, currently has a number of performance measures to assess facility protection effectiveness, but noted that the measures could be improved. FPS said that it tracks measures such as whether building countermeasures are working as designed, whether countermeasures are deployed on time, and how quickly FPS responds to calls for service. FPS officials said that upgraded risk assessment software would aid them in tracing facility protection

performance measures. For example, FPS said that it would like to better track how long it takes for its MegaCenters,⁴⁵ which are FPS's regional emergency call centers, to respond to alarm calls. FPS is tracking call response times to some degree now but is unable to distinguish between major and minor calls, which officials said can create misleading data. In September 2006, we reported that performance measures for assessing MegaCenter operations are not always clearly stated or measurable and do not address governmentwide priorities of efficiency, cost of service, and outcome—which are among the attributes of successful performance measures that we have identified.⁴⁶ Other DHS components noted that some facility protection efforts can be difficult to measure. For example, CIS and TSA noted that it is difficult to demonstrate when an agency has stopped or deterred an attempted unauthorized entrance to a building with security countermeasures or best practices because it is typically not possible to know when such unauthorized attempts occur.

Performance measurement can ensure accountability for achieving broad program goals and improving security at the individual facility level. At the agency level, we have reported that tying security goals to broader agency mission goals can help federal agencies measure the effectiveness and ensure the accountability of their security programs. Our work has shown a consensus among various stakeholders that performance measurement is a key practice that agencies should follow. Using performance measurement for facility protection is a practice that—according to our review—is in the early stages of development at DHS at the agency- and facility-specific levels. In May 2006, we reported on performance measures that organizations outside the U.S. government—including private-sector firms, state and local governments, and foreign government agencies—use to help improve the security of facilities, inform risk-management and resource-allocation decisions, and hold security officials and others in their organizations accountable for security performance.⁴⁷ These included output measures, such as the average time needed to process background screenings, and outcome measures, such as the change in the total number

⁴⁵FPS MegaCenters provide three primary security services: alarm monitoring, radio monitoring, and dispatching of FPS police officers and contract guards.

⁴⁶GAO, *Homeland Security: Federal Protective Service Could Better Measure the Performance of Its Control Centers*, [GAO-06-1076](#) (Washington, D.C.: Sept. 29, 2006).

⁴⁷GAO, *Homeland Security: Guidance and Standards Are Needed for Measuring the Effectiveness of Agencies' Facility Protection Efforts*, [GAO-06-612](#) (Washington, D.C.: May 31, 2006).

of security incidents relating to thefts, vandalism, and acts of terrorism. For example, an agency in Australia monitors an outcome measure—the impact of additional security expenditures on a facility’s risk rating—while controlling for existing security enhancements that mitigate the risk, such as the number of guard patrols and the adequacy of access control systems (e.g., electronic locks). In another example, each business line in one financial services organization conducts security compliance reviews of its facilities, including confirming the presence of required key security equipment and determining whether staff are following security policies.

FPS Faces Ongoing Challenges

FPS protects buildings under GSA’s control, including those where DHS is a tenant. After the creation of DHS, FPS moved from GSA to the new department effective March 1, 2003. In fiscal year 2007, FPS has 1,208 full-time employees, including special agents, police officers, inspectors, and support personnel.⁴⁸ Approximately 15,000 contract security guards support FPS’s workforce. FPS is required to protect about 8,800 buildings under GSA’s control, many of which are leased by DHS. Even though it has the authority, FPS does not protect any DHS buildings outside GSA space because it lacks resources. Most DHS components rely on security arrangements that existed before DHS was formed in 2003. The demands of its facility protection responsibilities to protect GSA facilities challenge FPS. FPS charges a basic security fee for services such as law enforcement and regular building security assessments, but this fee does not adequately cover the costs of the basic security services that FPS is required to provide. One of the tasks that FPS must conduct in its role as a protector of federal buildings is building security assessments. Building security assessments are a type of security evaluation to determine how susceptible a facility is to various forms of threat or attack. These assessments include countermeasures to reduce threats and thereby decrease vulnerability.⁴⁹ DHS officials said that some components conduct their own building security assessments over and above the security assessment conducted by FPS. DHS components sometimes conduct their own assessments because FPS’s assessments are not always timely or of sufficiently high quality.

⁴⁸The President’s fiscal year 2008 budget request provides for 950 full-time employees.

⁴⁹Security assessments for existing buildings are conducted on a cyclical schedule based on the buildings’ designated Department of Justice security level—every 2 years for Level 4; every 3 years for Level 3, and every 4 years for Levels 1 and 2. FPS uses Federal Security Risk Management software to assist in developing building security assessments.

Senior DHS physical security officials said that FPS does not have the staff resources to conduct all of these regular assessments in a timely manner, but these officials also say problems with the quality of the assessments are most likely attributable to a lack of quality training for FPS personnel in conducting the assessments. Conducting extra assessments wastes resources, while not completing assessments in a timely fashion imperils the security of DHS facilities. FPS agreed that it does not have an adequate number of building security assessors for the number of buildings in its inventory. FPS estimated that there are about 450 inspectors for about 8,800 GSA buildings that FPS is required to protect. FPS said that in some areas, especially in the western United States, a single inspector must cover all of the buildings over a wide area. FPS said that some inspectors are responsible for as many as 50 buildings, and each inspection can take 1 week or more. FPS noted that inspectors have responsibilities other than inspections, such as teaching security training classes, crime prevention, and law enforcement patrol and response. However, because of the large geographic areas some inspectors are required to cover, they must spend a significant amount of time and travel funds performing inspections. According to FPS, the time it takes to conduct assessments, travel, and perform other duties can make it difficult to conduct timely inspections. FPS believes that an increased number of inspectors in some regions would help save money in the long run by cutting travel expenses.⁵⁰

In order to solve this problem, senior DHS physical security officials suggested that DHS establish consistent building security assessment training. This training would provide a core basis for conducting assessments across DHS, regardless of whether FPS or the components conduct them and would help ensure that assessments are completed consistently. One senior DHS security official noted that GSA has a 4 to 5 week training course for procurement that might serve as a model for how DHS could conduct the assessment training. DHS's Federal Law Enforcement Training Center recently completed a feasibility study that proposed the creation of a standard physical security training program for all federal agencies involved in physical security. Physical security assessment training would be part of this physical security training

⁵⁰In commenting on our report, ICE officials noted that FPS was transitioning to an inspector-based workforce that will increase the number of inspectors assigned to the protection of federal facilities. FPS will use a risk-based staffing model to assign inspectors to the highest risk facilities.

program. Security assessment training would help ensure that assessments are completed consistently and do not need to be conducted twice.⁵¹

As we reported in July 2004, maintaining a means of funding FPS that will ensure adequate protection of federal facilities and allow FPS to meet homeland security responsibilities is a challenge. DHS maintains that the funding FPS receives from basic security fees is not nearly enough for FPS to provide adequate basic security service.⁵² FPS reported in November 2006 that it faced a funding shortfall of \$60 million. FPS officials said that FPS cannot always provide basic security services requested by some DHS and other non-GSA entities because FPS lacks funding for additional employees. For example, FPS has received requests for security services from Indian Reservation Hospitals and the Social Security Administration that it was not able to fulfill.

Compounding the challenges FPS faces, FPS officials noted that DHS components are often unable to implement recommendations in FPS assessments. For example, CIS is aware that it needs bollards and garage and driveway barriers at its headquarters building, but it has not been able to prioritize funding to implement these measures. In other instances, FPS noted that it may conduct a security assessment for a component, but

⁵¹In commenting on our report, ICE noted that FPS plans to revise the Physical Security Academy curriculum in fiscal year 2008 to support training on the use of a new Risk Assessment and Management Program. In addition, FPS is partnering with the DHS Office of Security and Federal Law Enforcement Training Center in an effort to develop a standardized physical security training program for all federal agencies, drawing in part upon the experiences of the FPS Physical Security Academy.

⁵²FPS provides three categories of security services: (1) basic security, (2) building-specific security, and (3) tenant-specific security. Basic security is provided by DHS (ICE/FPS) to GSA-controlled properties and includes law enforcement, such as building alarm monitoring, and physical security, such as building security assessments. Basic security fees are included in fees paid directly to FPS on a cost-per-square foot basis. The basic security fee is currently capped at 39 cents per square foot, which DHS and FPS maintain is not nearly enough to cover costs for basic security services. The President's fiscal year 2008 budget proposes to increase the current basic security from 39 cents to 57 cents per square foot. Building-specific security is provided in addition to the basic security provided in a particular building as a result of DHS building security assessment recommendations. Examples of building-specific security measures include contract guards, security equipment, and security fixtures. Agencies pay for these security services out of their own budget if they determine that they want them. Tenant-specific security includes additional reimbursable services and equipment for agencies to meet their HSPD-12 requirements, which include card readers and contractor background suitability determinations. Most of FPS's funding comes from the building-specific and tenant-specific security that it provides.

because of a lack of funding or a lag in funding, recommendations are not implemented for 18 to 24 months. That leaves a component vulnerable for as long as 2 years, and by that time, the recommendation may have changed in priority. In addition, some components, such as FEMA, CIS, and S&T, said that the response time and quality of FPS's security assessments need improvement, partially because of the demands placed on FPS by its expanding mission. Senior DHS physical security officials said that FPS needs to redefine its role and core mission to focus on work that it can handle, given its budget and the training and qualifications of its employees. In response to our recommendation of almost 3 years ago, FPS is developing a transformation plan, although this plan has not been finalized.⁵³

DHS Has Not Developed a Physical Security Plan As Required under HSPD-7

DHS clearly faces a number of challenges related to the protection of its own facilities but has not developed a physical security plan. The challenges DHS faces—such as implementing risk management, measuring performance, and funding needed security enhancements—are similar to those faced by many agencies. HSPD-7 recognized the need for an organized, carefully considered approach to protecting physical assets, including facilities, and required that all federal departments and agencies develop physical security plans. Specifically, HSPD-7 states:

“By July 2004, the heads of all Federal departments and agencies shall develop and submit to the Director of the OMB for approval plans for protecting the physical and cyber critical infrastructure and key resources that they own or operate. These plans shall address identification, prioritization, protection, and contingency planning, including the recovery and reconstitution of essential capabilities.”

DHS officials believe that the 2006 *National Infrastructure Protection Plan*, which provides an overarching approach for integrating the nation's many critical infrastructure and key resource protection initiatives into a single national effort, serves as DHS's physical security plan. However, the *National Infrastructure Protection Plan* does not address the “identification, prioritization, protection, and contingency planning, including the recovery and reconstitution of essential capabilities,” specifically for DHS-occupied facilities. Having such a plan would be particularly useful for DHS and its stakeholders—including OMB and

⁵³GAO, *Homeland Security: Transformation Strategy Needed to Address Challenges Facing the Federal Protective Service*, GAO-04-537, (Washington, D.C.: July 14, 2004.)

Congress—in devising a course of action for protecting DHS facilities and making associated funding trade-offs. Furthermore, it is imperative that DHS, as the government’s central agency for protection against terrorism, lead by example in formulating how the department itself is approaching the range of difficult challenges that agencies across government also face in the facility protection area.

Conclusions

Like other agencies, DHS faces real property challenges, including excess and deteriorating property, data quality issues, reliance on costly leasing, and the threat of terrorism against its facilities. DHS also faces funding and budgetary limitations, which are often at odds with businesslike decisions. Given the size and diversity of DHS’s portfolio, the challenges it faces, and the importance of DHS’s mission, it is critical that DHS implement the requirements of the President’s real property initiative, which DHS has made progress in doing recently. As DHS’s efforts to strategically manage its property progress, greater emphasis on long-term capital planning, which needs improvement, could help DHS make the most of limited resources and make timely and effective capital acquisitions. It would be particularly beneficial for DHS to link such capital planning efforts—such as the development of a departmentwide long-term capital plan—to its asset management planning efforts under the real property initiative, because DHS inherited the real property held by its components’ former agencies and is faced with realigning these assets in the coming years. Shortcomings in the capital planning area have clear implications for the administration’s real property initiative. Real property is one of the major types of capital assets that agencies require. Since asset management plans developed under the real property initiative are intended to guide agencies’ year-to-year real property management actions, capital plans could provide a useful longer term context for agencies’ real property decisions.

DHS faces a number of significant challenges related to its planned consolidation of Washington, D.C., headquarters operations on the West Campus of St. Elizabeths, which is a National Historic Landmark District. DHS believes that by consolidating most of its headquarters operations, greater efficiencies would result, mission integration would occur, and the security of its facilities could be better managed. The cost of the consolidation could be at least \$3.26 billion, according to GSA. GSA has conducted some analysis to justify developing the West Campus of St. Elizabeths to consolidate DHS’s headquarters. However, GSA and DHS lack a more comprehensive cost analysis that would improve transparency and in the context of all the other factors—such as programmatic and

security goals—would help decision makers, including Congress, better understand the cost trade-offs of developing a variety of densities and configurations at the site and assess the merits of the consolidation from the perspective of the federal government as a whole.

In the area of security for the buildings DHS itself occupies, DHS has implemented a number of management- and building-specific actions. However, DHS has not fully implemented risk management for facility protection across all of its components, has not developed a full set of performance measures, and has not developed a physical security plan as is required under HSPD-7. DHS has also lagged in developing a transformation strategy to address problems at FPS, which we recommended almost 3 years ago. With its critical role in protecting federal real property against the threat of terrorism and other criminal activity and given its expanding mission and funding and staffing shortfalls, FPS could benefit from a transformation strategy that effectively makes the case for what type of organization it believes it should become and provides a road map for getting there. We made this recommendation previously in July 2004. FPS has drafted, but not finalized, such a plan. Although the challenges DHS faces are similar to those other agencies have faced, it is critical that DHS lead by example in protecting its own facilities against the threat of terrorism.

Recommendations for Executive Action

We recommend that the Secretary of Homeland Security take the following two actions:

- In order to make the most of limited resources and to make timely and effective capital acquisitions that will result in a decrease of long-term real property costs, the Secretary should use the Office of Management and Budget's capital planning principles to link DHS's long-term capital needs with the asset management planning activities required under the President's real property initiative.
- In order to lead by example by formulating how the department itself is approaching the range of difficult challenges that agencies across government face in the facility protection arena, the Secretary should develop a physical security plan for DHS, as required by HSPD-7, that addresses DHS's plans to fully implement risk management and develop performance measures for facility protection.

We recommend that both the Secretary of Homeland Security and Administrator of the General Services Administration take the following action:

- In order to better support DHS's preferred course of action at St. Elizabeths, the Secretary and Administrator should jointly perform a comprehensive analysis of the costs, from the perspective of the federal government as a whole, that would result if DHS headquarters operations are consolidated at St. Elizabeths, and compare these costs to the costs of other alternatives at the St. Elizabeths campus.

Agency Comments and Our Evaluation

We provided a draft of this report to DHS, GSA, NCPH, the Advisory Council on Historic Preservation, the U.S. Commission of Fine Arts, and the D.C. Office of Planning. DHS concurred with our recommendations to link DHS's long-term capital needs with its asset management planning activities and to develop a physical security plan, but it only partially agreed with our recommendation to develop a comprehensive cost analysis, from the perspective of the government as a whole, for the St. Elizabeths site. DHS's comments are discussed below and are contained in appendix III, along with our specific comments on issues raised by DHS. DHS also provided technical clarifications, which we incorporated, where appropriate. GSA partially agreed with the findings related to the potential development of St. Elizabeths, but it did not concur with our recommendation that GSA and DHS perform a comprehensive analysis of the costs to consolidate DHS's headquarters at the St. Elizabeths site. GSA's comments are discussed below and are contained in appendix IV, along with our specific comments on issues raised by GSA. GSA also provided technical clarifications, which we incorporated, where appropriate. Comments received from NCPH, the Advisory Council on Historic Preservation, the U.S. Commission of Fine Arts, and the D.C. Office of Planning are contained in appendixes V through VIII, respectively, and are discussed below in more detail. NCPH, the Advisory Council on Historic Preservation, the D.C. Office of Planning, and the U.S. Commission of Fine Arts commented on the St. Elizabeths portion of the report. NCPH said that the document is an accurate reflection of NCPH's concerns and understanding of the project. NCPH also emphasized that all comments in the report are those of staff and not of NCPH itself. The D.C. Office of Planning generally agreed with the findings of the report and provided additional information, which we have incorporated in this report as appropriate. The U.S. Commission of Fine Arts did not comment on our recommendation related to DHS's consolidation and provided additional information, which we incorporated as appropriate. The

Advisory Council on Historic Preservation agreed with our recommendation that DHS and GSA jointly perform a comprehensive cost analysis for the variety of alternatives at the St. Elizabeths site and provided additional information, which we incorporated as appropriate.

Evaluation of DHS and GSA Comments

DHS concurred with our recommendations to link DHS's long-term capital needs with its asset management planning activities and to develop a physical security plan, but it only partially agreed with our recommendation to develop a comprehensive cost analysis for the St. Elizabeths site. According to GSA and DHS, GSA is actively engaged in determining the overall real property costs for DHS in the Washington, D.C., area. However, DHS stated that the recommendation ignores the fact that DHS cannot operate effectively, as currently housed, and believes that consolidation is a requirement, not a desire. DHS also stated that it will not renew a lease after it expires unless it consolidates functions, improves efficiencies, eliminates duplication and is economically feasible. DHS further stated that our draft report did not acknowledge that the "status quo" scenario is not acceptable. GSA did not concur with our recommendation regarding a comprehensive cost analysis. GSA stated that such an analysis would be misleading and ignores the fact that DHS's current housing configuration is unacceptable. GSA also stated that DHS would not renew leases in place, but that the department would seek to consolidate its headquarters functions through another vehicle.

We agree that DHS's current housing configuration is not optimal and did not suggest that the status quo should be maintained. Instead, our report intends to convey our belief, on the basis of work done for this review, that Congress needs better information on the costs associated with redeveloping St. Elizabeths—for a range of alternatives and from the perspective of the government as a whole—in order to fund and oversee a construction undertaking of this magnitude. Understanding the costs associated with the "status quo," which would involve renewing current leases and finding other housing solutions, would serve as an important baseline for comparison. Having a comprehensive analysis of the costs of various development scenarios at the St. Elizabeths site, including DHS's and GSA's preferred development of 4.5 million square feet of office space (plus parking) would improve transparency and help Congress better understand the costs and operational trade-offs of development at various densities and configurations at the site. We are concerned that DHS and GSA will only analyze the 4.5 million square foot options. We believe that the merits of other options could be evaluated, given the concerns expressed by key stakeholders regarding the DHS- and GSA-preferred

density level and the fact that funding availability for the project as a whole has not been determined by Congress.

If anything less than the DHS- and GSA-preferred alternative is unacceptable, as DHS and GSA have maintained, a comprehensive analysis could be the vehicle for making this case to Congress. In this regard, an assessment of DHS's current configuration would help Congress fully understand why the status quo, or lesser densities than DHS and GSA are pursuing, are unacceptable. The analysis could also help stakeholders understand the long-term costs to the federal government as a whole—whether incurred by DHS, GSA, or the Department of Health and Human Services, as well as the District of Columbia—and how these long-term costs would vary depending on the amount of square footage developed at the St. Elizabeths site.

It is also important to note that in the report, in the interest of being fair and balanced, we describe the arguments of DHS and GSA for consolidation, while also describing the concerns of stakeholders, so that Congress can understand the various viewpoints. We are also fully aware, as GSA stated in its comments, that GSA has conducted some analysis to justify developing the West Campus of St. Elizabeths to consolidate DHS's headquarters. We also agree that use of the St. Elizabeths site for DHS's headquarters would make use of previously underutilized federal property and that excess and underutilized property has been a GAO concern in previous reports. However, as discussed above, a more comprehensive cost analysis—in the context of all the other factors, such as programmatic and security goals—would help decision makers better understand the cost trade-offs of developing a variety of densities and configurations at the site.

After sending us its official comments, GSA revised its estimate of the cost to develop St. Elizabeths to \$3.26 billion with GSA incurring \$1.94 billion of costs and DHS incurring \$1.32 billion of costs. GSA also provided updated transportation improvement estimates to streets, roads, and highways in the vicinity of St. Elizabeths to support the federal redevelopment project. Updated total costs for transportation improvements range from \$27 million to \$40 million, of which DDOT's costs range between \$4 million and \$14 million, according to GSA. GSA has budgeted for the difference between total costs and what DDOT will pay, based on current GSA estimates. For the purposes of this report, we used GSA's most recent estimates. However, we believe that these changing cost estimates, and the confusion about them that we encountered, demonstrate the value of a comprehensive cost analysis that

would improve transparency and allow for more informed decision making.

We also examined the additional information that DHS and GSA provided to us after agency comments. We incorporated this new information as appropriate, but it did not change our recommendation that DHS and GSA should jointly conduct a more comprehensive cost analysis.

Evaluation of the D.C. Office of Planning Comments

The D.C. Office of Planning agreed with our recommendation calling for a comprehensive analysis of the cost to develop St. Elizabeths under various development scenarios for the St. Elizabeths. The Office of Planning also appreciated the thorough and thoughtful assessment of the numerous effects that arise from the potential consolidation of DHS operations on the West Campus of St. Elizabeths Hospital. It also provided additional comments. For example, the Office of Planning clarified that it supported federal development at the St. Elizabeths West Campus but is concerned with the magnitude of the project and its effects. The Office of Planning also expressed concern that GSA is not considering a development alternative of 2.0 to 2.5 million square feet of office space that aligns with the views of most of the stakeholders and consulting parties. The office is also concerned about how to control growth at the St. Elizabeths site once an agreed upon square footage is established. Lastly, the office said that eliminating the lowest density alternatives—and failing to explore all of the feasible alternatives—is contrary to both the expressed intention of the Master Plan document itself and to the letter and spirit of both the NEPA and the regulations implementing Section 106 of the National Historic Preservation Act. See appendix V for the full comments provided by the D.C. Office of Planning.

Evaluation of NCPC Comments

NCPC, in a letter from its Executive Director, said that our report is an accurate reflection of NCPC's concerns and understanding of the project. NCPC also noted that it has not yet had the opportunity to formally review and comment on the St. Elizabeths project. As a result, all comments are those of the staff and not of NCPC itself. See appendix VI for the full comments provided by NCPC.

Evaluation of the Advisory Council on Historic Preservation Comments

The Advisory Council on Historic Preservation (Council) agreed with our recommendation that DHS and GSA jointly perform a comprehensive cost analysis for a variety of alternatives at the St. Elizabeths site. The Council letter stated that insufficient information has been provided to demonstrate how much cost savings may be realized by DHS through the redevelopment of the St. Elizabeths campus in comparison to other alternatives. The Council letter also stated that many other consulting parties continue to express this concern in the context of the National Historic Preservation Act consultation process and that further justification and explanation would facilitate more effective consultation. The Council letter also stated that the report adequately documents the concerns of stakeholders and the challenges faced in addressing these concerns. Lastly, the Council letter stated that it would like to see further discussions on the importance of the National Historic Landmark District and the criteria that the National Park Service utilizes for determining the site's historic significance. See appendix VII for the full comments provided by the Advisory Council on Historic Preservation.

Evaluation of U. S. Commission of Fine Arts Comments

The U.S. Commission of Fine Arts (Commission) did not comment on our recommendations, but said that our report did not fully discuss the value of the St. Elizabeths property. The Commission acknowledged that we discussed the impact of the DHS consolidation on traffic, the cost of providing public services, and the economic revitalization of the community. However, the Commission said that we did not adequately discuss the site's historic and cultural value related to the history of the treatment of mental illness and as a hospital site during the Civil War, the architectural value of many buildings, or the ecological value of the site, including serving as a habitat for endangered species. We incorporated a discussion of these factors into our report. The Commission also stated that other values of St. Elizabeths include its value as potentially positive generator of urban development and its stunning views. We believe that we captured these points with our statement that some community leaders support locating federal development at St. Elizabeths as an economic driver and magnet for additional development and revitalization and our discussion of the scenic views of the District being available from the site. See appendix VIII for the full comments provided by the U.S. Commission of Fine Arts.

As agreed with your office, unless you publicly announce the contents of this report earlier, we plan no further distribution until 30 days from the report date. At that time, we will send copies to the Secretary of DHS, the Administrator of GSA, the Chairman and Executive Director of NCPC, the Chairman of the Advisory Council on Historic Preservation, the Secretary of the U.S. Commission of Fine Arts, and the Director of the D.C. Office of Planning. Additional copies will be sent to interested congressional committees and the Director of OMB. We will also make copies available to others upon request, and the report will be available at no charge on the GAO Web site at <http://www.gao.gov>.

If you have any questions about this report, please contact me at (202) 512-2834 or at goldsteinm@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made key contributions to this report are listed in appendix IX.

Sincerely yours,

A handwritten signature in black ink, appearing to read 'M. Goldstein', with a long horizontal flourish extending to the right.

Mark L. Goldstein
Director, Physical Infrastructure Issues

Appendix I: Scope and Methodology

To answer our first question, we obtained and analyzed Department of Homeland Security (DHS) and General Services Administration (GSA) real property data from DHS's Real Property Information System, DHS's centralized real property database and GSA's Federal Real Property Profile, its centralized real property database. We also interviewed (1) DHS real property officials from headquarters, (2) DHS officials responsible for DHS's Real Property Information System, (3) a contractor that is helping DHS develop its real property inventory, and (4) GSA officials responsible for GSA's Federal Real Property Profile. In addition to assessing the information we obtained about the data from these interviews, we conducted electronic testing of the data. These tests included logic tests, tests for duplicates, and checking frequencies and values for outliers. It was during this assessment and our interviews that we discovered deficiencies with some of the data elements. For example, some DHS components are using data proxies for some data elements—such as condition index, operating costs, and restrictions—until these components can develop more robust data measures. We do not present data on any of these data elements—which DHS acknowledges it is working to improve—in the body of the report. However, we determined that the DHS and GSA real property data (such as total number of buildings and structures) that we are presenting in the report were sufficiently reliable for the purposes of our review.

To answer question 2, we interviewed DHS real property officials from headquarters and DHS's various components about challenges and used Executive Order 13327, which implements the real property initiative of the President's Management Agenda, as the basis for measuring DHS's progress in real property management. For questions 1 and 2, we also interviewed Office of Management and Budget (OMB) staff because of OMB's oversight role in real property management. We reviewed and analyzed key pertinent documentation, including DHS's asset management plan, Federal Real Property Council guidance, OMB's assessment of DHS's progress, and OMB guidance.

To answer question 3, we reviewed and analyzed key documents, reviewed the relevant authorities, and interviewed DHS real property officials from headquarters and GSA officials responsible for assisting DHS with its headquarters consolidation efforts. This included reviewing planning documents, including GSA's location alternatives analysis to comply with the NEPA, GSA's 2005 land use feasibility analysis, DHS's 2006 housing master plan, and GSA's master planning documents, related to a proposed consolidation of DHS headquarters on the West Campus of St. Elizabeths Hospital in the District of Columbia. We also interviewed additional

stakeholders, including officials from the National Capital Planning Commission (NCPC), the Advisory Council on Historic Preservation, the U.S. Commission of Fine Arts, the Council on Environmental Quality, the State Historic Preservation Officer, and Ward 8 Coordinator from the D.C. Office of Planning.

To answer the fourth question, we interviewed DHS physical security headquarters officials and officials from DHS's various components. We also interviewed Federal Protective Service officials and GSA officials responsible for security at locations where GSA houses DHS. We analyzed Homeland Security Presidential Directive Number 7 and pertinent physical security documents and policies from DHS and GSA. We conducted our work between March 2006 and April 2007 in accordance with generally accepted government auditing standards.

Appendix II: FRPC Inventory Data Elements and Descriptions

Data element number	Data element name	Definition
1	Real property type	Identifies the asset as one of the following categories of real property: land; building; or structure.
2	Real property use	Indicates the asset's predominant use in one of the following categories: land; building; or structure.
3	Legal interest	Identifies a real property as being owned by the federal government, leased by the federal government (i.e., as lessee), or otherwise managed by the federal government.
4	Status	Reflects the predominant physical/operational status of the asset as active, inactive, or excess.
5	Historical status	Identifies owned and leased property as National Historic Landmark (NHL); National Register Listed (NRL); National Register Listed; National Register Eligible; Noncontributing element of NHL/NRL district; Not evaluated; Evaluated, Not Historic.
6	Reporting agency	Refers to the federal government agency/bureau reporting the property to the FRPC Inventory database.
7	Using organization	Refers to the predominant federal government agency/bureau (or other nonfederal government entity) occupying the property.
8	Size	<p>Refers to the size of the real property asset according to appropriate units of measure. The unit of measure used for the three real property types is as follows:</p> <ul style="list-style-type: none"> • For land, the unit of measure is acreage and the land is designated as either rural acres or urban acres. • For buildings, the unit of measure is area in square feet and designated as gross square feet (GSF). <p>For structures, a structure unit of measure table is provided that contains reporting guidelines for the unit of measure for specific types of structures.</p>
9 (PM)	Utilization	<p>Captures the rate of utilization for a building—that is, the percentage of space (square footage) used for agency purposes.</p> <p>Is reported</p> <ul style="list-style-type: none"> • on a scale from 0 to 100; • by building type—office, warehouse, hospital, laboratory, and housing—and • by category—overutilized, utilized, underutilized, or not utilized—depending on where the utilization rate falls within percentage ranges defined for each building type.
10	Value	Defined as the functional replacement value; the cost of replacing the existing constructed asset at today's standards. (value = unit x unit cost x overhead factor)

**Appendix II: FRPC Inventory Data Elements
and Descriptions**

Data element number	Data element name	Definition
11 (PM)	Condition index	<p>Provides a general measure of a building or structure's condition at a specific point in time.</p> <p>Is calculated</p> <ul style="list-style-type: none"> • annually, • as the ratio of repair needs to plant replacement value (PRV); (CI = (1 - \$repair needs/\$PRV) x 100. • "Repair needs" is the amount necessary to restore a building to a condition substantially equivalent to its original condition <ul style="list-style-type: none"> • Agencies and departments will initially use an existing process to determine their repair needs. • Agencies will later refine and standardize their definition of repair needs. • PRV is the cost of replacing an existing building so that it meets today's standards. • The higher the CI, the better the condition of the building. <p>Is reported</p> <ul style="list-style-type: none"> • for an entire agency or department, • on a scale from 0 to 100 percent. <p>Agencies and departments initially set target CI levels in consultation with OMB.</p>
12 (PM)	Mission dependency	<p>The value a building brings to an agency's performance of its mission as determined by the agency</p> <p>May be categorized as</p> <ul style="list-style-type: none"> • mission critical – without the building or land, the agency's mission is compromised; • mission dependent, not critical – falls between mission critical and not mission dependent; or • not mission dependent – without the building or land, the agency's mission is unaffected.
13 (PM)	Annual operating costs	<p>Includes costs for</p> <ul style="list-style-type: none"> • recurring maintenance and repairs; • utilities (plant operating and energy purchase costs); • cleaning or janitorial services (pest control, refuse collection and disposal, including recycling operations); and • roads/grounds (grounds maintenance, landscaping, and snow and ice removal from roads, piers and airfields). <p>Will be reported annually.</p>
14	Main location	<p>Refers to the street/delivery address for the asset or the latitude and longitude coordinates. Either of the following will be provided for the constructed asset or parcel of land: street address; or latitude and longitude (if no security concerns).</p>

**Appendix II: FRPC Inventory Data Elements
and Descriptions**

Data element number	Data element name	Definition
15	Real property unique identifier	A code that is unique to an item of real property that will allow for linkages to other information systems. The real property unique identifier is assigned by the reporting agency and can contain up to 24 alpha-numeric digits.
16	City	Provides the four-digit Geo Location Codes (GLC) for the city or town associated with the reported main location in which the land parcel, building, or structure is located.
17	State	Provides the two-digit GLC for the state associated with the reported main location in which the land parcel, building, or structure is located.
18	Country	Provides the three-digit GLC for the country associated with the reported main location in which the land parcel, building, or structure is located.
19	County	Provides the three-digit GLC for the county associated with the reported main location in which the land parcel, building, or structure is located.
20	Congressional district	Provides the value for the congressional district associated with the reported main location in which the land parcel, building, or structure is located.
21	ZIP code	Provides the five-digit ZIP code associated with the reported main location in which the land parcel, building, or structure is located and, if known, the additional four-digit zip code suffix.
22	Installation/Subinstallation identifier	<p>Headquarters installations – Land, buildings, other structures, and facilities, or any combination of these. Examples of installations are a national forest, national park, hydroelectric project, office building, warehouse building, border station, base, post, camp, or an unimproved site. Provide a 24-digit alpha-numeric code for the installation ID assigned by the reporting agency.</p> <p>Subinstallation – Part of an installation identified by a different GLC than that of the headquarters installation. An installation must be separated into subinstallations (and reported separately) when the installation is located in more than one state or county. However, an agency may elect to separate an installation into subinstallations even if the installation is not located in more than one state or county. Provide a six-digit alpha-numeric code for the subinstallation ID assigned by reporting agency.</p>
23	Restrictions	Refers to limitations on the use of real property. Provides one or more of the following values for each building, structure, and parcel of land: environmental restrictions (cleanup-based restrictions, etc.); natural resource restrictions (endangered species, sensitive habitats, floodplains, etc.); cultural resource restrictions (archeological, historic, Native American resources (except those excluded by EO 13007, section 304 of the National Historical Preservation Act), etc.); developmental (improvements) restrictions; reversionary clauses from deed; zoning restrictions; easements (including access for maintenance rights, etc.); rights-of-way; mineral interests; water rights; air rights; other; nonapplicable.

Source: GSA, Interim FY 2005 Guidance for Real Property Inventory Reporting as of October 11, 2005.

Note: PM = Performance measure.

Appendix III: Comments from the Department of Homeland Security

Note: GAO comments supplementing those in the report text appear at the end of this appendix.

U.S. Department of Homeland Security
Washington, DC 20528



**Homeland
Security**

June 12, 2007

Mr. Mark Goldstein
Director, Physical Infrastructure Issues
U.S. Government Accountability Office
441 G Street, NW
Washington, DC 20548

Dear Mr. Goldstein:

RE: Draft Report GAO-07-658, Federal Real Property: DHS Has Made Progress but Additional Actions Are Needed To Address Real Property Management and Security Challenges (GAO Job Code 543163)

The Department of Homeland Security (DHS) appreciates the opportunity to review and comment on the draft report referenced above. As noted in the draft report, DHS has made considerable progress in meeting real property management and security challenges. We agree with two recommendations and partially agree with the third one.

Recommendation 1: The Secretary use the Office of Management and Budget's (OMB's) capital planning principles to link DHS' long-term capital needs with the asset management planning activities required under the President's real property initiative.

The Department concurs with the recommendation. We agree that a capital investment plan guided by OMB's capital planning principles will reduce long-term real property costs and support the DHS mission. We are aware of this investment planning weakness within DHS and have taken proactive steps to address it using subject matter experts. The Department is in the process of reviewing proposals from capital investment experts who will be used to assist DHS officials in developing recommendations on how best to integrate a single agency (component) wide long-term capital investment planning process.

The report is fair and balanced in acknowledging Department efforts to meet the requirements of the President's Management Agenda and real property initiatives. DHS appreciates the Government Accountability Office's (GAO's) recognition of the Office of Management and Budget's approval of our Asset Management Plan and Three Year Timeline. GAO also recognizes and reports on the challenges facing DHS in managing a federal portfolio with limited resources. We will continue to work diligently at improving the management and effective use of our real property in support of the President's real property initiative.

Recommendation 2: The Secretary develop a physical security plan for DHS, as required by HSPD-7 [Critical Infrastructure Identification, Prioritization, and Protection], that addresses DHS' plans to fully implement risk management and develop performance measures for facility protection.

The Department concurs with this recommendation, and will continue its efforts to develop a physical security plan in accordance with the requirements of HSPD-7. Pursuant to HSPD-7, DHS developed a "Critical Infrastructure Protection Report for Fiscal Year 2004," which was provided to OMB. This information was subsequently incorporated into the National Infrastructure Protection Plan (NIPP) Government Facilities Sector (GFS) planning process. In May 2007, the GFS issued its Sector Specific Plan, which addresses the use of risk management and performance measurements for facility protection. DHS now recognizes that the Sector Specific Plan does not fully satisfy the HSPD-7 requirement. Accordingly, DHS will draw from the Sector Specific Plan to develop a physical security plan for the Department.

Recommendation 3: The Secretary and Administrator of the General Services Administration jointly perform a comprehensive analysis of the costs, from the perspective of the federal government as a whole, [which] would result if DHS headquarters operations are consolidated at St. Elizabeths, and compare these costs to the costs of other alternatives.

Many of the DHS following comments echo comments and explanations made at or shortly thereafter the exit conference that were not incorporated in the draft report.

DHS partially agrees with this recommendation. GSA is actively engaged in determining the overall real estate costs for DHS in the National Capital Region (NCR). They awarded a contract to a real estate firm, Jones, Lang, LaSalle (JLL), who is developing the actual and projected leasing costs for current locations housing components of DHS in the NCR. In the fall of 2007 JLL is scheduled to deliver three different scenarios that satisfy the requirement to consolidate DHS headquarters. The GAO draft report recommends an analysis of the St. Elizabeths costs and a comparison of these costs to the costs of other alternatives. Currently, DHS is located in over 85 buildings in 53 locations across the National Capital Region. The recommendation ignores the fact that DHS can not operate effectively as currently housed and a consolidation is a requirement, not a desire. The St. Elizabeths site was determined to be the only site available that can achieve the consolidation of mission execution functions on a secure campus in the time frame required. If the St. Elizabeths site is not workable, DHS will request GSA to find a site that is acceptable, either federally owned or leased. Furthermore, DHS will not renew a lease after it expires unless it consolidates functions, improves efficiencies, eliminates duplication and is economically feasible. Absent development at St. Elizabeths or another feasible location, DHS will consolidate headquarters functions over the long term as leases expire. This methodology will take many years and increase the time and costs of improving operations.

See comment 1.

The report also questions GSA's savings analysis. The occupancy plan for St. Elizabeths is based on the guiding principle that the campus must serve as the central hub for leadership, operations coordination, policy, and program management in support of the Department's strategic goals. The GAO draft report does not acknowledge that the "status quo" scenario is not acceptable. Should St. Elizabeths prove unworkable, DHS will ask GSA to lease facilities at current market rates that meet DHS's operational and physical security requirements at greater overall cost. To develop overall cost projections for the program, GSA uses The Automated Prospectus System (TAPS). The TAPS incorporates all major provisions mandated by OMB Circular Nos. A-104 and A-94 for the analysis of federally owned and federally leased real estate. In essence, TAPS provides a financial answer to the question of whether to buy or lease. GSA's TAPS analysis includes DHS' costs estimated at \$1.2 billion. Furthermore, these costs will not vary depending on the alternative chosen. Since GSA is responsible for the construction of the warm lit shell, GSA's costs could vary depending on the alternative and the circumstances surrounding the property development. The estimated tenant improvement costs are for the interior build out which will remain consistent regardless of the alternative selected.

The report also states that DHS targeted the St. Elizabeths West Campus which is not accurate. DHS provided GSA with its minimum requirements, location neutral, for consolidating its headquarters elements. GSA analyzed available properties in the NCR and determined that St. Elizabeths West Campus is the only site capable of achieving the core requirements for density and delivery time.

The section of the report titled Key Stakeholders Are Concerned about Historic Preservation, Environmental Issues, and Impact on the Local Community erroneously presents the staff level opinions as the official positions of the consulting parties (CP). The National Capital Planning Commission (NCPC), the U. S. Commission on Fine Arts (CFA), and the Advisory Council on Historic Preservation (ACHP) have not declared an official position on the project. The National Environmental Policy Act (NEPA) and Sections 106 and 110 of the National Historic Preservation Act (NHPA) provide for stakeholder/public involvement and provide a forum for the CPs to address their concerns. The Draft Environmental Impact Statement will be issued in the summer of 2007 and the CPs can use it to form an official position.

The CP staffs also advance the position that the St. Elizabeths campus should be open for public use. St. Elizabeths campus has never been open for unfettered public use. It has always been a closed campus with a security wall. The wall was to protect the patients' privacy from the public and the public from the patients. To provide balance and a more complete understanding of the issues surrounding public access, we are providing the following comments:

- DHS believes that public access to the St. Elizabeths West Campus is a complicated issue that must be viewed in the context of the historical nature of the campus as well as the Post 9-11 security environment. As the historic wall on the St. Elizabeths West Campus that runs along Martin Luther King Jr. Avenue

See comment 2.

indicates, the campus has a long tradition of security and separation of the campus operations from the local community. As the first federal mental institution in the country, St. Elizabeths West Campus housed patients that could not adequately function in the public domain. The historic wall served to protect both the public from the patients and the patients from the public, affording them the safety and privacy of receiving treatment out of the public eye and without ridicule. Contrary to some stakeholder and consulting parties' opinions, the campus never allowed open and unfettered access. Most public access was through guests of employees that worked on the campus or approved through special permission from the Superintendent on a case by case basis. Since 9-11, there has been no public access to the campus, due to the strategic location and the surveillance vantage points it offers over several critical federal facilities.

- Created in the aftermath of 9-11, the DHS mission is to lead a unified effort to secure America. To accomplish this mission, DHS requires an Interagency Security Committee Level 5 secure facility to lead and manage operations across the Department. The campus will include the national Operations Center collocated with the individual component operations centers to facilitate unified action in response to national disasters or terrorist attacks. While providing for our operational security, DHS is also committed to working with the local community to provide limited public access to portions of the campus consistent with threat levels. For example, there has been a desire expressed by the local community to view the 4th of July fireworks from the area on the campus known as "The Point". DHS believes this is a reasonable request to accommodate and will work cooperatively with the area neighborhood commissions and other local officials to establish a framework for public access to this secure campus during the year.
- GSA has also received letters of concern over routine or continual public access from the Presidential Helicopter Squadron (HMX-1) and the White House Military Office, which oversees both HMX-1 and the White House Communications Agency, which sit below and in plain view of the campus on Bolling AFB and the Anacostia Naval Annex. As a result, regardless whether DHS relocates to St. Elizabeths, routine or continual public access is not a viable option for the site.

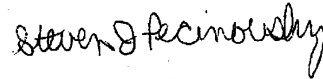
Other Concerns: Immigration and Customs Enforcement (ICE) officials provided extensive technical comments that we are separately submitting that relate to the narrative more than to the recommendations. In brief, ICE officials note that the Federal Protective Service (FPS) is transitioning to an inspector-based workforce that will increase the number of inspectors assigned to the protection of Federal facilities. Using a risk-based staffing model, the Inspectors are geographically sited with the highest risk facilities.

With respect to references involving training quality for FPS personnel conducting assessments and the reported need for additional training, FPS plans to revise the Physical Security Academy (PSA) curriculum in FY 2008 to support training on the use

of a new Risk Assessment and Management Program. In addition, FPS is partnering with the DHS Office of Security and Federal Law Enforcement Training Center in an effort to develop a standardized physical security training program for all Federal agencies, drawing in part upon the experiences of the FPS PSA.

Technical comments will be provided under separate cover.

Sincerely,



Steven J. Pecinovsky
Director
Departmental GAO/OIG Liaison Office

MMcP

The following are GAO's comments on the Department of Homeland Security letter dated June 12, 2007.

GAO Comments

1. DHS describes the value of GSA's Automated Prospectus System (TAPS) in its comments. While we agree that a TAPS analysis is a good tool to make decisions about leasing and new construction options, it does not allow a comprehensive analysis of the costs of various development scenarios at the St. Elizabeths site that would help decision makers better understand the costs of the trade-offs of developing a variety of densities and configurations at the site. In addition, DHS is incorrect in stating that GSA's TAPS analysis includes DHS's costs of \$1.32 billion. GSA acknowledged in its comments that DHS costs are not part of the TAPS analysis, but argues that the costs would not vary significantly, depending on the alternative selected at St. Elizabeths so the costs exclusion does not affect the validity of the analysis.
2. DHS stated that the staff of the consulting parties advance the position that the St. Elizabeths campus should be open for public use and that the St. Elizabeths campus has never been open for unfettered public use. We do not address the issue of public access in detail in our report, but in general, most stakeholders with whom we talked supported some type of limited public access to the site such as access to the Point for certain holidays and access by permit to the Civil War cemetery. Most stakeholders acknowledged that unlimited access was not a realistic option. We agree with DHS that in the post 9-11 security environment, access to the site is a complicated issue. As DHS states, we believe that working with the community to come to an agreement about limited public access to portions of the campus consistent with threat levels and providing July 4th access to view fireworks is a reasonable way to proceed.

Appendix IV: Comments from the General Services Administration

Note: GAO comments supplementing those in the report text appear at the end of this appendix.



GSA Administrator

June 6, 2007

The Honorable David M. Walker
Comptroller General of the United States
Government Accountability Office
Washington, DC 20548

Dear Mr. Walker:

The U.S. General Services Administration (GSA) appreciates the opportunity to review and comment on the draft report, "FEDERAL REAL PROPERTY: DHS Has Made Progress but Additional Actions Are Needed to Address Real Property Management and Security Concerns" (GAO-07-658). The Government Accountability Office recommends that the Secretary of Homeland Security and the Administrator of General Services "jointly perform a comprehensive analysis of the costs, from the perspective of the federal government as a whole, that would result if headquarters operations are consolidated at St. Elizabeths, and compare these costs to costs of other alternatives."

We partially agree with the findings and recommendations. Technical comments that update and clarify statements in the draft report are enclosed and incorporated herein by reference.

If you have any questions, please contact me. Staff inquiries may be directed to Mr. Kevin Messner, Associate Administrator, Office of Congressional and Intergovernmental Affairs, at (202) 501-0563.

Cordially,

A handwritten signature in black ink, appearing to read "Lurita Doan".

Lurita Doan
Administrator

Enclosure

cc: Mark Goldstein, Director, Physical Infrastructure

ENCLOSURE
GAO-07-658

**Governmental Accountability Office (GAO) Draft Report Federal Real Property:
Department of Homeland Security Has Made progress but Additional Actions Are Needed
to Address Real Property Management and Security Concerns**
GAO-07-658 – Date May 15, 2007
General Services Administration
Comments to the Findings and Recommendations

Recommendation to the Department of Homeland Security (DHS) and the General Services Administration (GSA): GAO recommends that the Secretary of Homeland Security and the Administrator of General Services “jointly perform a comprehensive analysis of the costs, from the perspective of the federal government as a whole, that would result if headquarters operations are consolidated at St. Elizabeths, and compare these costs to costs of other alternatives.”

GSA's Response: GSA does not concur with this recommendation. This analysis would be misleading. Including this analysis as a data point for alternative DHS housing solutions ignores the fact that DHS's current housing configuration is unacceptable and, in any event, DHS would not renew leases in place, but would seek to consolidate its headquarters functions via another vehicle. DHS is currently paying an average of \$30 per square foot (sf) for its leased locations totaling \$135,000,000 annually.

GSA has already initiated a number of actions to address issues identified in the draft report. For example, GSA has awarded a contract to verify the DHS headquarters occupancies in the National Capital Region and develop scenarios that identify the most cost effective approach to achieve DHS's final housing solution, recognizing DHS's collocation requirement. This study is scheduled for completion in the fall of 2007.

GSA's General Response to the Findings in the Draft Audit Report: Since January 2003, GAO has reported that Federal real property is a high-risk area because of long-standing problems with excess and underutilized property, deteriorating facilities, unreliable property data, and heavy reliance on costly leasing. GSA's analysis indicates that the redevelopment of the St. Elizabeths West Campus represents the most judicious use of taxpayer money and addresses GAO's concerns regarding the underutilization of Government assets.

We understand GAO's responsibility to provide a full project accounting to Congress, however, we are concerned that the report does not completely reflect the level of analysis performed to date by GSA.

GAO stated that GSA might have overstated the cost advantage of leasing versus Federal construction for St. Elizabeths development. GSA agrees that the parking rent was overstated in The Automated Prospectus System (TAPS) analysis. GSA contracted with real estate firms for two separate studies that determined GSA would have to pay \$62 to \$133 per rentable square foot to procure leased space in Washington, DC, that could meet the U.S. Department of Homeland Security's (DHS's) security requirements, such as 100-foot setbacks in downtown Washington, DC. Given the above rents, the present value cost advantage would be \$743 million, at a minimum. Be advised that GSA's analysis is conceptual, as our research indicates there is currently no development parcel in Washington, DC, that can meet DHS's needs.

ENCLOSURE
GAO-07-658

GAO further states that GSA and DHS could better make its case if an analysis could demonstrate that the cost of security at St. Elizabeths is more cost effective than providing similar security in downtown locations. GSA has analyzed the cost of providing security for the Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF) and compared that cost to the proposed cost at St. Elizabeths West Campus. GSA's analysis shows that the cost for security per government employee at ATF is more than double the cost of security per employee anticipated at St. Elizabeths. The cost for the ATF project is approximately \$36,000 per employee compared to approximately \$15,000 per employee at St. Elizabeths West Campus.

GSA Comments on the Audit Focus: The Engagement Notice (April 20, 2006) stated that the Engagement was to focus on the "plans DHS has to consolidate its headquarters in Washington, DC, to ensure that it is strategically managing the facilities where it is located." In the Objectives paragraph of the draft Statement, that purpose appears to have been revised to focus on the "challenges DHS faces in consolidating its headquarters in Washington, DC" and, as a result, much of the draft that GSA was provided to review focuses, not on DHS plans, but on the GSA's proposed redevelopment of St. Elizabeths and the various issues that we are working through. The scope of the engagement appears to have been expanded significantly.

Additional Information that GSA could provide to GAO that may be useful in compiling its final report:

- A copy of GSA's updated TAPS analysis and rationale.
- A benchmark analysis that indicates that the cost of providing security on a per employee basis is more than double the cost per employee at the St. Elizabeths West Campus.
- An MOU that transferred custody and control of the site from Health and Human Services (HHS) to GSA stating that HHS is responsible financially for the cost of site remediation.
- The initial estimate for the order of magnitude costs associated with off-site transportation improvements that would accrue to the project but would not necessarily be borne by GSA.

ENCLOSURE
GAO-07-658

Other GSA comments and corrections with page number references for GAO's consideration:

GSA's Comment: GAO should remove references to "4.5 million square feet" and "4.5 million gross square feet" in pages 5, 35, 44, and 46, as noted below, as these references should not be used without the qualifier "plus parking" or "excluding parking."

- **Page 5, second paragraph:** "GSA and DHS estimate that overall consolidation would cost at least \$3.2 billion if 4.5 million square feet of space is developed at the St. Elizabeths West Campus. Using an analysis prepared by GSA, DHS has also testified that a consolidation alternative of 4.5 million gross square feet would save an estimated \$1 billion over 30 years in current dollars over an alternative involving renewing leases...."
- **Page 35, first paragraph:** "The West Campus of St. Elizabeths is DHS's preferred site for consolidation because, according to DHS, it can accommodate the 4.5 million square feet of office space DHS maintains it needs and is available immediately, two key requirements...."
- **Page 35, second paragraph:** "GSA and DHS estimate that the total cost of a DHS consolidation at St. Elizabeths that involves 4.5 million square feet of office space will be at least \$3.2 billion, based on alternatives currently under the study...."
- **Page 44, first paragraph:** "...NCPC and other stakeholders are concerned that developing 4.5 million square feet of space for DHS at St. Elizabeths will not protect the site's status as a National Historic Landmark...."
- **Pages 46, paragraph continued from page 45:** "...GSA, it will be able to preserve the site's historic and natural character while developing 4.5 million gross square feet of office space...."

Page 5, second paragraph, 4th sentence: GAO states, "...GSA may have overstated the estimated savings because it assumes that the rental rate for 1.5 million square feet of parking is the same as the rental rate for office space – typically the rate for parking is considerably less...."

GSA's Response. GSA agrees and has updated the TAPS analysis.

Page 31, first paragraph: Correction -- First appearance of the word "stakeholders" should be "stakeholders'" (with apostrophe).

Page 32, first paragraph: Correction - Insert the word "and" between the words "setbacks" and "would."

Page 32 footnote: GAO states, "The Conference Report further stated that DHS was prohibited from relocating Coast Guard headquarters or any other DHS component until DHS completed the plan and GSA submitted a prospectus for congressional review and approval."

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GSA's Response: Footnote needs clarification. Is this referring to a Conference Report that eventually became the Coast Guard's appropriation law that contained Section 212 or something else? If it is the appropriation law, GAO should reference that and not the Conference Report leading up to it.

Page 33, last paragraph, 3rd sentence: GAO states, "This designation recognizes the exceptional national significance of the property and is the same designation given to the White House and the Capitol."

GSA's Response: What is the purpose of the statement "...and is the same designation given to the White House and Capitol?"

Page 35, first paragraph, 5th sentence: GAO states, "No single site in the Washington metropolitan area can accommodate DHS's entire portfolio of about 7 million square feet."

GSA's Response: The statement should read, "No single site under the Federal government's custody and control can accommodate DHS's need of 7 million square feet."

Page 35, footnote 21, 2nd sentence: Correction – "... This acreage is necessary to develop an entrance/exit point to the West Campus to reduce the increased traffic generated by the new federal campus" should be revised to read, "This acreage is necessary to develop entrance/exit points to the West Campus to reduce the increased traffic generated by the new federal campus" (plural, not singular).

Page 36, 5th and 6th sentences: GAO states, "GSA's estimate does not include additional transportation infrastructure improvements to be funded by GSA that would be needed to provide access to and from the campus and does not include all the mitigations, such as landscaping, that may be required to meet the concerns of stakeholders. In addition, access to the campus is dependent on transportation projects estimated to cost over \$1 billion to be borne by the DC government."

GSA's Response: GSA's estimate includes the cost of transportation improvements that would be funded by GSA. The current estimate for transportation improvements that may have to be funded by GSA pending selection of the final transportation alternative is approximately \$21 million. The estimate does not include off-site transportation improvements at the Malcolm X Interchange that would be funded by the District Department of Transportation (DDOT), but that are driven by St. Elizabeths development. The preliminary estimate for these improvements is approximately \$33 million.

Page 37, Table 3: Reference GAO's Chart at the top of Page 37.

GSA's Response: GAO is double counting project infrastructure costs. The current project development estimate, when rounded, is approximately \$3 billion.

	Costs
GSA Total (Estimation)	\$1,800,000,000
DHS Costs	1,200,000,000
Total	\$3,000,000,000

See comment 1.

See comment 2.

ENCLOSURE
GAO-07-658

NOTE: GSA's estimate of additional transportation costs because of St. Elizabeths project at the Malcolm X Interchange is approximately \$33 million. These costs would be borne by DDOT and are not included in the project budget. GSA has also identified the presence of dioxin on-site. The cost of remediation is unknown and would be borne by the Department of Health and Human Services as required by a Memorandum of Agreement signed when the site was transferred to GSA in December 2004.

Page 37, last paragraph continued to page 38: GAO states, "... While GSA's cost analysis is useful in determining whether construction or leasing is more cost-effective, a more comprehensive analysis that includes additional factors is necessary to determine the cost of the St. Elizabeths development to the government as a whole. For example, a more comprehensive analysis could take into account..." (See GAO's continuation of its statement in the table below and GSA's response in the right column):

See comment 3.

GAO'S PROPOSED COMPREHENSIVE ANALYSIS	GSA'S RESPONSE
(1) DHS's actual and projected leasing costs for locations where it is currently housed....	<p>This analysis would be misleading. Including this analysis as a data point for alternative DHS housing solutions ignores the fact that DHS's current housing configuration is unacceptable and, in any event, DHS would not renew leases in place, but would seek to consolidate its headquarters functions via another vehicle. DHS is currently paying an average of \$30 per sf for its leased locations totaling \$135,000,000 annually.</p> <p>Be advised that GSA has already initiated a number of actions to address issues identified in the draft report. For example, GSA has awarded a contract to verify the DHS headquarters occupancies in the National Capital Region and to develop scenarios that identify the most cost effective approach to achieve DHS's final housing solution, recognizing DHS's collocation requirement. This study is scheduled for completion in the fall of 2007.</p>
(2) DHS costs, including costs such as tenant building improvements, which stand at \$1.2 billion, and how they would vary depending on the alternative ultimately selected, to develop the site....	GSA does not believe that DHS's tenant-specific costs would vary significantly from location to location. The TAPS analysis does not include these costs, as the Government would incur the costs in any housing alternative that met DHS's programmatic needs.

See comment 4.

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See comment 5.

GAO'S PROPOSED COMPREHENSIVE ANALYSIS	GSA'S RESPONSE
(3) a range of leasing and construction alternatives and their associated costs for the St. Elizabeths site....	GAO needs to clarify this recommendation. The only development option for St. Elizabeths West Campus currently under consideration is Federal construction. DHS has a collocation requirement of 4.5M gsf, plus parking. GSA requests that GAO clarify this suggestion to state more specifically that GSA should analyze those options that meet DHS's collocation need at St. Elizabeths.

See comment 6.

Page 38, 1st paragraph (continued from page 37), 2nd full sentence: GAO states, "...Actual and projected leasing costs for the locations where DHS is currently housed would provide a more accurate estimate of costs if a consolidation at St. Elizabeths does not occur...."

GSA's Response: GSA disagrees. If consolidation at St. Elizabeths West Campus did not occur, GSA would initiate lease actions that would seek to reconfigure DHS in a scenario that met its operational needs. The current configuration does not meet DHS's needs; therefore, a stay-in-place scenario is not feasible. GSA would initiate competitive actions that would result in leases that would reflect market prices. GSA believes the TAPS analysis is the best approximation of this scenario.

Page 41, 3rd bullet: GAO states, "According to GSA, GSA, DHS, and OMB need to re-baseline the project funding schedule as a result of lack of funding."

GSA's Response: This does not address fully the lack of FY 2007 funding. It implies that GSA can do all of the U.S. Coast Guard requirements for \$346 million when, in fact, GSA cannot.

Page 42, 1st full bullet: GAO states, "The balance of project funding for phase 2 (\$475 million) was to be requested in a future fiscal year. The goal of phase 2 is to provide 2.0 million square feet...."

GSA's Response: These facts are from the FY 2008 prospectus submitted to Congress; thus, the phase 2 number should be \$491 million (\$475 million for ECC plus \$16 million for M&I). In addition, the goal of phase 2 is to provide 1.6 million square feet.

Page 42, 2nd full bullet: GAO states, "Phase 3 would add another 1.2 million square feet of space to accommodate...."

GSA's Response: Phase 3 would add another 1.6 million square feet of space; not 1.2 million square feet. This was taken directly from the prospectus.

See comment 7.

Page 44, 6th sentence: GAO states, "Stakeholders generally maintain that the site can hold about 2.0 million to 2.5 million square feet of development (excluding parking) without compromising the site's status as a National Historic Landmark."

GSA's Response: GAO is understating the level of development preferred by the preservation community. GSA's understanding is that the 2.0–2.5 million square feet of development represents stakeholders' desired development of the "built environment." *Built environment* is above grade development and *includes* parking.

Appendix IV: Comments from the General Services Administration

ENCLOSURE
GAO-07-658

GAO's concerns in this section of its draft report are to be addressed, discussed, and aired in the on-going statutory National Environmental Policy Act (NEPA) and National Historic Preservation Act (NHPA) decision-making processes.

GSA is required, as part of the Environmental Impact Statement (EIS), to assess the impacts of the development alternatives on the site and surrounding area. The EIS will include analysis of natural and cultural resources, socioeconomic impacts, utilities, traffic and transportation, air, and noise. This analysis will help GSA decision makers to make a reasoned decision when selecting an alternative for the development of the site.

GSA is the agency that is statutorily responsible for providing housing of this nature. GSA is unaware of any Federal demand for the campus and its buildings at the density that certain groups prefer and believes that it is unlikely that the Federal government could be persuaded to pay so much for a development that would house so few people.

Further, GSA has made no formal submissions to the National Capital Planning Commission (NCPC), Commission on Fine Arts (CFA), and the Advisory Council on Historic Preservation (ACHP) for their review and/or approval under the specific statutory authorities applicable to those agencies. The proposed statements in the draft report are attributable to staff—not the agencies themselves. Absent formal action by the agencies, the staffs have no authority to represent their agencies' official position. The agencies' official positions are rendered following the processes set forth in their enabling authorities that require them to *consider* the submissions. Any report issued by GAO must make this distinction; otherwise, it appears that the agencies have unreasonably prejudged the submissions.

The draft report provided to GSA places an unwarranted emphasis on the difficulties inherent in any redevelopment effort of this size and complexity and inappropriately usurps the statutory review and decision-making processes GSA currently is pursuing in accordance with the National Environmental Policy Act (NEPA) and Section 106 of the NHPA. The various staff GAO has relied on to provide comments in connection with its draft report (NCPC, ACHP, and CFA, among others) represent either consulting parties or cooperating agencies that GSA has attempted to fully engage as GSA works through the complexities of this project. Neither of these processes has been completed; for example, GSA has not yet issued its draft preliminary EIS. GSA is aware of the position of the staffs of these groups, but GAO's extensive airing of the criticism (and the manner in which it is conveyed in the draft report) from the various staffs, at this stage, is inappropriate.

Page 44, 1st paragraph, last sentence: Correction – "Section 110 of the Act" should be revised to read "the National Historic Preservation Act."

Pages 45 and 46: In addition, some stakeholders assert that GSA has not adequately considered other DHS alternatives. GAO states that GSA could explore financing the acquisition of an alternative site by disposing of the St. Elizabeths campus for preservation-sensitive development. The draft implies that might be possible to find some less-intense alternative use of the site and ensure its historic restoration (see e.g., last paragraph on page 45/first paragraph on page 46.)

See comment 8.

See comment 9.

ENCLOSURE
GAO-07-658

See comment 10.

GSA's Response: The implication is that it might be possible to find some less-intense alternative use of the site and ensure its historic restoration. In terms of GSA's demand to provide cost effective housing for Federal agencies, the condition of the buildings (their interior configuration not easily lending themselves to office use), and the cost of the infrastructure necessary renders this implication unsupportable.

Page 47, 1st paragraph, 1st sentence: GAO states, "Once the draft Master Plan is completed, NCPC will assess GSA's compliance with NEPA and NHPA requirements in determining whether to approve GSA's master plan for the St. Elizabeths West Campus...."

GSA's Response: GSA is unaware of NCPC possessing statutory authority to assess GSA's compliance with NEPA and NHPA requirements.

Page 62: GAO states, "In order to better support DHS's preferred course of action at St. Elizabeths, the Secretary and Administrator should jointly perform a comprehensive analysis of the costs, from the perspective of the federal government as a whole, that would result if DHS headquarters operations are consolidated at St. Elizabeths (sic), and compare those costs to the costs of other alternatives."

GSA's Response: See GSA's response to Page 38's comment (above).

See comment 11.

General Comment, Page 45, last paragraph (continued on page 46): GAO implies that it might be possible to find some less-intense alternative use of the site and ensure its historic restoration. This implication, in terms of GSA's demand to provide cost effective housing for Federal agencies, the condition of the buildings (their interior configuration not easily lending themselves to office use), and the cost of the infrastructure necessary renders this implication unsupportable.

See comment 12.

General Comment: The Engagement Notice (April 20, 2006) stated that the Engagement was to focus on the "plans DHS has to consolidate its headquarters in Washington, DC to ensure that it is strategically managing the facilities where it is located." In the Objectives paragraph of the Draft Statement, that purpose appears to have been revised to focus on the "challenges DHS faces in consolidating its headquarters in Washington, DC" and, as a result, much of the draft that GSA was provided to review focuses not on DHS plans, but on the GSA's proposed redevelopment of St. Elizabeths and the various issues that we are working through. The scope of the Engagement appears to have been expanded significantly.

The following are GAO's comments on the General Services Administration letter dated June 6, 2007.

GAO Comments

1. We have updated the report to include the updated transportation costs to be borne by GSA and the District Department of Transportation that were provided to us after receiving agency comments. These transportation cost estimates supersede those provided in the agency comments.
2. We disagree with GSA's statement that we double counted project infrastructure costs. The \$2 billion estimate for GSA's portion of St. Elizabeths development costs, which was included in the draft report we sent to GSA, was based on estimates discussed at interviews conducted with GSA on November 29, 2006, as well as follow-up telephone conversations with GSA in February and March 2007. Also, in a February 8, 2007, letter from GSA, we were provided documentation that listed development costs for St. Elizabeths at about \$2 billion. After sending us official agency comments, GSA revised its estimate of the cost to develop St. Elizabeths to \$3.26 billion with GSA incurring \$1.94 billion of costs and DHS incurring \$1.32 billion of costs. Since GSA's current estimate stands at \$3.26 billion, we will use this estimate in our report; but we believe that these changing cost estimates—and the confusion about them—demonstrate that a comprehensive cost analysis would, in our view, improve transparency and allow for more informed decision making.
3. We disagree that including DHS's actual costs for its current locations as a baseline would be misleading. We agree that DHS's current housing configuration is not optimal and that DHS may pursue other alternatives other than renewing current leases. However, it would be useful for congressional decision makers to have an analysis of what DHS is currently paying and will pay in leases over a 30-year period as a baseline and compare the 30 year cost under that scenario with the 30-year cost of ownership under other configurations and square footages at the St. Elizabeths site (2.5, 3.0, and 4.5 million square feet).
4. We are not saying that DHS tenant-specific costs would vary significantly if DHS moved to a different location than St. Elizabeths. We are suggesting that a comprehensive cost analysis of how DHS costs would vary, depending on the configuration and square footage developed at the St. Elizabeths site and would be useful to decision makers. For example, if 3 million square feet of office space were developed at St. Elizabeths, DHS's costs, such as build-out costs, moving costs, and remaining leasing costs, would be a certain amount.

However, if 4.5 million square feet of office space were developed at St. Elizabeths, these DHS costs would certainly vary to some degree. An understanding of the degree to which these costs might vary, depending on the alternative selected, would promote informed decision making.

5. As discussed earlier, we believe that a comprehensive analysis of the costs of various development scenarios at the St. Elizabeths site ranging from zero development (for use as baseline) to DHS's and GSA's preferred development of 4.5 million square feet of office space (plus parking), or higher, would help decision makers at GSA, DHS, and Congress better understand the cost trade-offs of developing a variety of densities and configurations at the site. A comprehensive cost analysis would also help stakeholders understand the long-term costs to the federal government, whether incurred by DHS, GSA, or the Department of Health and Human Services, as well as the District of Columbia government and how these long-term costs would vary, depending on the amount of square footage developed at the St. Elizabeths site. We would not limit the analysis to those solutions that fully meet DHS's colocation need, since alternatives that partially meet DHS's colocation needs could be explored if only to understand the trade-offs of developing a variety of densities and configurations at the site.
6. We agree that a stay-in-place scenario is not a good alternative for DHS. However, we believe that an understanding of current and projected leasing costs would provide a useful baseline of comparison against other alternatives for decision makers. GSA's economic analysis does this to some degree, but in our view it does not explore a complete range of alternatives for the St. Elizabeths site.
7. We disagree. Based on the interviews conducted and letters provided by NCPC, the D.C. Office of Planning, Advisory Council on Historic Preservation, and National Trust for Historic Preservation, we believe that stakeholders generally maintain that 2.0 to 2.5 million square feet of office space can fit on the site, plus parking, without compromising the site's historic character. Only the U.S. Commission of Fine Arts expressed a preference for a lower amount of office development on the site.
8. We agree that stakeholder statements in our report do not reflect agencies' official positions, but we believe they accurately reflect the concerns or views of key stakeholders that are senior officials in these organizations. We have added a statement in our report that states views expressed are generally the views of key staff, not official

positions of the organizations themselves who will officially provide comment as consulting parties once GSA submits its draft Master Plan in July 2007. We also attribute some statements to an individual within a particular agency or cite the letter from which any statements came. For example, NCPD expressed its views of the potential consolidation of DHS at the St. Elizabeths campus through letters signed by its Executive Director on January 19, 2006, and September 21, 2006. An analysis and description of the debate around the development of St. Elizabeths would not be complete without this context of stakeholder concerns. In our view, it would not be appropriate to wait until after the Record of Decision regarding the St. Elizabeths site became final to inform Congress of stakeholder concerns since congressional debate about, and discussion of, funding for the project is already under way.

9. We do not believe that describing the concerns of stakeholders is inappropriate, even though GSA has not issued its draft environmental impact statement. As discussed above, an analysis and description of the debate around the development of St. Elizabeths would not be complete without this context of stakeholder concerns. In our view, it would not be appropriate to wait until after GSA's Record of Decision regarding the St. Elizabeths site became final to inform Congress of stakeholder concerns as this is an ongoing and deliberative process. We acknowledge that GSA has attempted to fully engage stakeholders as it works through the complexities of the project.
10. We agree that the St. Elizabeths site's infrastructure costs, building conditions, and historic preservation demands make providing cost-effective housing for federal agencies a challenge. That is precisely why a comprehensive cost analysis of the total costs to the federal government as a whole, at varying square footages, at the St. Elizabeths site would be beneficial. We believe that such an analysis would lead to more informed decision making.
11. See comment 10.
12. GSA correctly notes that our audit focus has changed from evaluating DHS's plans to consolidate its headquarters in Washington, D.C. to a focus on the challenges that DHS and GSA face in consolidating DHS's headquarters in Washington, D.C. Given the large role that GSA plays in efforts to consolidate DHS's headquarters at the West Campus of St. Elizabeths, we determined during our engagement that a focus on the challenges that both DHS and GSA face was warranted. During the course of the engagement, most of the discussions with GSA focused on the challenges it faces as it assists DHS in its need to consolidate.

Appendix V: Comments from the District of Columbia Office of Planning

GOVERNMENT OF THE DISTRICT OF COLUMBIA
OFFICE OF PLANNING

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Office of the Director

June 12, 2007

David Sausville, Assistant Director
Physical Infrastructure Issues
Government Accountability Office
441 G St., NW
Washington, DC 20548

Re: Comments on draft report "DHS Has Made Progress But Additional Actions Are Needed To Address Real Property Management And Security Challenges" (GAO-07-658)

Mr. Sausville:

Thank you for providing a draft copy of your report regarding the Department of Homeland Security's progress in addressing the numerous real property management, development and security challenges of consolidating and relocating its operations to the West Campus of St. Elizabeths and the impact on the District of Columbia. The analysis and subsequent recommendations arising from this report offer compelling reasons for DHS to reconsider their approach to the St. Elizabeths campus, in the context of how major capital planning and investment decisions are made. More specifically we appreciate the thorough and thoughtful assessment of the numerous impacts that arise from the potential consolidation of DHS operations on the West Campus of St. Elizabeths Hospital, located in Ward 8 in Southeast Washington. This letter incorporates and clarifies comments that you may have received under separate cover from Tim Dennee of my Historic Preservation Office staff.

I would like to briefly comment on your findings as they relate to the potential development on the West Campus of St. Elizabeths Hospital and the overall federal impact of the DHS consolidation in terms of capital planning and investment.

Support for federal development at St. Elizabeths West Campus

The District Government has always been supportive of some sort of federal campus being created on the West Campus of St. Elizabeths. Aware that busy members of Congress may often have the time to only review summaries of such documents, we would be grateful if the top paragraph on page 6 could say, in addition to "DHS and GSA face objections from several key stakeholders that are concerned about whether the project would comply with historic preservation and environmental laws," that those stakeholders "have supported considerable redevelopment on the property and continued federal use"—that the problem is with the magnitude of the project and its effects. The document does address this issue later in the text, but we would naturally be concerned about any inadvertent creation of the appearance of an either/or situation—preservation or DHS use—and we are loath to have any readers, particularly decision-makers in Congress, come away with a sense that our position or that of the stakeholders involved in the Section 106 consultations has been one of intransigence or unreasonableness about accepting substantial new construction on this National Historic Landmark campus.

Beyond supporting redevelopment and federal use, we believe certain broad development principles should serve as guidance for how to develop the West Campus:

- Use the entire campus as context
- Preserve public access to the grounds and bluffs
- Work in conjunction with local development objectives
- Sensitively integrate with the remainder of the campus and surrounding neighborhood

Appendix V: Comments from the District of
Columbia Office of Planning

2

The aforementioned principles could be implemented through specific actions by the General Services Administration and its clients including the following:

- *Create a seamless, integrated multi-use development zone that serves as a transition to the high security campus while revitalizing Martin Luther King, Jr. Avenue SE with parallel development on both sides.*
- *Preserve and maintain an accessible open space system that will allow the public to continue enjoying the view from "the Point" as well as protecting important green spaces and vistas.*
- *Improve transit and transportation connections to support any new major federal employment center and increase the number of mobility options for employees, visitors and the community.*
- *Aid local economic development through identification of potential "spin-off" development (e.g., government contractors looking for nearby office space) that could enhance the commercial opportunities along Martin Luther King, Jr. Avenue SE.*
- *Strategically program retail operations (e.g., laundry, dining) by exploring the placement of these kinds of operations along Martin Luther King, Jr. Avenue to aid in its revitalization, while working with District Government to attract compatible retail that can serve the surrounding neighborhood and the federal employment center.*

Development Density

As mentioned in the draft, our office and most of the stakeholders and consulting parties have suggested that development in the range of 2.0 to 2.5 million square feet might be appropriate as a maximum for the site (with some demolition of both historic and non-contributing buildings) carefully considering the space available and physical and visual impacts on buildings, landscapes and views. We have repeatedly requested GSA and DHS to study an alternative or alternatives of that magnitude—in other words, alternatives corresponding to a Congressionally-mandated development plan including the U.S. Coast Guard and at least 2,000 other federal employees. These requests have thus far been rebuffed despite the elimination of the previous "low-density" alternatives.

In December, in response to several verbal and written requests for planning documents or studies that might support the DHS-preferred density alternatives for the campus, GSA forwarded two documents. One of these was an August 2002 document "St. Elizabeths Hospital—West Campus Federal Needs Screening" prepared by the Public Buildings Service and AEW Capital Management. It concluded that a *maximum build-out* in an office-only scenario:

Would be very hard to achieve, but is included to illustrate the end range of possibility. The campus would offer 2.32 million rsf, with 1.75 million rsf in new space. At 200 rsf per federal employee, the campus could house 11,600 workers. Many of the identified agencies could relocate to the West Campus. (p. 34)

In addition to the fact that this "hard to achieve" amount of office space is **only 56 percent of that now proposed**, it is important to note that the scenarios in this AEW report also assumed underground parking beneath the proposed office buildings (see, for instance, development potential diagrams on pp. 25, 28 and 30). This distinguishes these scenarios from the present ones for DHS because the present scenarios separate the parking from the office uses resulting in less efficient utilization of the land available and substantial additional parking structures, both above ground and below, that add considerably to the development bulk and the consequent physical and visual effects on the campus, its buildings, landscapes and views.

The second document received in December was an August 2005 report "St. Elizabeths West Campus Land Use Feasibility Analysis" prepared by GSA and Jones Lang LaSalle, a multinational real estate construction, management and consulting firm. This report evaluated the 4.5-million- gross-square-foot (or 4.14 million rentable square feet) scenario as follows:

Demolishes 16 historic buildings, affects 15 protected landscape features, and affects six protected views. Impact on Center Building area, impact on views of site from Monumental Core of Washington, proximity to Civil War cemetery, and impact on protected views from Center Building to Alexandria. Impact on historic context of Center Building, views from the historic main gate. May affect visibility of the perimeter wall and views from the east campus. Impacts the historic spatial organization and the curvilinear network of roadway circulation, specimen trees and small-scale landscape elements. Almost entirely erases therapeutic agricultural landscape on both sides of historic road to river landing. *Agency approvals are unlikely without major development downsizing.* Will likely cause a serious delay in schedule. (p. 51)

Because the adverse impacts would be less extensive, the report concluded that agency approvals or agreements of some revision of the three-million-rentable-square-foot scenario “may be possible with extended consultation and significant development downsizing.”

The AEW study and the Jones Lang LaSalle study thus agree that the appropriate maximum intensity of reuse and redevelopment would be something well below three million square feet and that such a level is economically feasible. This level also coincides with the Congressionally-mandated development plan addressing at least 2,000 employees in addition to those of the Coast Guard. At the square-foot-per-employee ratio used by the AEW study, the Coast Guard’s space preference plus room for another 2,000 employees would amount to about 1.5 million rentable square feet. Simply extrapolating from the larger Coast Guard space-per-employee ratio, it would be approximately 1.65 million—in each case, probably not much more than two million gross square feet, considering that most will be in new construction with higher efficiencies. This would mean that there could be additional room for additional employees. These findings are of great interest to us, both because they so neatly coincide with the judgments of the many stakeholders involved in the ongoing consultations and because GSA sponsored the studies and DHS has been privy to them for a long period of time. Both agencies should have responded appropriately.

The concurrence of three independent analyses of the site is more than mere coincidence. We believe that any sensitive and conscientious balancing of the agency needs with the reinvestment needs and preservation protections of the site would result in roughly the same numbers. We are aware of no party, except DHS, that disagrees with the proposition that a development of the magnitude of 2.0 to 2.5 million square feet would be an appropriate maximum solution to redeveloping the site. DHS’s assertion that “all the full build (4.5 GSF) master plan alternatives can preserve and protect the important tangible, as well as intangible, historic characteristics of the campus while ensuring operational effectiveness” is simply unsupported in its “housing master plan” and contrary to everyone else’s understanding of the site.

We applaud GAO’s questioning of the comparison of costs between the redevelopment of the West Campus and a “no move” option, including the dependency of the development on highway and other infrastructure investments and approvals by outside agencies. GSA analysis also undoubtedly underestimates costs of historic preservation mitigation, which could be enormous given the number and scope of adverse effects proposed. An even more fundamental questioning of assumptions may be in order, including whether all functions—including “border security, biological research, computer security and disaster mitigation”—truly need to be located on the same historic property.

Given the fragile nature of the national historic landmark site and the impact of both the development intensity proposed and the incredibly high level of risk to those resources that is associated with consolidating the intelligence and security operations of DHS, we are reminded of the decision of the Turks to store gunpowder and munitions in the Parthenon, which was destroyed in 1687 when those munitions were blown up by attackers.

An important consideration commonly overlooked in discussions thus far is the tendency of government agencies to grow. The idea that DHS would, and should be permitted to, develop this National Historic Landmark to a certain maximum extent implies that no further growth would occur. We have no such assurances, nor do we believe that a no-growth future is a reasonable assumption. Thus, it makes even more sense for DHS to consider sites that more comfortably accommodate its uses, with no more than 2.0-2.5 million GSF at historic Saint Elizabeths.

Finally, and perhaps most important, in the ongoing Section 106 consultations, Department of Homeland Security representatives have stated that DHS is not seriously considering any of the “master plan” alternatives that consist of less than 4.5 million gross square feet of office space. Page 45 of your draft states that only the lowest-density alternatives have been excluded because of the Congressional mandate to house an additional agency or agencies with the Coast Guard. Unfortunately, this does not represent the present DHS position. To have eliminated additional alternatives—and having failed to have explored all of the feasible alternatives—is contrary to both the express intention of the master plan document itself and to the letter and spirit of both the National Environmental Policy Act and the regulations implementing Section 106 of the National Historic Preservation Act.

Cost savings benefit

We agree that DHS and GSA should analyze its actual and projected leasing costs from a broader federal perspective on leasing costs rather than the insular approach based on consolidating its operations at St. Elizabeths. We also agree that reliable data should be produced that show any savings created as a result of reducing costs for security measures such as the hardening of leased locations here in the Washington Metropolitan Area.

We are very interested in seeing the results of the vacant space report commissioned by DHS. According to your draft report, over 10 percent of the facilities in the real estate portfolio of DHS are underutilized. We hope that GAO would inquire about the completion of this report and its impact on any consideration as to the agency’s space needs at St. Elizabeths.

Federal Capital Planning and Investment

We recognize how agencies must do a better job of developing goals and strategies that shape better decisions about how to invest capital improvement funds. There must be long-term planning for how to utilize and if necessary, dispose of capital assets. As the draft report stated, many agencies do not use the Office of Management and Budget’s guide regarding capital planning. A greater effort should be initiated that encourages federal agencies to actively use the guide – especially here in the District. More forward thinking is required in order to properly assess the space needs of not only DHS but other federal agencies as well. In the long term GSA should spearhead an effort to perform comprehensive capital planning in National Capitol Region.

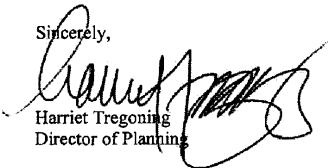
Infrastructure Cost Impact on the District

As stated in your report, GSA estimates a range of \$150-\$200 million is needed for infrastructure improvements and design. Also, GSA has yet to fully identify costs for additional improvements that will be required to address issues such as landscaping and campus access. These improvements will take place either on or adjacent to the site, but will definitely impact an area well beyond the confines of the campus. These improvements also rely on the implementation of projects already identified but partially funded by the District at an estimated cost of \$1 billion. As your own previous studies have concluded, the District suffers greatly from a structural deficit that adversely impacts implementation of capital projects. The very direct relationship between both local and federal infrastructure costs should yield greater federal support for funding these infrastructure improvements.

Conclusion

The Office of Planning appreciates the opportunity to weigh in on various issues surrounding the Department of Homeland Security’s facilities needs. We really appreciate your conscientiousness and willingness to entertain all views. We continue to strongly urge DHS and GSA to develop a more viable master plan for the West Campus of St. Elizabeths at a more reasonable density. We look forward to seeing our comments incorporated into the final document. If you have further queries, please do not hesitate to contact my office at 442-7600.

Sincerely,



Harriet Tregoning
Director of Planning

HT/at/cgb

Appendix VI: Comments from the National Capital Planning Commission



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Patricia E. Gallagher, AICP

IN REPLY REFER TO:
NCPC File No. MP 211

June 12, 2007

Mr. Mark Goldstein
Director, Physical Infrastructure Issues
U. S. Government Accountability Office
441 G Street NW
Washington, D.C. 20548

Dear Mr. Goldstein:

Thank you for affording us the opportunity to read and comment on the draft for *FEDERAL REAL PROPERTY: DHS Has Made Progress but Additional Actions are Needed to Address Real Property Management and Security Challenges* (GAO-07-658). We find that the document is an accurate reflection of NCPC's concerns and understanding of the project as staff presented them during the development of the report, and we have no additional comments.

Please note however, that the Commission has not yet had the opportunity to formally review and comment on the St. Elizabeths project. As a result, all comments are those of the staff and not of the Commission itself.

Sincerely,


Patricia E. Gallagher, AICP
Executive Director

cc: David E. Sausville, GAO

Appendix VII: Comments from the Advisory Council on Historic Preservation

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Susan S. Barnes
Vice Chairman

John M. Fowler
Executive Director



Preserving America's Heritage

June 13, 2007

Mr. Mark Goldstein
Director, Physical Infrastructure Issues
U.S. Government Accountability Office
441 G Street, NW.
Washington, DC 20548

Re: Draft GAO Report (GAO-07-648)

Dear Mr. Goldstein:

We appreciate the opportunity to review this report and comment on your findings. Through the process set forth by our regulations at 36 CFR Part 800, "Protection of Historic Properties," the Advisory Council on Historic Preservation (ACHP) has been formally involved in consultation with the General Services Administration (GSA), the District of Columbia State Historic Preservation Office, and numerous consulting parties since 2006 to address the potential adverse effects to St. Elizabeths National Historic Landmark (NHL) that may result from the proposed redevelopment of the St. Elizabeths' campus by GSA.

As the proposed tenant of this facility, the Department of Homeland Security (DHS) has provided some information about its proposed use of the campus to these consulting parties, including much of the information referenced in the GAO report. We offer the following comments on this report.

General Comments

- The ACHP is in agreement with the recommendations for Executive Action as stated in the conclusions, particularly #2 which states: *"In order to better support DHS's preferred course of action at St. Elizabeths, the Secretary [DHS] and Administrator [GSA] should jointly perform a comprehensive analysis of the costs, from the perspective of the federal government as a whole, that would result if DHS headquarters operations are consolidated at St. Elizabeths, and compare these costs to the costs of other alternatives."* Both DHS and GSA have repeatedly stated that cost savings is a primary motive for selecting the St. Elizabeths' campus as a consolidated site for DHS. However, insufficient information has been provided to demonstrate how much cost savings may be realized by DHS through the redevelopment of the St. Elizabeths' campus in comparison to other alternatives. Many other consulting parties continue to express this concern in the context of Section 106 consultation, and the ACHP believes that further justification and explanation would facilitate more effective consultation.

-2-

- The ACHP feels that the discussions with regard to the challenges faced in addressing preservation stakeholders' concerns have been adequately expressed. We further believe that the expressions of concern by the stakeholders have also been adequately expressed and documented in the report.
- The ACHP would like to see further discussions on the importance of the NHL and the criteria that the National Park Service (NPS) utilizes for determining the site's historic significance. It does not appear that the NPS was contacted or interviewed in the development of this report. The importance of determining what level of development could irreversibly impact the NHL is a key component in the evaluation by the consulting parties, and the NPS is the federal agency with the delegated authority to make such a determination. In accordance with Section 213 of the National Historic Preservation Act (NHPA), the ACHP has requested the opinion of the Secretary of the Interior on the potential impact of this redevelopment on the St. Elizabeths NHL.

Technical Comments

- Page 31, first full paragraph, fourth sentence: DHS states that it expects its need for office space to grow to about 8 million square feet over the next five years. Would this expansion be planned to occur solely at St. Elizabeths? Or is it considering this expansion offsite or at a national level? The consulting parties have not been informed of this potential scenario that could have further impacts to the St. Elizabeths NHL. If indeed this level of expansion is anticipated for the St. Elizabeths' site, this information should be presented to and considered by consulting parties.
- Page 33, second paragraph, second sentence: It should state that this property is a National Historic Landmark (NHL) *district*, rather than a "site" or "building."
- Page 33, second paragraph, fifth sentence: The report states that the NHL designation, in addition to the buildings, covers the landscaping and grounds, the scenic vistas of the river and city, and the Civil War cemetery. It is important to note that the district is significant primarily due to its social and medical history. As the first federal mental health facility in the country, it was at the forefront of groundbreaking discoveries in mental health. The NHL statement of significance makes extensive reference to this issue. The buildings, the landscape, and the vistas all tie into this medical use; substantial redevelopment could impact this landscape and its ability to maintain the characteristics that were fundamental in its significance as a medical facility.
- Page 42, first full paragraph, last sentence: DHS maintains that it currently plans to reuse 77 to 81 percent of the existing square footage that contributes to the site's status as an NHL. Although this level of building reuse is commendable, it may obscure the greater impacts that may be realized upon other components of the NHL; namely, the landscape and view sheds which provide context for many of the significant events that occurred onsite. The failure to anticipate and measure potential impacts to the landscape as a contributing component of the NHL has been a major point of contention among the consulting parties.

-3-

- Page 44, first paragraph, last sentence: This section should cite Section 110(f) of the NHPA, which references an agency's responsibilities when consulting about adverse effects to NHLs. This section requires that, to the maximum extent possible, the agency finds ways to avoid, minimize, and mitigate adverse effects to NHLs, and that it invites the Secretary of the Interior to participate in consultation to address these effects.

We appreciate the opportunity to review and comment on this report. If you have any further questions, please feel free to contact Hector Abreu Cintron, the ACHP's GSA Liaison, at 202-606-8517 or habreu@achp.gov.

Sincerely,



John M. Fowler
Executive Director

Appendix VIII: Comments from the U.S. Commission of Fine Arts

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June 14, 2007

Dear Mr. Sausville,

This letter is to transmit our agency staff comments to you regarding the GAO Draft Report GAO-07-658 regarding the consolidation of the Department of Homeland Security to a headquarters complex on the St. Elizabeths campus in Washington, D.C.

The most important concept to emphasize—which is not well articulated in the report—is that the St. Elizabeths campus is a property of tremendous and irreplaceable value. It is a National Historic Landmark and must be considered a national treasure. The value of the property exists in many ways:

- 1) Historic and cultural value in the history of the treatment of mental illness, as a hospital site during the Civil War and as a cemetery
- 2) Architectural value as a campus of many buildings listed on the National Register of Historic Place, but most significantly by the 1850s gothic revival Center Building designed by Thomas U. Walter, architect of the dome of the U. S. Capitol
- 3) As an ecological area within the city and habitat to endangered species
- 4) As a potentially positive generator of urban development in Anacostia
- 5) Value in its topographic prominence and potential symbolic relationship to the monumental core of the national capital. St. Elizabeths also has one of the most breathtaking views of the capital city and this overlook location should be reserved as a major commemorative site.

The St. Elizabeths site is highly visible from many points in the city as well as from Reagan National Airport and the approach to Washington from I-395. It has the potential to be a dramatic focus for a vista looking down the Washington Channel—creating a major commemorative link between the monumental core and Anacostia. Such a precious natural feature should be developed only with the greatest sensitivity.

It is useful to note that GSA, in its documentation for the decision made by GSA to consider the St. Elizabeths site for the DHS consolidation, evaluated the site for its size and availability only, but made no mention of its National Historic Landmark status and the associated responsibilities of stewardship to the property.

In more than twenty meetings with the GSA and DHS under the Section 106 process of the NHPA over the past two years, there has consistently been expressed a consensus of opinion among all the consulting parties that anything above 2 to 2.5 million square feet of development would destroy the character of the site and its standing as a National Historic Landmark. Thus

**Appendix VIII: Comments from the U.S.
Commission of Fine Arts**

far, the GSA-DHS proposals have not been able to accommodate in their designs solutions to the issues raised by the consulting parties to preserve and protect the campus. These fundamental principles articulated by the consulting parties are:

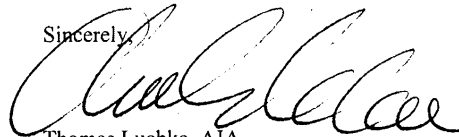
- 1) Provide full public access to “The Point” overlooking the city, which must be outside the DHS security perimeter; and to reserve it for potential use as a commemorative site
- 2) Locate development away from the highly visible western slopes of the campus which are part of the definition of the city's setting as well as a goal of the District of Columbia's Comprehensive Plan
- 3) Preserve the historic character of the campus itself, its buildings and grounds (which contribute to its landmark status) with regard to the scale and disposition of new development
- 4) Rethink the high-security perimeter treatment with parallel anti-personnel fences and wide buffers of minimal vegetation which would destroy the NHL-listed therapeutic landscape, mature natural habitat, and historic forested hillsides

The GSA-DHS proposals have not been able to accommodate in their design solutions to the issues raised by the consulting parties to preserve and protect the campus. The current proposal includes a total of 6.4 million square feet of development (including parking) and is roughly three times what can be accommodated. Obviously, other solutions need to be considered if the campus is to be protected; these may include looking at co-locating components of DHS in adjacent areas, such as on the District-controlled east campus of St. Elizabeths or possibly in the federal properties just below the site across I-295 along the Potomac River; or considering more radical ideas such as building deeply into the ground.

Many of the other arguments that have been made about the impact of the DHS consolidation to the site—traffic, infrastructure and services costs, and questionable benefit to the revitalization of this sector of the city—are mentioned in your report and do not belong to the essential concerns of the Commission of Fine Arts.

We appreciate the opportunity to comment on the report and would like emphasize again the enormous (and unrealized) value of the site. The current proposal by the GSA for DHS would diminish that value, both for its existing characteristics and for its future potential.

Sincerely,



Thomas Luebke, AIA
Secretary

Mr. David E. Sausville
Assistant Director, Physical Infrastructure Team
Government Accountability Office
441 G Street, N.W.
Washington, DC 20548

Appendix IX: GAO Contact and Staff Acknowledgments

GAO Contact

Mark Goldstein, 202-512-2834

Acknowledgments

In addition to the individual listed above, David Sausville, Assistant Director; Michaela Brown; Tonnyé Conner-White; George Depaoli; Sharon Dyer; Brandon Haller; Grant Mallie; Kieran McCarthy; Joshua Ormond; and Susan Michal-Smith made significant contributions to this report.

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