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DETERIORATING BUILDINGS AND WASTED OPPORTUNITIES: THE NEED FOR FEDERAL REAL PROPERTY REFORM

HEARING

BEFORE THE

COMMITTEE ON GOVERNMENTAL AFFAIRS UNITED STATES SENATE

ONE HUNDRED EIGHTH CONGRESS

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DETERIORATING BUILDINGS AND WASTED OPPORTUNITIES: THE NEED FOR FEDERAL REAL PROPERTY REFORM

WEDNESDAY, OCTOBER 1, 2003

U.S. SENATE,
COMMITTEE ON GOVERNMENTAL AFFAIRS,
Washington, DC.

The Committee met, pursuant to notice, at 9:32 a.m., in room SD–342, Dirksen Senate Office Building, Hon. Susan M. Collins, Chairman of the Committee, presiding.

Present: Senators Collins, Bennett, Coleman, and Carper.

OPENING STATEMENT OF CHAIRMAN COLLINS

Chairman COLLINS. The Committee will come to order.

Good morning. Today the Committee on Governmental Affairs will examine the challenges the Federal Government faces in managing its real property. The government's real property assets are worth an estimated $328 billion and include more than 3 billion square feet of building space.

Some of the government's assets are historically significant and valuable yet deteriorating and rundown. In January of this year, the General Accounting Office added Federal real property to its High-Risk List. The High-Risk List is reserved for programs that are particularly vulnerable to waste, fraud, abuse, or mismanagement.

The GAO's work in this area has shown that the Federal portfolio is in an alarming state of deterioration, in large part because of the Federal Government's ineffective management of these assets.

The Federal Government also has considerable property that it no longer needs. Just weeks ago, the General Accounting Office released a report identifying 600 vacant properties and 327 underutilized properties owned by just three agencies—the General Services Administration, the Department of Veterans' Affairs, and the U.S. Postal Service.

These 927 properties represent more than 2,000 acres and 32.1 million square feet of vacant or underutilized space. By way of comparison, the Pentagon consists of approximately 3.7 million square feet of office space. This means that the GSA alone currently possesses the equivalent of almost five Pentagons' worth of vacant or underutilized space, which is costly to maintain and could be put to better use. We can and must do better.

To see an example of underutilized Federal property, the Committee staff visited the L. Mendel Rivers Federal Building in South Carolina. It has sat vacant since it was damaged in a hurricane in 1999, despite the fact that it is located on valuable property on the edge of downtown Charleston.

Another example of underutilized Federal property is right down Pennsylvania Avenue. Due to government inaction, the Old Post Office Pavilion Annex has been empty for more than 10 years.

Adding insult to injury, the Federal Government spends considerable money to maintain this empty space. This is government waste, plain and simple.

Today I have asked David Walker, the Comptroller General of the General Accounting Office, to report to this Committee on the longstanding challenges facing the Federal Government in this area. Federal property is, after all, the property of the American people.

A disturbing example of the mismanagement of taxpayers' property can be found right in the Capitol's backyard. St. Elizabeths Hospital was founded in 1855 to provide for the treatment of individuals suffering from mental illness. This hospital served as the first and only national Federal mental health facility. At its height in the early to mid-1960's, St. Elizabeths had almost 4,000 employees who cared for approximately 7,000 patients.

The deterioration of the West Campus of St. Elizabeths is a particularly tragic example of how the Federal Government's mismanagement of its real property can result in massive waste of taxpayer dollars.

This hearing will examine how this once elegant, thriving Federal property has deteriorated to the point that it could cost nearly $500 million to rehabilitate its buildings.

Many people mistakenly believe that St. Elizabeths is owned by the District of Columbia. In fact, that is only half right. St. Elizabeths is fairly equally divided between an East and West Campus, the former of which was given to the District of Columbia by an act of Congress in 1984. The 182-acre West Campus is still owned by the Department of Health and Human Services but is currently occupied by the D.C. Department of Mental Health under a use permit signed in 1987. As a result, HHS and the D.C. Government share responsibility for its deplorable condition.

Although the D.C. Government by agreement was responsible for the upkeep of St. Elizabeths, HHS as owner and landlord should never have allowed St. Elizabeths to reach such a deteriorated state.

The poor oversight of St. Elizabeths by both HHS and the D.C. Government is inexcusable. What was a valuable asset in the mid-1980's today is a massive liability.

I have visited this historic property, and its condition is truly deplorable. The Committee staff have documented the extent of damage resulting from the neglect of this property and will be presenting the results of that investigation at our hearing today. I have also asked witnesses from the Department of Health and Human Services and the D.C. Government to testify today about the management of St. Elizabeths.

Although St. Elizabeths Hospital may be an extreme example of mismanagement of federally-owned property, it is not an isolated case. If a 182-acre historic landmark just 2 miles away from the Capitol can be so mismanaged, what confidence can we have that thousands of other Federal buildings scattered across the country are being managed effectively, efficiently, and properly to preserve their value and to ensure their best use.

I look forward to hearing the testimony of all our witnesses today as we tackle this issue.

As our first witness, I am very pleased to welcome back to the Committee the Hon. David M. Walker, Comptroller General of the General Accounting Office. Since assuming this responsibility on November 9, 1998, Mr. Walker has done an outstanding job as the Nation's chief accountability officer. He has been a leader in improving the performance of the Federal Government on behalf of the American taxpayer. This Committee works very closely with Mr. Walker and with the GAO on a wide variety of projects.

When Federal real property management was added to the GAO's High-Risk List, I talked with Mr. Walker about working with the Committee so that we do not keep adding programs and agencies to the High-Risk List but actually try to identify the problems that land them on the list and the steps that could be taken to get them off the list.

So it is a pleasure to welcome Mr. Walker here today. You may proceed.

TESTIMONY OF HON. DAVID M. WALKER,[1] COMPTROLLER GENERAL, U.S. GENERAL ACCOUNTING OFFICE

Mr. WALKER. Thank you, Madam Chairman. It is a pleasure to be back before the Senate Governmental Affairs Committee.

I would ask that my entire statement be included in the record.

Chairman COLLINS. Without objection.

Mr. WALKER. Thank you. I will now move to summarize it.

As you pointed out, Madam Chairman, the GAO added the area of real property management to our High-Risk List in January 2003. This is a major challenge that crosses a number of organizational boundaries within the Federal Government. It is also a major multidimensional challenge involving billions of dollars, with significant budget, safety, security, environmental, and economic development implications.

Much of the government's current infrastructure is based upon a 1950's environment and business model. The world has changed significantly since then, yet our approach to infrastructure has not kept pace. The result—billions in excess property that is inadequately maintained and not properly secured. Taxpayer dollars are being wasted on maintaining excess properties, and asset recoveries are not being achieved for the benefit of taxpayers. In addition, there are significant opportunity costs associated with the failure to act.

The excess property challenge spans numerous Federal agencies, including DOD, the Postal Service, VA, GSA, the DOE, and the State Department, just to name a few. Given current and projected

[1] The prepared statement of Mr. Walker appears in the Appendix on page 32.

Federal budget deficits, we cannot afford to maintain the status quo in this area.

We have boards just to illustrate four particular properties, and I know that this Committee is going to have a number of witnesses after me dealing with this first property, which is St. Elizabeths here in the District of Columbia. But these four examples are illustrative of a much larger problem.

The first one is St. Elizabeths Hospital, which is largely a vacant property in the District of Columbia which, as you noted, a portion of which is owned by the Department of Health and Human Services.

The next one is a vacated postal facility in Chicago, Illinois. It is downtown Chicago, Illinois, and yes, that is the Sears Tower right down the street, so I would say that property is worth a fair amount of money.

The next one represents an IRS Service Center in Andover, Massachusetts up on the left. There is also a significant amount of valuable real estate that is underutilized in that area.

And the last one on the bottom right is a property in Portland, Oregon.

These are just four examples of either vacant or underutilized properties where we are spending money and we are not recovering asset values in circumstances that could be of benefit to the taxpayer.

What are some of the steps that need to be taken in order to address this challenge?

First and foremost, we have to ask the question, who is in charge? Who is responsible and accountable for making sure that the billions and billions of dollars of vacant and underutilized property that the taxpayers own is accounted for and managed effectively and for the benefit of the taxpayer? It is not clear right now who is in charge. We have individuals within the various departments and agencies, but who has been charged on a government-wide basis on this issue? It demands that somebody be in charge, responsible and accountable on a government-wide basis.

Second, how big is the problem? We need timely, accurate, useful information to understand how many vacant and underutilized properties we have. We do not have that right now. There is no consolidated, government-wide list, it is my understanding, and we need additional transparency over that list to try to spur people to action.

Third, we need a plan to rationalize any excess infrastructure.

We also need additional authorities and incentives for people to act. In some cases, there is going to have to be legislation to give people additional authorities or incentives to act, and in some cases, we are going to have to look at our scoring rules and who benefits from the savings in order to make sure that actions are taken.

We also need to make sure that there are accountability mechanisms in place if people do not act; so incentives to do the right thing and accountability mechanisms if they do not do the right thing.

And furthermore, given past history, competing stakeholder claims and interests, and a variety of other considerations, we may have to employ a government-wide task force or even a BRAC-type approach in order to rationalize this excess infrastructure, because there are a variety of stakeholder interests, and we need to look at this on a consolidated basis rather than a piecemeal basis in order to try to achieve timely action.

Now, what type of action is it going to take in order to get this area off the High-Risk List? There are four general factors.

First, there has to be an overall transformation strategy for Federal real property. There needs to be demonstrated leadership, attention, and commitment to the strategy and meaningful progress toward its implementation.

Second, there needs to be enactment of real property reform legislation to give real property-holding agencies the tools that they need to achieve better outcomes, to foster a more businesslike real property environment, and to provide for greater accountability for real property stewardship.

Third, there needs to be a successful implementation effort of ongoing agency initiatives and adoption of key open GAO recommendations, critical ones in the real property area.

And last but certainly not least, we need to use a set of performance measures to assess results and demonstrate sustained progress toward solving the larger problem over a reasonable period of time—the larger problem meaning the excess property, the repair backlogs, poor data, security challenges, and over-reliance on leasing. Many times, what is happening is we have this excess property or underutilized property, yet we are still adding, and sometimes we are entering into operating leases because of the budget-scoring rules. Specifically, currently you may get better treatment under budget-scoring rules and yet it may not be in the best economic interest of the taxpayers, because there are other methods that clearly would be less costly for the taxpayers; yet the way we keep score sometimes causes people to either take actions they should not take or not take actions that they should take.

In closing, this subject—real property management—is illustrative of one of many transformation challenges the Federal Government faces. It is illustrative of a horizontal challenge that crosses the various silos or stovepipes in government, traditionally known as departments and agencies. The base of government programs, policies, processes, functions, and operations represents an amalgamation of past actions that have taken place over decades. They may have made sense and hopefully did make sense initially. However, given the profound changes that have occurred in the world, and our position in the world, and business practices and technological advances, etc., just to name a few, the status quo is clearly unacceptable. We have to fundamentally review, reassess, re-engineer, reprioritize and in some cases eliminate things that have accumulated over the years because they may have made sense in the past, but they may not make sense today, and they may make even less sense in the future.

We are talking about asking fundamental questions like what the Federal Government should do, how it should do business, and in some cases, who should do its business. The base is unacceptable, the base is unsustainable. The clock is working against us. We need to start acting now.

Thank you, Madam Chairman.

Chairman COLLINS. Thank you very much, Mr. Walker, for your excellent overview of this problem.

The Federal Government clearly owns many more properties than it needs. In a report that was released in August, the GAO found that there were three agencies—the GSA, the VA, and the Postal Service—that together held almost 1,000 vacant or underutilized properties. Obviously, it is expensive to maintain those properties. And as you point out, in some cases, we have agencies with vacant buildings leasing space in other buildings, so the taxpayer in essence is paying twice.

Can you explain why there are so many unused properties in the Federal inventory? Is it just lack of proper management, or is it that the system for disposing of those properties is too cumbersome?

Mr. WALKER. I think it is a multidimensional challenge. First, there is not adequate accountability. We do not have a person or persons who are put on the line, where their responsibility is to deal with these issues and they are held accountable for achieving results.

Second, we do not have a current inventory of how many of these we have on a government-wide basis.

Third, in some cases, agencies do not have the authority to enter into out-leasing arrangements or to enter into public-private partnerships.

Fourth, there are circumstances in which the current budget scoring rules discourage people from taking certain actions that they otherwise should take, or encourage them to take actions such as leasing rather than lease-purchase or purchase decisions that might make more sense for the taxpayers.

So we do not have the right kinds of incentives and in some cases the right kinds of authorities. We do not have adequate transparency, and we do not have enough accountability mechanisms for the failure to act. So I think we need to take steps in all those three dimensions and along the lines of what I articulated in my opening statement.

Chairman COLLINS. Since the GAO added real property management to the High-Risk List, have you seen any improvement in the management of Federal property? The reason I am asking this question is that as you and I have discussed before, there are certain agencies and programs that are on the High-Risk List every 2 years when it is released—some have been on for as long as a decade. And what I want to get into as Chairman of this Committee is helping programs and agencies get off the list.

Now that you have identified this area, are you seeing any progress or any response to your findings?

Mr. WALKER. The answer is yes, and it is from two dimensions. The first dimension is a government-wide dimension. As I mentioned, this is a government-wide challenge. It is more acute in some departments and agencies than others, but it is a government-wide challenge. I have had conversations with the Director of OMB and the Deputy Director of OMB for Management as well as other parties. They are taking this very seriously.

As you know, when we add something to the High-Risk List, that is intended to bring light to an issue; with light, you get heat, and with heat, hopefully, you get action. OMB is looking at whether or not they are going to add this item to the President's Management Agenda. They are taking it seriously, and that is encouraging.

There are a number of other departments and agencies who are starting to take additional actions in this area. But I think we cannot underestimate the degree of difficulty and the significance of this issue. It is going to take action by both the Congress as well as the Executive Branch. It is going to take the sustained attention of a variety of parties over an extended period of time to get to where we need to be, but we need to get started now.

Chairman COLLINS. One aspect that surprised me as our Committee has been investigating this issue is the lack of information that many agencies seem to have about their own property. If you survey Federal agencies, you will find that it is very difficult to get basic information about what they own, what they occupy, what the condition is.

GAO has found that many agencies do not even have current data about the property that they own, and even when they do, that their inventories often lack key information needed to make budgetary and other strategic decisions.

It seems basic to me that if agencies do not even know what properties they own, they are not going to be doing an effective job managing it.

Would you comment on that problem and how you see that being addressed?

Mr. WALKER. I think you put your finger on a key issue. You manage what you measure, and if you do not have adequate measurements here, you are not going to be able to effectively manage it. We do not have adequate information with regard to the nature and scope of this challenge in certain agencies, and we clearly do not have it on a government-wide basis. We need that. We need to have a currant inventory. We need to have adequate information. We need to have transparency so the Congress and other parties can monitor what is going on. So that is one of the fundamental steps that I think we need to take.

Chairman COLLINS. Today, as you know, we are looking at St. Elizabeths Hospital as a case study of some of the problems, and as you know from GAO's own extensive review of St. Elizabeths, the West Campus has deteriorated significantly during the 16 years that it has been used by the District of Columbia.

There have been disagreements between the Federal Department of Health and Human Services and the D.C. Government as to who is responsible for the deterioration of St. Elizabeths and who is responsible for many of the costs to remedy the years of neglect and deterioration.

What can we do to make sure that when the Federal Government is leasing a building to a non-Federal entity that it is still being effectively managed, and how would you assess responsibility for the deplorable state of St. Elizabeths?

Mr. WALKER. Well, the fact of the matter is as you have pointed out, the Department of Health and Human Services owns about half the property, the West portion of that property. Even if you enter into leasing arrangements or use arrangements with a third party, whether that be a governmental party or a private sector party, you still own it. You still have stewardship responsibility and accountability. So part of it comes back to making sure that we have the people responsible and accountable for making sure that the right thing is done, the right types of contractual arrangements are entered into, that these issues are addressed up front as to who is responsible for what.

I do think, however, that St. Elizabeths is an example of why we are debating all these questions about who is responsible and how much it is going to cost, but also the question is what are we going to do with the property. In the time that we are debating all of this, we are incurring additional cost, there is additional deterioration, and we are not recovering asset values.

One thing that I would like to raise, Madam Chairman—and I do not know if they have considered this or not, but it is something that we did at GAO, and it may make sense here—as you know, the GAO building is a national historic property. The GAO building had an asbestos problem. And we entered into an arrangement—a public-public partnership, but it could easily have been a public-private partnership. Specifically, in our case, we entered an arrangement with the Army Corps of Engineers where they agreed to work on remediation of our asbestos problem. We then ended up leasing space to them and we gave them rent concessions to pay for the remediation effort. Some of these same factors exist for St. Elizabeths—so what if anything is being done to try to work out either a public-public or a public-private partnership to restore and redevelop this area such that the parties who might want to use it and who might benefit economically might end up incurring some of the cost to deal with the remediation, to deal with the restoration, and in a way that we can actually make some progress. I am not so sure that has been considered, but I think it is something that needs to be done.

Chairman COLLINS. When I toured St. Elizabeths, I was struck by the lack of common sense maintenance of roofs, of steam tunnels, for example, that would have prevented at least a substantial part of the deterioration. How good a job does the Federal Government do in maintaining its properties?

Mr. WALKER. Well, it obviously varies by agency and by location. The "bottom line" answer is "Not good enough," and we need to do a better job. But in the aftermath of September 11, 2001, we have got a new dimension that we need to be concerned about. For so many years, we had extra money that we were paying on maintenance, we had deferred maintenance because of deteriorating properties, and we had asset recovery values that we were not achieving because we were not taking the right steps.

I would respectfully suggest that we have a new dimension now. We need to rationalize our excess infrastructure. We need to streamline it down to absolutely the minimum amount that we need, because what we have to do is not only make sure that we deal with the budgetary aspects; we have to deal with the security aspects. We need to minimize our footprint. We need to have as few Federal properties and facilities as possible in order to save money and gain asset recovery values, so we can properly secure those facilities. This is not just an issue in the United States; it is also an overseas issue in connection with our embassies. This is a real issue for the State Department. We need to be rationalizing our presence overseas, which many countries have already started to do, like the United Kingdom and others, in light of recent world events and changing circumstances.

Chairman COLLINS. Thank you. I want to thank you very much for your testimony this morning. It has given us a very helpful overview of this problem as we proceed.

We are looking at both legislative and other reforms, and if GAO as your work continues, has some specific suggestions for the Committee, we would very much welcome them.

Mr. WALKER. Thank you, Madam Chairman.

Chairman COLLINS. Thank you.

For our next panel, I would like to welcome two members of the Committee staff, Johanna Hardy, and James McKay. They are both members of the Committee's legal and investigative staff. They have conducted an extensive investigation of the property at St. Elizabeths Hospital. They have also prepared a powerpoint presentation consisting of photographs of the West Campus that detail much of its deterioration.[1]

I want to thank the staff for its investigation. I think they did a terrific job.

I will ask Ms. Hardy to proceed.

TESTIMONY OF JOHANNA L. HARDY,[1] SENIOR COUNSEL, COMMITTEE ON GOVERNMENTAL AFFAIRS, U.S. SENATE

Ms. HARDY. Madam Chairman, my name is Johanna Hardy, sitting to my left is James McKay. We are part of the Governmental Affairs Committee's legal and investigative staff.

Over the last 8 months, the Committee has been conducting an investigation into the management of Federal real property. As part of the investigation, we looked at several Federal buildings that were underutilized, vacant, or deteriorating.

St. Elizabeths Hospital was the most striking. The West Campus of St. Elizabeths is owned by the Department of Health and Human Services. St. Elizabeths, of course, is right here in the Capitol's back yard. In fact, we are the same distance from St. Elizabeths as we are from the Lincoln Memorial. Yet, despite the proximity, what we found during our five visits to St. Elizabeths could not contrast more from the well-maintained Capitol complex.

The St. Elizabeths property includes over 300 acres of land, 182 of which compose the federally-owned West Campus. The television monitor shows an overhead picture of St. Elizabeths which is bounded by the red. There are 61 buildings with approximately 1.1 million square feet on the West Campus alone.

In addition, the campus contains a Civil War cemetery, sweeping views of the downtown and monumental core of the city, as well as a park-like landscape. In addition, the West Campus of St. Elizabeths is designated as a National Historic Landmark.

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[1] The powerpoint presentation by Mr. McKay and Ms. Hardy consisting of photographs of the West Campus appears in the Appendix on page 83.

[1] The prepared statement of Ms. Hardy appears in the Appendix on page 64.

In 1987, pursuant to an act of Congress, the hospital's East Campus was transferred to the District. Shortly thereafter, HHS entered into various agreements with the District to allow the District to use the federally-owned West Campus.

St. Elizabeths Hospital, the first and only national Federal mental health facility, began its operations in 1855. For more than a century, the hospital was a world premier mental health and research facility. Since the District assumed responsibility for the D.C. mental health functions, St. Elizabeths' patient population has significantly decreased, as has the District's need for the facilities.

During the 1990's, the District began moving personnel and property from the Federal West Campus to the East Campus. While all personnel have been relocated to the East Campus, considerable District property still remains in vacant West Campus buildings owned by HHS.

Chairman COLLINS. Thank you. Mr. McKay.

TESTIMONY OF JAMES R. McKAY,[1] COUNSEL, COMMITTEE ON GOVERNMENTAL AFFAIRS, U.S. SENATE

Mr. MCKAY. Madam Chairman and Members of the Committee, I would now like to explain the current situation at St. Elizabeths and then begin a slide presentation.

Although the District's personnel have vacated the West Campus, a substantial amount of District property remains including patient records, employment files, billing records, personal items, and furniture.

Subsequent to the start of our investigation, the District, GSA, and HHS signed an agreement to provide for the removal of the District's remaining items. After the removal of all District items from the West Campus is complete, HHS and GSA plan to begin mothballing the buildings in compliance with standards set by the Secretary of the Interior. "Mothballing" is the process by which a building is deactivated and temporarily sealed to protect it from the elements and to secure it from vandalism. It is not returning a building to productive use.

Estimates of the cost to complete the mothballing of the entire West Campus vary, but according to a February 2003 estimate provided to GSA, the cost will be at least $18 million, or approximately double an estimate found in a GAO report from just 2 years earlier.

We would now like to begin a slide presentation that shows the conditions in which we found St. Elizabeths during our five visits to the West Campus. We have also provided a color copy of the slide presentation to each Member of the Committee.

[Powerpoint presentation.]

The following slides were taken in and around the Center Building, the most historic building on the West Campus.

Ms. HARDY. As we go through these slides, it is important to highlight the Stabilization and Mothballing Study completed this year by consultants hired by GSA, which highlighted the problems that needed to be rectified on other buildings on the West Campus

[1] The prepared statement of Mr. McKay appears in the Appendix on page 65.

prior to them being mothballed. It is interesting to note that many of those problems, including furnishings and debris still in the buildings, exist in the Center Building even though it has supposedly already been mothballed.

Mr. McKay. The slides that we are looking at are photos of various rooms in the Center Building. You will notice ceilings and floors collapsing as well as furnishings and debris remaining in the building.

Here is the room in which the poet Ezra Pound was confined between 1946 and 1958. This further illustrates the historic significance of the property.

Here are some good examples of how many of the floors in the Center Building are collapsing. In many cases, the floor below can clearly be seen through the collapsing floor.

In the Center Building's basement, many of the wooden supports have rotted and have been replaced by these temporary metal poles.

This picture and the next are of the last rooms the District occupied in the Center Building. Besides the obvious poor condition of the room, what this picture does not fully capture is the sagging floor. An engineering firm that examined this floor described it as having "failed." As late as 1997, District employees occupied this room, which was used for photocopying. We understand that they complained to the District about the floor to no avail, then to HHS. HHS did write a letter to the District supporting the employees, but nothing was done. We were told that eventually, the District employees took matters into their own hands and moved from one side of the room to the other.

This further highlights the deterioration of St. Elizabeths, the District's lack of maintaining the buildings it was occupying, and HHS's failure to preserve and protect its own property.

The following two slides were taken in the gymnasium located on the top floor of the Center Building. As you can see, a portion of the roof has collapsed, and there has been extensive water damage.

Here is a bathroom located off the gymnasium. Again, the roof is collapsing, and there is water damage. On one visit to the site, the water was actively streaming into the room.

In this slide and the next, you see an open door and a tunnel leading directly into the Center Building.

The next several slides show some of the refuse that has accumulated behind the Center Building. This slide shows several barrels, some marked as containing chemicals.

Ms. Hardy. The next couple of slides not only show the amount of trash and debris left outside the buildings, but on one visit, we captured pictures of an individual who, according to District representatives, engages in informal salvage work. This person was allowed to enter the site in what is supposedly the secure West Campus.

Mr. McKay. The bakery is another historic building. On one visit, we could not even enter the bakery because the floor was flooded with water.

And despite the fact that this picture was taken several days after the last rainstorm, water damage is still clearly visible, and in fact, standing water can still be seen on the floor of this room.

Ms. HARDY. This is important to highlight because of the potential consequences of standing water. In the study completed by the GSA consultant that I referenced earlier, the study highlighted a sprinkler accident in another building that was never contained or mopped up. This caused rotting and rusting of interior structural elements and resulted in a massive infestation of termites that badly damaged that building.

Mr. MCKAY. The remaining slides are taken of the Administration Building, which was vacated by District personnel in January. Many of you will recognize this building from the movie “A Few Good Men.”

According to GSA’s Mothballing and Stabilization Report from earlier this year, it will cost around $270,000 to mothball this building.

The following slides are taken of the Administration Building’s interior. Notice paint peeling, mildew, open windows that expose the interior of the building to the elements, and items left by the District. It is our understanding that HHS has repeatedly asked the District to remove their items.

Ms. HARDY. This slide shows damage to items left in the building, including papers and records. We obtained this binder from the Administration Building as an example of the condition of many of the records left on the campus. The binder contains travel and expense records, including names and Social Security numbers of U.S. Department of Health and Human Services employees. There appears to be some sort of growth on the binder; the binder and its contents are clearly warped and damaged, and even through the plastic bag storing it, there is an odor emanating from this object.

This is indicative of the state in which we found a number of records and items left in the building.

Mr. MCKAY. In this area of the Administration Building, there was a strong odor of mildew, humidity from the steam tunnels, and leaking water.

In this slide, you will notice extensive growth of mold on the wall.

And this appears to be some sort of animal print, probably from a raccoon, that we found on the stairway leading from the main floor to the second floor of the Administration Building.

The following slides were taken in the basement of the Administration Building. This slide shows water actively streaming into the basement, and as you can see, items left in the basement have suffered extensive damage from the water and moisture and are now totally ruined.

Ms. HARDY. The last set of slides demonstrates the types of files and records we found left in the Administration Building.

I am holding up an example of those files. According to District officials, they are in the process of removing these items and maintain that the building is secure and that there is controlled access to the campus. However, on one visit, the front door of this building was unlocked and, as mentioned previously, on all of our visits, a number of windows were left open.

Mr. MCKAY. This slide was taken in the basement of the Administration Building. As you can see, due to the water damage, the filing cabinets are warped and rotting. The filing cabinets and several open shelves in this room contain what appeared to be thousands of patient records going back decades to when HHS still occupied the West Campus.

The types of records we found included a file with a corporate credit card; boxes of documents labeled “Confidential—Please Shred”; lab results containing patient personal information. In one room of the Administration Building, we found folders of patient records strewn on the floor, and sitting on top of these records was medical information for a 13-year-old girl. Here, we have redacted any identifying information, but the information included her Social Security number, her parents’ names, her address and birth date. We saw literally hundreds of records like this. This information was found right next to this open window.

More information was found in the computer room, including computer tapes containing Medicaid outpatient claims, some of which were also strewn on the floor.

Moving the West Campus from a mothballed state to productive use is likely to be extraordinarily expensive. As discussed earlier, this property is a National Historic Landmark, and most of the buildings have to be preserved.

The 1985 physical plant audit of St. Elizabeths estimated the cost of renovating both campuses at between $66 and $69 million, plus the cost of hazardous materials removal. Later, a 1993 estimate, which assumed that 52 percent of the West Campus would continue to be used for the District’s mental health services with the remainder adapted for other institutional-type uses, assessed this cost to be as high as between $116 and $128 million.

The current cost to renovate the West Campus is likely to run much higher due to its accelerated deterioration. Nearly every building on the West Campus has severely deteriorated, and almost all of the buildings will require remediation of lead and asbestos. They will also need to have their heating and air conditioning systems completely replaced.

As a result, GSA has estimated that it will cost between $400 and $450 per square foot to bring St. Elizabeths to normal occupancy levels and in a manner that complies with the Secretary of the Interior’s Standard for Historic Properties. If this estimate proves to be consistent across the West Campus’ 1.1 million square feet, restoring it can be expected to cost between $440 and $495 million.

Ms. HARDY. Earlier this year, GSA hired a consultant to conduct a Stabilization and Mothballing Study of St. Elizabeths West Campus. The report concluded, and I quote: “The current deteriorating state of the West Campus is the unfortunate result of the discontinuation of maintenance and repair,” and “minor maintenance problems have gone unrepaired long enough to have had a major impact on the structural integrity of the buildings.”

The bottom line is that this is not simply one or two buildings that were lost in the bureaucracy of a large agency. St. Elizabeths is 182 acres of Federal land, 61 buildings, and 1.1 million square feet of space with the highest historic designation. The sad demise of this once stunning landmark institution raises a real question of how other Federal properties are being managed and maintained.

Thank you. This concludes the staff testimony.

Chairman COLLINS. Thank you very much for your excellent presentation.

When I joined you at one point in visiting the West Campus, I believe you told me that there were some 61 buildings; is that correct?

Ms. HARDY. That is correct.

Chairman COLLINS. And I went into two of the major buildings that we have featured today, but could you give us an overview of the condition of the other buildings as well?

Ms. HARDY. The two other buildings that we went into included the bakery, as you saw in the pictures, as well as the firehouse. All of the buildings seemed to have some level of decay and deterioration. As you saw with the bakery, there was standing water and clearly a lot of water damage on the walls and on the floors.

Chairman COLLINS. It is very troubling to see the deterioration of these buildings in an area of the city with beautiful views. This was once a spectacular campus. Many of the buildings from the outside look beautiful as well as being historically significant. But in addition to the deterioration of the buildings, what I found most astounding and your presentation amply documents was the number of personal documents, psychiatric records, and other confidential materials that had been left unattended.

Could you elaborate on the security of those materials? Were they easily available to you? Were they open, or was there any security evident?

Ms. HARDY. The documents inside the building were very accessible. In terms of the security, we were told by District officials that they believed that the West Campus was secure, there was controlled access, and that the buildings remained secure. But as we indicated in our presentation, on at least one occasion when we visited the Administration Building where most of the records were found, the front door was unlocked, and as you noticed in a number of the slides, a number of windows open. On at least one occasion, there was an individual who did gain access to that side of the campus.

Chairman COLLINS. Did you inform District officials of the personal records, the medical records in particular, that you found during your tours of these buildings?

Ms. HARDY. Yes, we did.

Chairman COLLINS. And what was the reaction of the District officials? Were they concerned?

Ms. HARDY. I think that they felt pretty confident that there was controlled access and that the building was secure, but there was some level of concern that we were able to gain access to these files.

Chairman COLLINS. In your subsequent visits to these buildings, did you still find personal files after you had notified the District officials?

Ms. HARDY. Yes, we did.

Chairman COLLINS. So no one went in and cleaned out all of those files in between your visits to the campus?

Ms. HARDY. No. While we did see some cleanup work that apparently had occurred between visits, there was still a significant amount of patient records and confidential records still left in the building.

Chairman COLLINS. Did some of those records seem beyond repair as you looked at them, because of water damage, mold, or other problems?

Ms. HARDY. Yes, they did.

Chairman COLLINS. And again I want to emphasize for the record that the records that you found had identifying information about some of the patients who had been treated at St. Elizabeths; is that correct?

Ms. HARDY. Yes.

Chairman COLLINS. Such as names, addresses, Social Security numbers, and diagnoses.

Ms. HARDY. Exactly, including, as one slide showed, lab results.

Chairman COLLINS. Mr. McKay, clearly the failure to maintain St. Elizabeths has added to the cost of ultimately renovating these buildings so that they can be returned to productive use. Do you have any idea how much of the current estimate of rehabilitating the West Campus, which you have estimated based on GSA and other reports to be approximately half a billion dollars, can be attributed to the poor maintenance of the West Campus over the past 15 years?

Mr. MCKAY. While no definitive study has been done, it is the case that in many of the buildings, there were some very simple maintenance tasks that could have been done that would have prevented more serious problems down the line. In many cases—for example, in the Administration Building—there was a tremendous amount of humidity as a result of steam still being pumped into the building. In fact, we heard dripping water. The damage was clearly extremely intense, and this was something that would not necessarily have cost a lot of money to fix at the beginning, but as things escalated, it became more and more expensive.

Chairman COLLINS. Was the deterioration of St. Elizabeths due to a lack of funds to do basic, essential maintenance?

Ms. MCKAY. Well, while more money always helps, much of the damage that was done appears to be the result of unnecessary neglect. As we said, during our visits to the campus, we discovered wide open windows exposing the interior of the building to the elements. In addition, there was still a large amount of trash and personal property that was left in the buildings. This is going to be expensive to remove, and it is going to add to the overall price of mothballing. As you saw in the Center Building, many of the floors that were collapsing still had items on them, which is obviously going to increase the likelihood that the floors will actually collapse.

Chairman COLLINS. Ms. Hardy, it is obvious that District officials knew of the poor condition and the continuing deterioration of these buildings, because after all, the D.C. Government was essentially the tenant. In your review of documents, did you come across any evidence that indicated that the Federal owners, the Department of Health and Human Services, were aware of the deterioration of conditions at St. Elizabeths?

Ms. HARDY. Yes, we did. In fact, documents supplied to the Committee by HHS which included correspondence from HHS to the

District dating back to 1992 clearly indicate that HHS was fully aware of the deteriorated state of the property. The letters are apparent attempts by HHS to notify the District of these problems, but again, all we have is evidence of the letters and no evidence of further action taken by HHS.

Chairman COLLINS. And did the General Accounting Office also do a review of the condition of St. Elizabeths that would have put the Federal Government on notice if there were a lack of understanding of what was going on?

Ms. HARDY. Yes. In fact, a couple of years ago, there was a GAO study done specifically on St. Elizabeths Hospital, and in fact that report highlighted the deteriorated state of the property. So again, HHS was fully aware of the problems with St. Elizabeths.

Chairman COLLINS. Thank you. Senator Bennett.

OPENING STATEMENT OF SENATOR BENNETT

Senator BENNETT. Thank you, Madam Chairman.

I do not have a lot of questions because you have been very thorough in your analysis of this.

The thing that stuns me as I go through this material is that I find photographs of dates—1999, 2000, and 2001. This is very recent if the building was being used. To look through these photographs, you would think this thing was abandoned in the 1980's, and nothing had been done for 20 years.

To have it being used to the point where you have computer printouts that are dated 2001 left on the floor indicates on the face of it a very rapid and sudden abandonment and decline.

Is that accurate? That is my impression from looking at this, but I could very easily be wrong.

Ms. HARDY. That is accurate. In fact, our understanding is that the Administration Building was used as recently as January of this year. The deterioration, as you can see, is accelerated deterioration, and we are told it is from a number of causes—water leaks, steam leaks, etc.—that clearly were not dealt with when they occurred.

Senator BENNETT. Well, I thank you for holding the hearing, Madam Chairman, and going after this. My own experience would dictate at this point, from a financial point of view, just bulldoze the whole thing and start over. You could build new buildings with better facilities than you could rehabilitate this at this point.

I know the preservationists will not like that because they love these old buildings, and certainly there are cases where we have spent money on old buildings—the Library of Congress Jefferson Building, Union Station—and we have gotten our money's worth even though we could have created the same amount of square footage for less money than we put into rehabilitation. But I would view this one very carefully before I would say let us go back and rehabilitate those buildings, because the deterioration is so severe that it looks like you could call out the Seabees and get their bulldozers and go to work.

Thank you.

Chairman COLLINS. Thank you, Senator Bennett.

It is extraordinary the state of these buildings. The fact that the Federal Government owns 61 buildings on a beautiful campus so close to the Capitol, that is clearly very valuable real estate, and as the Comptroller General said in his testimony, one of the problems that they found is that Federal agencies are not even clear about what they own in some cases, and it is pretty hard to manage effectively what you do not realize that you own.

So there is a lot of work to be done in this area.

I want to thank our witnesses for an excellent presentation and for all of your hard work as we explore this important area.

I would now like to welcome our third panel of witnesses to the hearing.

William C. Stamper is Deputy Assistant Secretary for Facilities at the U.S. Department of Health and Human Services. He began his current position on July 1, 2002. Previously, he served as Deputy Director of Facilities for the National Aeronautics and Space Administration and as Director of the Air National Guard Facility Requirements Branch.

Martha Knisley is Director of the District of Columbia's Department of Mental Health which operates the East Campus of St. Elizabeths Hospital. She began serving in her position last November. Prior to that, she spent three decades as a mental health clinician and administrator.

I want to thank you both for appearing today. I also want to say for the record that both the Department of Health and Human Services and the D.C. Government have been fully cooperative with the Committee in its investigation of St. Elizabeths as a case study of the Federal Government's management of its real property.

Mr. Stamper, we are going to begin with you.

TESTIMONY OF WILLIAM C. STAMPER,[1] DEPUTY ASSISTANT SECRETARY FOR FACILITIES MANAGEMENT AND POLICY, U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

Mr. STAMPER. Thank you, Madam Chairman and Committee Members. Good morning.

Thank you for inviting me to testify today on behalf of the Department of Health and Human Services. Secretary Thompson sends his thanks to the Committee for addressing an issue that many executive agencies are experiencing.

As stated in the GAO report on real property, many Federal assets are no longer effectively aligned with or responsive to agencies' changing missions and are therefore no longer needed.

I have been asked to speak about one such asset owned by the Department of Health and Human Services. The West Campus of St. Elizabeths Hospital in Southeast Washington, DC has been excess to the Department's needs for many years. However, due to a unique set of circumstances, we have been unable to dispose of the property.

As testified to before, there are 61 buildings on the West Campus, approximately 1.1 million square feet. In addition to the historic buildings, the West Campus is the site of a Civil War cemetery reported to be the only public cemetery containing the remains of both Union and Confederate and black and white soldiers.

[1] The prepared statement of Mr. Stamper appears in the Appendix on page 67.

In December 1990, St. Elizabeths was designated a National Historic Landmark.

Congress adopted the St. Elizabeths Hospital and District of Columbia Mental Health Services Act, otherwise known as the Transfer Act, in 1984. The Act provided for the transition of the District's mental health system to local control and gave the District two opportunities to take title to the St. Elizabeths Hospital grounds and buildings.

On October 1, 1987, those buildings identified by the District as necessary for its mental health system were transferred, including the entire East Campus except for one building, five buildings on the West Campus, and approximately $27 million to pay for repairs.

The Transfer Act also provided the District a right of first refusal on the remaining property, which included most of the West Campus. Although the District occupied about 34 buildings on the West Campus, the second transfer did not take place.

In 1987, then Mayor Marion Barry signed a Use Permit with HHS that specifically required the District to preserve, maintain and repair the West Campus. The Use Permit was extended indefinitely in 1997. Although HHS oversight was minimal, our records show that we notified the city of various violations throughout the years but took no action beyond the notification.

The buildings have deteriorated significantly, as you have seen. To prevent further damage to the large Center Building, HHS spent $1 million on a new roof and gutter system in 1991 and spent another million dollars on mothballing and stabilization projections in the year 2000. One million dollars requested from Congress in 1998 was not appropriated.

Once we were notified by District officials in 2000 of their intent to vacate personnel from the campus the following year, we immediately began to take the steps necessary to protect and dispose of the property. GSA instructed HHS on the steps necessary to declare the property excess, and in September 2000, we completed Phase I of the required Environmental Assessment. In January 2001, HHS officially notified GSA of its intent to declare the property as excess.

In April 2001, the GAO on behalf of the Committee on Appropriations verified the need for funds associated with property disposal, including fulfilling the requirements of the National Environmental Policy Act and the National Historic Preservation Act. Later in 2001, Congress provided $6.5 million to begin the disposal process and mothballing.

In 2002, HHS awarded a contract for a building-by-building mothballing assessment of Federal buildings on the West Campus and completed the Phase II Environmental Survey. In May 2002, the Urban Land Institute conducted a study to develop suggestions on potential land use for the entire St. Elizabeths campus, both East and West.

In late 2002, the District hired an architectural firm to develop a framework plan for the campus, to identify appropriate uses, and to establish implementation strategies.

To start off 2003, in January, Mayor Williams held a public meeting to inform the community about the planning process for

St. Elizabeths. Also, at the beginning of this year, the District vacated its last employees from the campus, and HHS received a report on the building-by-building assessment.

GSA has arranged for bids on the mothballing and stabilization, but it was immediately apparent that the project was going to cost far more than the $6 million appropriated.

We plan to complete the project in three or more phases depending on available funding. HHS recently contracted with GSA to award the first phase, which will involve roofing, boarding up windows, securing entrances, and pest control. That should begin within the next 2 months.

Most of the buildings on the West Campus were constructed from 1855 to the early 1900's. Nearly every building suffers severe deterioration due to age and lack of maintenance. Our estimate to finish the mothballing and stabilization is approximately $20 million. This figure continues to rise with natural events such as our recent Hurricane Isabel and last year's severe winter.

The District is still removing furniture, files, and other articles from the buildings and is required by the Use Permit to give us written, 180-day notice that the property is no longer needed. HHS will be responsible for security and maintenance after the turnover by the District until GSA assumes responsibility.

St. Elizabeths' West Campus is one of the largest developable tracts in the District of Columbia and therefore an extremely valuable asset to the Federal Government, the community, and the future of Southeast Washington. Redevelopment will have a positive impact on the city and will promote economic growth in the area around St. Elizabeths. The government can and should make every effort to ensure that the property is redeveloped in such a way to preserve the historic buildings and site.

With its rich heritage, St. Elizabeths Hospital offers a wonderful look at an important aspect of our Nation's history. Creativity must be a part of a negotiation process between the Federal Government, the District and, if needed, private entities to preserve this important cultural asset.

GSA has informed HHS that there may be other Federal uses for the property. If a Federal transfer occurs, we believe it will greatly benefit the immediate community and the city as a whole. The continued mothballing and maintenance of the property is costly, and decisions need to be made as soon as possible.

At Secretary Thompson's initiative, HHS is redoubling our efforts to work with GSA, the District, and the community to make certain that the potential for St. Elizabeths Hospital is realized.

Thank you for allowing me to speak with you today, and I will try to answer any questions you might have.

Chairman COLLINS. Thank you very much.

Ms. Knisley, could you also introduce the person with you as you begin your statement?

TESTIMONY OF MARTHA B. KNISLEY,[1] DIRECTOR, DEPARTMENT OF MENTAL HEALTH, GOVERNMENT OF THE DISTRICT OF COLUMBIA, ACCOMPANIED BY DAVID NORMAN, ACTING GENERAL COUNSEL, DEPARTMENT OF MENTAL HEALTH

Ms. KNISLEY. Yes. Senator Collins, Senator Coleman, with me today is David Norman, who is our Acting General Counsel for the Department of Mental Health. He worked on the St. Elizabeths Campus for the Public Defender's Office in the District for 17 years and has been a source of informal information as we try to piece together these individual issues and is going to assist me today.

Chairman Collins, Senator Coleman, my name is Martha Knisley. I am Director of the District of Columbia Department of Mental Health, and I thank you for inviting me to testify before you on a subject of great importance to myself, my Department, and the citizens of our Nation's Capital—the past, the present, and the future of the West Campus of St. Elizabeths Hospital.

Before I begin, I would like to divert from the text for a moment and talk to you as a mental health professional who has worked in over 40 States, including the State of Maine, working at the Machias Campus and also in Bangor at that campus in my career. I have worked in, as I said, 41 States. I have worked in 77 State psychiatric hospitals during my career.

I have found personally and tragically, both as a young woman in undergraduate school when I did work in a deteriorating campus—it was hard to say "a deteriorating campus" when it had never been very functional to begin with—in Huntington, West Virginia, that as a Nation—and this goes beyond the scope of today's discussion—but as a Nation, what I found with our buildings, where we have placed our most vulnerable citizens, is that what we have done as a Nation to those people, to the people who work there, parallels the history of this campus.

It is an unspeakable tragedy.

I came to the District of Columbia at the request of a transitional receiver in the Dixon case that began in 1974. This case was brought against the HHS at that time, which was running St. Elizabeths, and the District of Columbia, which was operating a few small community clinics.

That case was brought with the expressed purpose to develop a system of care for people with mental illness in the District. It is 2003, and that case has not been settled.

It just so happens that the transfer of this hospital came at the time that the Federal Government wanted to exit the case. The point in fact is that the deterioration of St. Elizabeths Hospital began probably several decades before the case was even brought. These buildings have been rotting away for many decades. And as testified to earlier this morning by your staff, who have done an excellent job, Senator Collins, I found the same situation when I arrived that they found at St. Elizabeths.

The situation got so bad with the city's operation—again, all the time with HHS and the city operating not just for the buildings but for the people—that Federal Judge Aubrey Robinson in the Dixon

[1] The prepared statement of Ms. Knisley appears in the Appendix on page 77.

case placed the mental health system in the District in receivership in 1997. Mayor Williams aggressively argued to bring this system out of court receivership so that the city could begin to manage this system—partly because of this valuable property, the people who worked there, but the citizens in the District who need mental health care.

We did that in April 2001. One of the first actions that I had to take as director was to stop the renovation of the William A. White Building, where the renovation had begun before they had removed asbestos. They had not even removed the asbestos. And today, we heard about the conditions continuing this year.

There are two issues I would like to raise about those. One is that while in receivership, the Commission on Mental Health transferred all of the operations of their recordkeeping and those files you saw to a private firm without sufficient guarantees in that contract to manage those records that you saw. We have had to discontinue that contract. But the recordkeeping, Madam Chairman, was just as horrendous in terms of the billing for the services, so we had a double problem there. And we are rapidly trying to reconstruct what even went on with the patients during that period of time.

So those were billing records that you saw in the pictures. But even the other medical records, when we wanted to move them to buildings on the East Campus, our medical records building that we were using, where we wanted to use things, and that was under our control was in just as bad shape, so we had to shore up that building so we could move out of the other deteriorated buildings over onto the East Campus where we operate.

We are also aggressively moving to build a new hospital on that campus on the southwest corner of the East Campus so that we can meet the basic safety and health concerns of our patients whom you did not see on the East Campus but who are living in some of the same conditions.

When I arrived, Madam Chairman, the Centers for Medicaid and Medicare Services had placed this system on the endangered species list, if you will, for just its care. In August, they gave us a clean bill of health on active treatment at the hospital, brought us out of the conditions that we were in and said that at least our care for patients was on the upswing. Madam Chairman, as you can see, we still have a lot of catching up to do on the buildings themselves.

So I just wanted to give you that background, because we need to develop a fully functioning community mental health system here in the District. Mayor Williams is adamant that we do that. We have exited the receivership, and we should be able to exit that case in 2 years.

You have asked me to comment specifically on how the West Campus arrived at its current state of deterioration, and let me say that I have only secondhand knowledge of those events, and I have been trying to patch them together as you have, prior to my appointment.

It appears that there was very little institutional memory, and I do believe that HHS has captured it very well, as have your staff, so that we could begin to piece together who was responsible for what and when. But beyond that, what are we going to do next?

The Transfer Act that was initiated in 1987, as well as basically the original version of that Transfer Act, was charged with the responsibility for repairing and renovating those buildings and support systems that the District indicated it would need to use in its final system implementation plan, which was a part of the delivery of mental health services.

Pursuant to that Act, HHS contracted for a physical plant audit which was conducted by an architectural and engineering firm, and this audit concluded that it would cost $55.8 million to bring up to code those portions of the campus that the District intended to use. Of that amount, $25.8 million was attributed to renovation of the West Campus.

Unfortunately, this story, as you have heard this morning, only goes downhill from there. I would have to say, knowing what I have been going through, for example, just in the cleanup that we had to do after the storm last week, that probably every administrator in my seat before I became the director—and by the way, as we came out of receivership, it was the first time we actually created a Department of Mental Health; I report directly to the Mayor, and that did not occur before, either—but every year, they would have had to make the decision on cleaning up a building or making it safe for people living there today. And I myself personally have had to make that decision at least two or three dozen times in my short tenure—where am I going to place the resources that I have—in this deteriorating building or in a location where patients are actually living.

So in summary, yes, not enough money, promises probably not kept, and when HHS did come to the District and request that activity occur, that did not happen. And the challenges, as I said, exist both for the care of the patients and with respect to the care of the campus.

I can only say to you now, Senator Collins and Senator Coleman, that we are moving rapidly out of the buildings on the West Campus so that the mothballing can go ahead, and it has been a challenge for us to even do that this year, as has been evidenced here today, and we have been continuing even after the time that your staff were on the campus.

I am available to answer questions, and I would like to ask that my statement that I was going to read be put into the record.

Chairman COLLINS. Without objection, your statement will be entered in full.

Ms. Knisley, you have obviously spent your entire life dedicated to serving those with mental illness, and I salute you for that commitment. Since you have been a mental health clinician for many years, I would like to get your reaction to the fact that we found during our investigation patients' medical records—not just billing records; I am talking about actual patient files with full identifying information, with diagnosis information—and not just one or two files, but hundreds of files on each of five different visits to the West Campus.

Ms. KNISLEY. Madam Chairman, the A Building, where I believe that—again, from the pictures of where most of the files were found—in that particular building during my tenure, there were no staff offices or medical records offices. Those were the offices of the firm that had been contracted with that was located in that building, and it does appear, both from what we have been trying to construct just for the billing as well as for cleaning up the files and moving them, that many of the files migrated over to this billing operation. So the medical records—that is, the recordkeeping facility or division for the hospital that is used by the clinicians is actually located in a different building on the East Campus where we were operating. So it is somewhat of a mystery how the volume and those types of records found their way into the offices of these staff.

Chairman COLLINS. Please understand—this is in a vacant building with no staff, with virtually no security, with the roof caving in, with water dripping on these confidential medical records. And we informed your department the first time we found these records, because we were so alarmed at what we were seeing. We expected by our next visit that individuals from your department would have come and immediately moved the records or taken some steps to secure them. But that did not occur.

Moreover, there were members of your department who actually accompanied my staff on one of the visits and saw it for themselves.

I assume the District of Columbia has patient confidentiality laws, and I am just wondering why no action. It is bad enough that the records were left there in the first place, but after we informed your department, nothing was done.

Ms. KNISLEY. Madam Chairman, I am pleased to say that those records have been removed. The length of time to remove them—and this is not an excuse—but the length of time to remove them is in part related to the fact that the place where we were moving them, we were also cleaning up that building and shoring up the wall there, so we were doing both activities at the same time.

I might also add that the condition with the water coming in was going on while people were working in those buildings. I am not sure you were even aware—you went when they were vacant, but I do not know if they had taken the tarp down or not. They put a tarp up over the records and the computer equipment instead of repairing the building.

So you are absolutely right. It has been a challenge for us to remove those records, and they are removed now, and again, we are doubly challenged by getting them into a place that would be safe.

Chairman COLLINS. Mr. Stamper, in October 1996, the D.C. Preservation League, which is an organization of District historic preservationists, named St. Elizabeths Hospital to its list of eight most endangered properties, and a story in *The Washington Post* described the league as arguing that, "A lack of proper maintenance by the District Government has created a desperate need for repair and has made the structure's long-term fate uncertain."

That was 7 years ago. What actions did HHS take when alerted by outside groups to the deterioration of these buildings?

Mr. STAMPER. Madam Chairman, I am not familiar with that particular report. I think I can go back to the advent of this administration at least and say that we have been trying to be much more proactive about dealing with the St. Elizabeths problem. We are certainly aware of it.

There is some kind of a trail of correspondence that took place in the nineties between the Department and the District. I have not read up on the specific one that you are referencing. I could get back to you with a written answer on that.[1]

Chairman COLLINS. In your testimony and just now, you referred to correspondence back and forth between HHS and the District, but you also conceded that HHS oversight was minimal and that HHS did nothing other than notify the District of its violations.

Why didn't the Department take stronger actions to safeguard the taxpayers' investment in these properties?

Mr. STAMPER. I wish I knew the answer. I really—it is difficult for me to speculate back that far as to what recourse there was. There were certain things that probably could have been done short of an eviction notice or something, I guess.

I would also like to add, though, that there is a context here of a drawdown in the Department headquarters facilities staff in HHS, and in the mid-90's, it was drawn down to, I think, two people to oversee departmental facilities activities in total, which is virtually nothing.

Secretary Thompson, when he came in, recognized that we had a severe shortfall in the facilities function at Headquarters and took action to establish a new office that I am in charge of to establish an oversight presence at headquarters to try to avoid these kinds of problems.

Chairman COLLINS. Well, before I turn to my colleague, Senator Coleman, let me say in response to that that if HHS only had two people at headquarters in charge of overseeing all of the property—is that what you are saying——

Mr. STAMPER. That is my understanding.

Chairman COLLINS [continuing]. I cannot think of a more penny-wise and pound-foolish decision than to cut back on the staff that is responsible for ensuring the quality of the taxpayers' investment in real estate property that is valued in the multiple millions—just this one property alone, not to mention all the other HHS property.

Ms. KNISLEY. Madam Chairman, if I might, it is possible, knowing the individuals involved at the time, that if HHS attempted to pursue that with the District, the District officials could have said, "Well, this is our operating money; it would take away from patient care." Again, that is not to say that HHS should not have done more, but I think that the responsibility for that maintenance during that period of time, the District did need to step up to the plate, and I would suspect that there was some hope that during that receivership period, the District would in fact have done that.

So I am not trying to say that HHS should not have done more, but it was very evident to individuals whom I have interviewed that, because the city was taking the repair money out of their operating budget, what people could see was that that was taking away from the patients. So that may have been going on. And again, that is not to at all say——

Chairman COLLINS. I would argue that it is not good care——

Ms. KNISLEY. No, it is not good.

[1] Letter from Mr. Stamper, dated November 12, 2003, in response to the question of an article in *The Washington Post* appears in the Appendix on page 82.

Chairman COLLINS [continuing]. Of patients or fair treatment of the staff——

Ms. KNISLEY. It was not, no.

Chairman COLLINS [continuing]. To allow this kind of deterioration. Senator Coleman.

OPENING STATEMENT OF SENATOR COLEMAN

Senator COLEMAN. Thank you, Madam Chairman.

Madam Chairman, first let me thank you for your leadership on this issue. This is important. You are always doing a public service, but this is a public service. This is a public service, and I appreciate it. I always and quite often, as you know, reflect upon my experience as a mayor. I will have to tell you that in my city, when we went through our list of problem properties, the leading landlord of problem properties was the Federal Government. So I think that what we are exploring here in a very dramatic and almost beyond comprehension way is perhaps symptomatic of a range of other issues that deserve further exploration. Again, I saw that in my city. We did not take this kind of action to deal with it; we dealt with it one-on-one. But I hope that down the road, we can kind of get our arms around this.

I am not even sure what question I want to ask here, but I will tell you that I always have an appreciation for folks who dedicate their lives to public service and what you have done, Ms. Knisley, but as I listened and reading your testimony—I am still, by the way, trying to figure out how files migrate over; I am not sure what that means—but I would say that particularly in regard to the issue of patient confidentiality, that issue is one that folks are not being cared for if those records are made available. I am trying to sort out what happened here, and I think you are faced with what folks around cities always face when you have "x" number of dollars, and do you put them into patient care, or do you put them into fixing something up. And the problem is that there is a delicate balance, and when the balance is somehow not dealt with appropriately, you have problems, and there are clearly dramatic problems here.

In your testimony, you note that "You asked me to address the responsibility for this state of affairs," and you then say "The responsibility ultimately rests with HHS as a holding agency of the property." I think I would have much preferred both of you coming up here and saying, "Do you know something—we really messed up. We did not do what should have been done, and we will do everything in our power from this day forth to address that."

From the HHS perspective, I hope that you are looking over your list of 10 worst properties and taking a very close look at what you are doing and not doing rather than waiting for the Chairman to show up on the doorstep and figure out what has not been done. I would hope that has been done already.

Mr. STAMPER. Well, in fact, I think we had started the process to look and fix this problem prior to the Committee's interest. Maybe we could be criticized for the speed, but we have been working on this very diligently.

Senator COLEMAN. My concern about working on it is that as I am listening to the testimony, I hear a lot of discussion about long-term plans, grand vision, land institute, future use, but there is the more immediate need of did you get a broom in there to pick up the garbage. I mean, I worry that sometimes we are not seeing the forest for the trees here. And the first step says we are going to make this safe. This is a safety issue. I do not know if there are kids in the area, Madam Chairman, but God forbid that there are, with these kinds of conditions.

So, rather than ask a question, I would say that I hope the Department is not getting caught up in what the long-term vision is, but first saying "We will make sure that these properties are cleaned up. We will make sure that they are secure." And then we can go beyond that.

And I would hope, Ms. Knisley, that you would go back and figure out why it took so long for files that were sitting around not to be picked up and have somebody responsible to act on that.

Ms. KNISLEY. Yes, I totally agree, Senator Coleman. And let me just say that even with the ultimate responsibility as the landlord, we have the responsibility of the care of the patients and the security of the records, absolutely.

The first is no longer working for us in part because of this, and our staff have had to go in behind them and clean up these records. And I cannot fathom, either, this migration of that information to a company that was going to be doing billing. I cannot fathom that, either.

I have the responsibility now, this is the shape I found it in, but I totally agree that it is my responsibility to get it cleaned up, and we are doing that as quickly as we can.

Senator COLEMAN. I appreciate that, but I will tell you that it is hard for me to fathom when a Member of the U.S. Senate or Congress raises an issue about something, and files are lying around, that someone is going to come back and see them still there "x" number of days later. I cannot fathom that the next day, I do not have somebody there, figuring out what is being done and taking care of it—and if it is not done, figuring out who did not do it and deal with that, because if you do not, the problem will still exist.

Ms. KNISLEY. Right. And Senator Coleman, yes, we did both. We dealt with the people who were supposed to have done it, and now we have dealt with the conditions themselves—or, I should say with the files. The conditions themselves are along way from being complete.

Senator COLEMAN. Thank you. Thank you, Madam Chairman.

Chairman COLLINS. Thank you, Senator Coleman. Senator Carper.

OPENING STATEMENT OF SENATOR CARPER

Senator CARPER. Thanks, Madam Chairman, and to our witnesses, thank you for joining us today.

I apologize for not being here during the time that you were testifying, and what I am going to ask you to do is, if you will, just take a minute or two apiece and, as we approach the end of this hearing, just share with me what you would hope the Members of this Committee would take from this hearing, what we and our staff would take from this hearing as we go forward.

Ms. KNISLEY. Senator Carper, and to the Members of the Committee, if I could summarize for me personally, I would go back and redo as much as we possibly can do. That is obviously not going to happen, and I apologize to the Members of the Committee and particularly, Madam Chairman, to you for the amount of time that it has taken us to fulfill our responsibilities to clean out these buildings.

The matter of St. Elizabeths Hospital, as I said in my opening statement, is a very large and very personal concern. It was the crown jewel of psychiatric hospitals in the United States at one point in time, and since the 1960's, it has become the worst example of our treatment and care of persons with mental illness that I can imagine or that I have ever seen. And the lack of follow-up and follow-through by the D.C. Government during the last 20 years has been a tragedy.

Mayor Williams, who fought valiantly to get this Department back under his control, has given us a very strong mandate to clean up the mental health system and to make good use of the hospital and to build a new hospital on this campus for the care of our patients, and we are proceeding as vigorously as we can to see that that occurs.

Again, in a way, this is about Federal property today in the hearing, and it is a very important hearing, and we understand our responsibilities as part of that and our responsibilities to the care and treatment of the patients.

Senator CARPER. Thank you. Mr. Stamper.

Mr. STAMPER. Thank you, Senator.

Several points—the Department of Health and Human Services has declared the property excess to our needs. Factually, we have not needed it since mental health care was transferred to the District in 1987. We are working with GSA to release the property and are following the Federal process that we have to follow to do that.

The District has been responsible for maintenance and repair since the Use Agreement was signed in 1987. Our oversight, admittedly, of that Use Agreement was not what it should have been. The property is in bad shape, and we believe it has a high potential for redevelopment in the right hands.

Senator CARPER. Thanks very much. Madam Chairman, thank you.

Chairman COLLINS. Thank you very much, Senator.

Mr. Stamper, you testified that it would take approximately $20 million just to mothball the buildings. Is that the route that HHS is now pursuing? Would it make sense since, as you pointed out, this is one of the largest developmental tracts, buildable tracts, left in the city to instead partner with the private sector to try to develop this property instead of investing $20 million just in mothballing it—or are the buildings so far gone at this point that you have to mothball them first before you can go on to try to find a developer who might be interested?

Mr. STAMPER. It is a difficult question to answer because timing becomes important, and the rate of deterioration is so rapid because of where we are now. What I can say, though, is that, working through the Federal process, GSA has to determine if there is a Federal need for the property, and it is really going to be in their hands as the government's property manager. The Department of Health and Human Services does not have the legal authority to negotiate those kinds of partnerships.

Chairman COLLINS. GSA would take over that responsibility?

Mr. STAMPER. Yes, ma'am.

Chairman COLLINS. Another question that I want to ask you comes from a comment that was made by Ms. Knisley, and that is when she said that there was a concern about taking from patient care. And your written statement makes a similar comment. Didn't the Use Permit between the Department and the District of Columbia call upon the District to be fully responsible for all the maintenance, repairs, and operations of the West Campus?

Mr. STAMPER. Yes, it did.

Chairman COLLINS. So presumably, when the District agreed to the Use Permit, it agreed to take over the maintenance of the buildings in a way that should have been separate from the money for patient care; is that not accurate?

Mr. STAMPER. I do not know how the District would normally run their budget, but certainly the Use Agreement requires them to maintain and preserve the facilities.

Chairman COLLINS. Ms. Knisley, would you like to comment on that? My point is that when the District agreed to these conditions, it presumably knew what it was agreeing to.

Ms. KNISLEY. Madam Chairman, I think that is part of the problem, and as a matter of fact, we are in litigation because in the due diligence phase of turning over the land and, again, an audit—and again, I was not here at the time—but an audit revealed that there was a certain amount of money that was required—I believe it was $55 million—but only $25 million was forthcoming as part of that transfer at that time.

So the District took on this responsibility and agreed to certain responsibilities without fully appreciating the repair costs—not capital costs, but repair costs—that come out of the operating budget. Since I have been director, I have asked for—and Mayor Williams has granted and it is before Congress as we speak—additional capital funds so that we are not dipping into the operating funds, because in operating, you are moving between the day-to-day maintenance and your staffing in an operating budget. And what was happening was that they were sucking up these daily operating funds, because they did not have capital funds to do the kinds of repairs.

We had two dozen water main breaks this winter that cost us about $2.7 million. I took that out of patient care. And I believe that is what happened over this period of time, that because there was not a capitalization of these repairs, it then fell naturally to the operating budget.

Chairman COLLINS. Of course, one of the obvious problems here is that very small maintenance problems were not attended to which would have been inexpensive, relatively speaking, had they been dealt with at the time that they occurred, and because they did not, there is, for example, extensive water damage, which produced a host of other problems.

It is just very troubling to see these buildings, this extraordinary asset that the Federal Government owns, and today the best estimate is that it will take $450 million to rehabilitate these buildings.

Ms. KNISLEY. I would not like to have to buy the bottled water—even though we get very good Poland water, Madam Chair—I would not like to have to buy bottled water for our patients. I would like to be able to use the water there. That is just an example.

I have employees who have never had hot water in their entire careers—or patients—30 years, because we made a difference between hot water and fixing something else.

Chairman COLLINS. I just want to end my questioning with one clarification. As I indicated to you, in each of the five visits that my staff made to the buildings, we still found confidential patient records, lab results, and during my visit, a corporate credit card, an American Express card, all sorts of materials that should not have been left there.

Are you testifying today that the District has now removed and safeguarded all of those personnel and patient records that we saw?

Ms. KNISLEY. Yes, Madam Chairman. There are two sets of items in the Administration Building, and I believe we are still removing material out of the basement and some items, but the patient records have been removed.

The corporate credit card, by the way, was the firm that is no longer working for us. Our agency has no credit cards. And again, that just illustrates the fact that this whole operation had been turned over to a private company with no oversight of that company. The contract had no oversight even written into the contract over the company.

Chairman COLLINS. That is also inexcusable but outside the scope of this particular hearing.

Ms. KNISLEY. Absolutely. I understand, Madam Chairman.

Chairman COLLINS. I would like to ask my two colleagues if they have any further comments or questions. Senator Coleman.

Senator COLEMAN. Madam Chairman, just one. Actually, in reference or in follow-up to the question you asked Mr. Stamper about the possibility of some kind of public-private partnership for further development, those things do take time. I would certainly urge the Department to get in there and clean it up. Do that, and at the same time, you can be involved in some long-term planning. But development takes a while—it is great to have a long-term vision, but I think there are some immediate needs. And whether it is this property, St. Elizabeths, or others, I do hope the Department is looking to say, OK, what are we going to get done today to make sure that facilities are safe.

Thank you, Madam Chairman.

Chairman COLLINS. Thank you, Senator, and thank you for your participation. Senator Carper.

Senator CARPER. I would simply say to you, Madam Chairman, that I look forward to taking a minute or so at the conclusion of this hearing just to talk about what other steps we might need to contemplate; if we could do that, I would appreciate it.

Chairman COLLINS. Absolutely. Thank you.

I want to thank our witnesses today. As I said when I began this hearing, St. Elizabeths was the most egregious example of a deteriorated Federal real property asset that our Committee has looked at, but there are many others that we found as part of our review. As the GAO testified, the number of vacant and underutilized Federal buildings or federally-owned buildings is truly astonishing. We have a lot of work to do in this area to make sure that the investment of Federal taxpayers in real property is safeguarded. So we look forward to continuing this investigation.

We will be keeping the record open for 15 days for the submission of any additional statements or questions.

I thank our witnesses for their cooperation. We look forward to working with you to ultimately produce a happy outcome for the reuse of the West Campus of St. Elizabeths.

This hearing is now adjourned. Thank you.

[Whereupon, at 11:15 a.m., the Committee was adjourned.]

APPENDIX

PREPARED STATEMENT OF SENATOR LAUTENBERG

Madam Chairman, this is an important hearing. The Federal Government owns or leases 3.3 billion square feet of building floor area and has real property assets worth nearly 330 billion dollars. That's a lot of property and a lot of money.

I doubt anyone would argue that the Federal Government needs *every* square foot of that space. Clearly, the Federal Government could get rid of some of this property.

There are "opportunity costs" when the Federal Government holds onto excess property: Taxpayers pay higher taxes to maintain the property and it's not being put to a more beneficial use. Moreover, the money used to maintain property we *don't use* isn't available to refurbish the property we *do use.* According to the General Accounting Office, the General Services Administration has a maintenance and repair backlog of somewhere between 4.0 and 5.7 billion dollars.

Clearly, the time is ripe for real property reform.

There is another subject which I hope will be addressed to some extent today: Terrorism and its impact on government buildings and other property.

We have been told that we are *winning* the war against terrorism. It sure doesn't look like it to me. Just drive down Constitution Avenue or Pennsylvania Avenue. Barricades everywhere. Streets blocked off. It looks like a war zone. As best as I can tell, there are concrete barriers surrounding *every* government building in town except—interestingly—the *Internal Revenue Service!* Putting flowers in these things isn't a big improvement!

I realize much of this was done hastily, and is meant to be temporary. Let's hope so. One of the important characteristics of our democracy is *openness.* We have lost that since 9-11.

I don't mean to trivialize the very real threat that modern terrorism poses but I would like to think that we have the creativity and skill to protect our buildings and other property without making Washington look like Berlin during the Cold War.

I look forward to hearing from our witnesses about this. Thank you, Madam Chairman.

United States General Accounting Office

GAO

Testimony

Before the Committee on Governmental Affairs, United States Senate

For Release on Delivery
Expected at 9:30 a.m. EDT
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FEDERAL REAL PROPERTY

Actions Needed to Address Long-standing and Complex Problems

Statement of David M. Walker
Comptroller General of the United States

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Accountability * Integrity * Reliability

GAO-04-119T

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Highlights

Highlights of GAO-04-119T, a testimony before the Committee on Governmental Affairs, United States Senate

October 2003

FEDERAL REAL PROPERTY

Actions Needed to Address Long-standing and Complex Problems

Why GAO Did This Study

The federal government faces long-standing problems with excess and underutilized real property, deteriorating facilities, unreliable real property data, and costly space. These problems have multibillion-dollar cost implications and can seriously jeopardize agencies' missions. In addition, federal agencies face many challenges securing real property due to the threat of terrorism. This testimony discusses long-standing, complex problems in the federal real property area and what actions are needed to address them.

What GAO Recommends

This testimony discusses recommendations that GAO has previously made. There is a need for a comprehensive and integrated transformation strategy that could identify how to realign real property and dispose of unneeded assets; address repair and restoration needs; develop reliable data; reduce the reliance on costly leasing; and protect assets from terrorism.

An independent commission or governmentwide task force may be needed to develop this strategy, and legislative actions are needed to provide agencies with tools and incentives to help them address the problems. If resulting actions address the problems, agencies will be better able to recover asset values, reduce operating costs, improve facility conditions, enhance security, and achieve mission effectiveness.

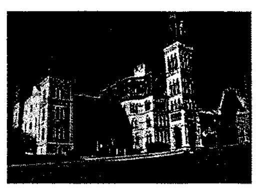
www.gao.gov/cgi-bin/getrpt?GAO-04-119T.

To view the full product, click on the link above. For more information, contact Bernard Ungar at (202) 512-2834 or ungarb@gao.gov.

What GAO Found

Government data show that over 30 agencies control hundreds of thousands of real property assets worldwide, including facilities and land, which are worth hundreds of billions of dollars. Unfortunately, much of this vast, valuable portfolio reflects an infrastructure based on the business model and technological environment of the 1950s. Many of the assets are no longer effectively aligned with, or responsive to, agencies' changing missions and are therefore no longer needed. Further, many assets are in an alarming state of deterioration; agencies have estimated that restoration and repair needs are in the tens of billions of dollars. Compounding these problems are the lack of reliable governmentwide data for strategic asset management, a heavy reliance on costly leasing instead of ownership to meet new space needs, and the cost and challenge of protecting these assets against potential terrorism.

Given the persistence of these problems and related obstacles, we designated federal real property as a new high-risk area in January 2003. Resolving these problems will require high-level attention and effective leadership by both Congress and the administration. Also, current structures and processes may not be adequate to address the problems. Thus, as we have reported, there is a need for a comprehensive, integrated transformation strategy for real property that will focus on some of the underlying causes that contribute to these problems, such as competing stakeholder interests in real property decisions, various legal and budget-related disincentives to businesslike outcomes, inadequate capital planning, and the lack of governmentwide focus on real property issues. It is equally important that Congress and the administration work together to develop and enact needed reform legislation to give real property-holding agencies incentives and tools they need to achieve better outcomes. This would also foster a more businesslike real property environment and provide for greater accountability.



Source: VA.

A vacant VA hospital building in Milwaukee, WI

Source: PTO.

The U.S. Patent and Trademark Office (PTO) Construction Project in Alexandria, VA (February 2003)

Madam Chairman and Members of the Committee:

We welcome the opportunity to testify on the executive and legislative branch actions that are needed to address the long-standing and complex problems that led to our designation of federal real property as a high-risk area. As you know, at the start of each new Congress since 1999, we have issued a special series of reports, entitled the *Performance and Accountability Series: Major Management Challenges and Program Risks*. In January 2003, we designated federal real property a high-risk area as part of this series.[1] My testimony is based on our January 2003 high-risk report; work we have done to update information on some of the example properties from our January 2003 high-risk report; and other GAO reports on real property issues, including public-private partnerships.[2] My testimony focuses on the problems with federal real property and what needs to be done to address them.

Summary

Data from the General Services Administration (GSA) show that over 30 agencies control hundreds of thousands of real property assets worldwide, including facilities and land. According to the U.S. government's financial statements for fiscal year 2002, these assets are worth hundreds of billions of dollars. Unfortunately, much of this vast, valuable portfolio reflects an infrastructure based on the business model and technological environment of the 1950s. Many of the assets are no longer effectively aligned with, or responsive to, agencies' changing missions and are therefore no longer needed. Further, many assets are in an alarming state of deterioration; agencies estimate that restoration and repair needs are in the tens of billions of dollars. Compounding these problems are the lack of reliable governmentwide data for strategic asset management, a heavy reliance on

[1] U.S. General Accounting Office, *High-Risk Series: Federal Real Property*, GAO-03-122 (Washington, D.C.; Jan. 2003); the report on real property is a companion to GAO's 2003 high-risk update, U.S. General Accounting Office, *High-Risk Series: An Update*, GAO-03-119 (Washington, D.C.: Jan. 2003); these reports are intended to help the new Congress focus its attention on the most important issues and challenges facing the federal government.

[2] Under a public-private partnership, a contractual arrangement is formed between public and private sector partners that can include a variety of activities that involve the private sector in the development, financing, ownership, and operation of a public facility or service. In the case of real property, the federal government typically would contribute the property and a private sector entity contributes financial capital and borrowing ability to redevelop or renovate the property.

costly leasing instead of ownership to meet new space needs, and the cost and challenge of protecting these assets against potential terrorism.

Resolving these long-standing problems will require high-level attention and effective leadership by both Congress and the administration. Also, because of the breadth and complexity of the issues, the long-standing nature of the problems, and the intense debate that will likely ensue, current structures and processes may not be adequate to address the problems. Thus, there is a need for a comprehensive, integrated transformation strategy for real property and an independent commission or governmentwide task force may be needed to develop the strategy. This strategy should reflect lessons learned and leading practices of public and private organizations. In addition to the strategy, it is critical that all key stakeholders—Congress, the Office of Management and Budget (OMB), and real property-holding agencies—continue to work diligently on efforts already planned and under way that are intended to promote better real property capital decisionmaking. These include assessing infrastructure and human capital needs and examining viable funding options.

If actions resulting from the transformation strategy and other efforts address the long-standing problems and are effectively implemented, agencies will be better able to recover asset values, reduce operating costs, improve facility conditions, enhance security and safety, recruit and retain employees, and achieve mission effectiveness. Realigning the government's real property, taking into consideration the future federal role and workplace needs, will be critical to improving the government's performance and ensuring accountability within expected resource limits.

The Federal Real Property Environment

The federal real property environment has many stakeholders and involves a vast and diverse portfolio of assets that are used for a wide variety of missions. Real property is generally defined as facilities; land; and anything constructed on, growing on, or attached to land. The U.S. government's fiscal year 2002 financial statements show an acquisition cost of more than $335 billion for real property assets held by the federal government on September 30, 2002.[3] In terms of facilities, the latest

[3]This value does not include stewardship assets, which are not reported on the government's balance sheet as of September 30, 2002. These assets include wilderness areas, scenic river systems, monuments, and national defense assets. Also, real property data contained in the financial statements of the U.S. government have been problematic. As discussed in more detail later, we were unable to express an opinion on the U.S. government's consolidated financial statements for fiscal year 2002.

available governmentwide data from GSA indicated that as of September 30, 2002, the federal government owned and leased approximately 3.4 billion square feet of building floor area worldwide.[4] The Department of Defense (DOD), U.S. Postal Service (USPS), GSA, and the Department of Veterans Affairs (VA) hold the majority of the owned facility space.

Federal real property managers operate in a complex and dynamic environment. Numerous laws and regulations govern the acquisition, management, and disposal of federal real property. The Federal Property and Administrative Services Act of 1949, as amended (Property Act), and the Public Buildings Act of 1959, as amended, are the laws that generally apply to real property held by federal agencies; and GSA is responsible for the acts' implementation.[5] Agencies are subject to these acts, unless they are specifically exempted from them, and some agencies may also have their own statutory authority related to real property. Agencies must also comply with numerous other laws related to real property.

The Federal Government Has Many Assets it Does Not Need

Despite significant changes in the size and mission needs of the federal government in recent years, the federal portfolio of real property assets in many ways still largely reflects the business model and technological environment of the 1950s and faces serious security challenges. In the last decade alone, the federal government has reduced its workforce by several hundred thousand personnel, and several federal agencies have had major mission changes. With these personnel reductions and mission changes, the need for existing space, including general-purpose office space, has declined overall and necessitated the need for different kinds of space. At the same time, technological advances have changed workplace needs, and many of the older buildings are not configured to accommodate new technologies. The advent of electronic government is starting to change how the public interacts with the federal government. These changes will have significant implications for the type and location of property needed in the 21st century. Furthermore, changes in the overall domestic security environment have presented an additional range of challenges to real property management that must be addressed.

[4] U.S. General Services Administration, *Federal Real Property Profile, as of September 30, 2002* (Washington, D.C.).

[5] For the Property Act, see 40 U.S.C. § 101 et. seq.; the Property Act excludes certain types of property, such as public domain assets and land reserved or dedicated for national forest or national park purposes; for the Public Buildings Act, see 40 U.S.C. § 3301 et. seq.

One reason the government has many unneeded assets is that some of the major real property-holding agencies have undergone significant mission shifts that have affected their real property needs. For example, after the Cold War, DOD's force structure was reduced by 36 percent. Despite four rounds of base closures, DOD projects that it still has considerably more property than it needs. The National Defense Authorization Act for Fiscal Year 2002,[6] which became law in December 2001, gave DOD the authority for another round of base realignments and military installation closures in 2005. Various factors may significantly reduce the need for real property held by USPS. These factors include new technologies, additional delivery options, and the opportunity for greater use of partnerships and retail co-location arrangements. A July 2003 Presidential Commission report on USPS stated, among other things, that USPS had vacant and underutilized facilities that had little, if any, value to the modern-day delivery of the nation's mail.[7] According to testimony by the Co-Chair of the Commission, rightsizing of the postal network would be crucial to USPS's transformation into a modern, 21st century institution[8].

In the mid-1990s, VA began shifting its role from being a traditional hospital-based provider of medical services to an integrated delivery system that emphasizes a full continuum of care with a significant shift from inpatient to outpatient services. Subsequently, VA has struggled to reduce its large inventory of buildings, many of which are underutilized or vacant. Although the Department of Energy (DOE) is no longer producing new nuclear weapons, it still maintains a facilities infrastructure largely designed for this purpose.

The magnitude of the problem with underutilized or excess federal property puts the government at significant risk for wasting taxpayers' money and missed opportunities. First, underutilized or excess property is costly to maintain. DOD estimates that it is spending $3 billion to $4 billion each year maintaining facilities that are not needed. In July 1999, we reported that vacant VA space was costing as much as $35 million to

[6]P.L. 107-107, 115 Stat. 1012, 1342 (2001).

[7]President's Commission on the United States Postal Service, *Embracing the Future: Making the Tough Choices to Preserve Universal Mail Service* (Washington, D.C.: July 31, 2003).

[8]Statement of James A. Johnson, before the Senate Committee on Governmental Affairs, *U.S. Postal Service: What Can Be Done to Ensure Its Future Viability?* (Washington, D.C.: Sept. 17, 2003).

maintain each year.[9] Costs associated with excess DOE facilities, primarily for security and maintenance, exceed $70 million annually.[10] It is likely that other agencies that continue to hold excess or underutilized property are also incurring significant costs for staff time spent managing the properties and on maintenance, utilities, security, and other building needs. Second, in addition to day-to-day operational costs, holding these properties has opportunity costs for the government, because these buildings and land could be put to more cost-beneficial uses, exchanged for other needed property, or sold to generate revenue for the government. Finally, continuing to hold property that is unneeded does not present a positive image of the federal government in local communities. Instead, it presents an image of waste and inefficiency that erodes taxpayers' confidence in government. It also can have a negative impact on local economies if the property is occupying a valuable location and is not used for other purposes, sold, redeveloped, or used in a public-private partnership.

Appendix I discusses some examples of vacant, highly visible properties that are in the federal inventory— the former main VA hospital building at the Milwaukee, Wisconsin, health facility campus; St. Elizabeths Hospital in Washington, D.C.; and the former main post office building in downtown Chicago, Illinois. These examples demonstrate the range of challenges agencies face in disposing of unneeded property.

The Federal Portfolio Is in an Alarming State of Deterioration

Restoration, repair, and maintenance backlogs in federal facilities are significant and reflect the federal government's ineffective stewardship over its valuable and historic portfolio of real property assets. The state of deterioration is alarming because of the magnitude of the repair backlog—current estimates show that tens of billions of dollars will be needed to restore these assets and make them fully functional. This problem has accelerated in recent years because much of the federal portfolio was constructed over 50 years ago, and these assets are reaching the end of their useful lives. As with the problems related to underutilized or excess property, the challenges of addressing facility deterioration are also prevalent at major real property-holding agencies. For example:

[9] U.S. General Accounting Office, *VA Health Care: Challenges Facing VA in Developing an Asset Realignment Process*, GAO/T-HEHS-99-173 (Washington, D.C.: July 22, 1999).

[10] DOE Office of the Inspector General, *Disposition of the Department's Excess Facilities*, DOE/IG-0550 (Washington, D.C.: Apr. 3, 2002).

- Over the last decade, DOD reports that it has been faced with the major challenge of adequately maintaining its facilities to meet its mission requirements. Although DOD no longer reports data on backlog of repairs and maintenance, it reported in 2001 that the cost of bringing its facilities to a minimally acceptable condition was estimated at $62 billion; the cost of correcting all deficiencies was estimated at $164 billion.[11]

- The Department of the Interior (Interior) has a significant deferred maintenance backlog that the Interior Inspector General (IG) estimated in April 2002 to be as much as $8 billion to $11 billion. This backlog has affected numerous national treasures, such as Ellis Island, Yellowstone National Park, and Mount Rushmore, just to name a few.

- GSA has struggled over the years to meet the repair and alteration requirements identified at its buildings. In March 2000, we reported that GSA data showed that over half of GSA's approximately 1,700 buildings needed repairs estimated to cost about $4 billion.[12] More recently, in August 2002, we reported that this estimated backlog of identified repair and alteration needs was up to $5.7 billion.[13]

Other agencies with repair backlogs that we highlighted in our high-risk report include the Department of State (State), DOE, the Smithsonian Institution, and USPS. Since issuing our high-risk report, we have updated our assessment of facility conditions at DOD and State.

- In February 2003, we reported that although the amount of money the active forces have spent on facility maintenance had increased recently, DOD and service officials said that these amounts had not been sufficient to halt the deterioration of facilities.[14] Too little funding to adequately maintain facilities is also aggravated by DOD's acknowledged retention of facilities in excess of its needs. Furthermore, the information that the

[11]U.S. Department of Defense, *Report to Congress: Identification of the Requirements to Reduce the Backlog of Maintenance and Repair of Defense Facilities* (Washington, D.C.: Apr. 2001).

[12]U.S. General Accounting Office, *Federal Buildings: Billions Are Needed for Repairs and Alterations*, GAO/GGD-00-98 (Washington, D.C.: Mar. 30, 2000).

[13]U.S. General Accounting Office, *Financial Condition of Federal Buildings Owned by the General Services Administration*, GAO-02-854R (Washington, D.C.: Aug. 8, 2002).

[14]U.S. General Accounting Office, *Defense Infrastructure: Changes in Funding Priorities and Strategic Planning Needed to Improve the Condition of Military Facilities*, GAO-03-274 (Washington, D.C.: Feb. 19, 2003).

services have on facility conditions is not consistent, making it difficult for Congress, DOD, and the services to direct funds to facilities where they are most needed and to accurately gauge facility conditions. And, although DOD has a strategic plan for facilities, it lacks comprehensive information on the specific actions, time frames, responsibilities, and funding needed to reach its goals. In May 2003, we also reported on a similar problem with National Guard and Reserve facilities.[15]

- In March 2003, we reported that many of the primary office buildings at overseas embassies and consulates were in poor condition.[16] In 2002, State estimated that its repair backlog was $736 million. In addition, the primary office buildings at more than half of the posts do not meet certain fire/life safety standards. State officials stated that maintenance costs would increase over time because of the age of many of the buildings, and overcrowding has become a problem at several posts.

Our work over the years has shown that the deterioration problem leads to increased operational costs, has health and safety implications that are worrisome, and can compromise agency missions. In addition, we have reported that the ultimate cost of completing delayed repairs and alterations may escalate because of inflation and increases in the severity of the problems caused by the delays.[17] As discussed above, the overall cost could also be affected by government realignment. That is, to the extent that unneeded property is also in need of repair, disposing of such property could reduce the repair backlog. Another negative effect, which is not readily apparent but nonetheless significant, is the effect that deteriorating facilities have on employee recruitment, retention, and productivity. This human capital element is troublesome because the government is often at a disadvantage in its ability to compete in the job market in terms of the salaries agencies are able to offer. Poor physical work environments exacerbate this problem and can have a negative impact on potential employees' decisions to take federal positions. Furthermore, research has shown that quality work environments make

[15]U.S. General Accounting Office, *Defense Infrastructure: Changes in Funding Priorities and Management Processes Needed to Improve Condition and Reduce Costs of Guard and Reserve Facilities*, GAO-03-516 (Washington, D.C.: May 15, 2003).

[16]U.S. General Accounting Office, *Overseas Presence: Conditions of Overseas Diplomatic Facilities*, GAO-03-557T (Washington, D.C.: Mar. 20, 2003).

[17]U.S. General Accounting Office, *Federal Buildings: Funding Repairs and Alterations Has Been a Challenge—Expanded Financing Tools Needed*, GAO-01-452 (Washington, D.C.: Apr. 12, 2001).

employees more productive and improve morale. Finally, as with excess or underutilized property, deteriorated property presents a negative image of the federal government to the public. This is particularly true when many of the assets the public uses and visits the most—such as national parks and museums—are deteriorated and in generally poor condition.

Key Decisionmakers Lack Reliable and Useful Data on Real Property Assets

Compounding the problems with excess and deteriorated property is the lack of reliable and useful real property data that are needed for strategic decisionmaking. GSA's worldwide inventory database and related reports are the only central sources of descriptive data on the makeup of the real property inventory, such as property address, square footage, acquisition date, and property type. However, in April 2002, we reported that the worldwide inventory contained data that were unreliable and of limited usefulness.[18] GSA agreed with our findings and has revamped this database and produced a new report on the federal inventory, as of September 30, 2002.[19] We have not evaluated GSA's revamped database and related report.

In addition to problems with the worldwide inventory, real property data contained in the financial statements of the U.S. government have been problematic.[20] In April 2003, we reported that—for the sixth consecutive year—we were unable to express an opinion on the U.S. government's consolidated financial statements for fiscal year 2002.[21] We have reported that because the government lacked complete and reliable information to support asset holdings—including real property—it could not satisfactorily determine that all assets were included in the financial statements, verify that certain reported assets actually existed, or substantiate the amounts at which they were valued. Aside from the

[18]U.S. General Accounting Office, *Federal Real Property: Better Governmentwide Data Needed for Strategic Decisionmaking*, GAO-02-342 (Washington, D.C.: Apr. 16, 2002).

[19]U.S. General Services Administration, *Federal Real Property Profile as of September 30, 2002* (Washington, D.C.).

[20]The Chief Financial Officers Act of 1990 (CFO Act), as expanded by the Government Management Reform Act, required the annual preparation and audit of individual financial statements for the federal government's 24 major agencies. The Department of the Treasury was also required to compile consolidated financial statements for the U.S. government annually, which we audit.

[21]U.S. General Accounting Office, *Fiscal Year 2002 U.S. Government Financial Statements: Sustained Leadership and Oversight Needed for Effective Implementation of Financial Management Reform*, GAO-03-572T (Washington, D.C.: Apr. 8, 2003).

problematic financial data, some of the major real property-holding agencies—including DOD, State, GSA, and Interior—have faced challenges in developing quality management data on their real property assets. The problems at these agencies are discussed in more detail in our high-risk report.

Reliance on Costly Leasing

As a general rule, building ownership options through construction or purchase are the least expensive ways to meet agencies' long-term and recurring requirements for space. Lease-purchases—under which payments are spread out over time and ownership of the asset is eventually transferred to the government— are generally more expensive than purchase or construction but are generally less costly than using ordinary operating leases to meet long-term space needs.[22] However, over the last decade, we have reported that GSA—as the central leasing agent for most agencies—relies heavily on operating leases to meet new long-term needs because it lacks funds to pursue ownership. In 1999, we reported that for nine major operating lease acquisitions that GSA had proposed, construction would have been the least-cost option in eight cases and would have saved an estimated $126 million. Lease-purchase would have saved an estimated $107 million, compared with operating leases but would have cost $19 million more than construction.[23] A prime example of this problem was the Patent and Trademark Office's long-term requirements in northern Virginia, where the cost of meeting this need with an operating lease was estimated to be $48 million more than construction and $38 million more than lease-purchase. In August 2001, we also reported that GSA reduced the term of a proposed 20-year lease for the Department of Transportation headquarters building to 15 years so that it could meet the definition of an operating lease. GSA's fiscal year 1999 prospectus for constructing a new facility for this need showed the cost of construction was estimated to be $190 million less than an operating lease.

Operating leases have become an attractive option in part because they generally look cheaper in any given year. Pursuant to the scoring rules

[22]In an operating lease, the government makes periodic lease payments over the specified length of the lease in exchange for the use of the property.

[23]U.S. General Accounting Office, *General Services Administration: Comparison of Space Acquisition Alternatives—Leasing to Lease-Purchase and Leasing to Construction*, GAO/GGD-99-49R (Washington, D.C.: Mar. 12, 1999).

adopted as a result of the Budget Enforcement Act of 1990, the budget authority to meet the government's real property needs is to be scored—meaning recorded in the budget—in an amount equal to the government's total legal commitment. For example, for lease-purchase arrangements, the net present value of the government's legal obligations over the life of the lease contract is to be scored in the budget in the first year. For construction or purchase, the budget authority for the estimated legal obligation related to the construction costs or purchase price is to be scored in the first year. However, for many of the government's operating leases—including GSA leases, which, according to GSA, account for over 70 percent of the government's leasing expenditures and are self-insured in the event of cancellation—only the budget authority to cover the government's commitment for an annual lease payment is required to be scored in the budget.[24] Given this, although operating leases are generally more costly over time, compared with other options, they add much less to a single year's appropriation total than these other arrangements, making an operating lease a more attractive option from an annual budget perspective, particularly when funds for ownership are not available. Although the policy requirement for full "up-front funding" permits disclosure of the full costs to which the government is being committed, the budget scorekeeping rules allow costly operating leases to "look cheaper" in the short term and have encouraged an overreliance on them for satisfying long-term space needs.

Decisionmakers have struggled with this matter since the scoring rules were established and the tendency for agencies to choose operating leases instead of ownership became apparent. We have suggested the alternative of scoring all operating leases up-front on the basis of the underlying time requirement for the space so that all options are treated equally.[25] Although this could be a viable alternative, there would be implementation challenges if this were pursued, including the need to evaluate the validity of agencies' stated space requirements. Another option—which was recommended by the President's Commission to Study Capital Budgeting in 1999 and discussed by GAO—would be to allow agencies to establish

[24]According to the scoring rules (OMB *Circular A-11*, app. B), in cases where the operating lease does not have a cancellation clause or is not paid for with federal funds that are self-insuring, budget authority to cover the total costs expected over the life of the lease is to be scored in the first year of the lease.

[25]U.S. General Accounting Office, *Supporting Congressional Oversight: Budgetary Implications of Selected GAO Work for Fiscal Year 2003*, GAO-02-576 (Washington, D.C.: Apr. 26, 2002).

capital acquisition funds to pursue ownership where it is advantageous, from an economic perspective.[26] To date, none of these options have been implemented, and debate continues among decisionmakers about what should be done. Finding a solution for this problem has been difficult; however, change is needed because the current practice of relying on costly leasing to meet long-term space needs results in excessive costs to taxpayers and does not reflect a sensible or economically rational approach to capital asset management.

Security Against Terrorism Is an Overarching Concern

Terrorism is a major threat to federally owned and leased real property assets, the civil servants and military personnel who work in them, and the public who visits them. This was evidenced by the 1995 Oklahoma City bombing; the 1998 embassy bombings in Africa; the September 11, 2001, attacks on the World Trade Center and Pentagon; and the anthrax attacks in the fall of 2001. Since the Oklahoma City bombing, the federal government has spent billions of dollars on security upgrades within the country and overseas. A study of federal facilities done by the Justice Department in 1995 resulted in minimum-security standards and an evaluation of security conditions in the government's facilities. In October 1995, the President signed Executive Order 12977, which established an Interagency Security Committee (ISC) to enhance the quality and effectiveness of security in nonmilitary federal facilities.

Since the attacks on the World Trade Center and the Pentagon, the focus on security in federal buildings has been heightened considerably. Real property-holding agencies are employing such measures as searching vehicles that enter federal facilities, restricting parking, and installing concrete barricades. As the government's security efforts intensify, the government will be faced with important questions regarding the level of security needed to adequately protect federal facilities and how the security community should proceed. Furthermore, the 1995 Justice study placed an emphasis on increasing security where large numbers of personnel are located. However, a risk-based approach—which GSA is using for the federal buildings it controls—appears to be more desirable in light of this new round of threats. In September 2001, we reported that DOD uses a risk-based approach to reduce installation vulnerabilities, but this approach was applied primarily to installations with 300 or more

[26] U.S. General Accounting Office, *Accrual Budgeting: Experiences of Other Nations and Implications for the United States*, GAO/AIMD-00-57 (Washington, D.C.: Feb. 18, 2000).

personnel assigned on a daily basis.[27] We recommended that DOD improve this approach by ensuring all critical military facilities receive a periodic vulnerability assessment conducted by their higher headquarters regardless of the number of personnel assigned. DOD concurred and began taking action.

Since 1996, we have produced more than 60 reports and testimonies on the federal government's efforts to combat terrorism. Several of these reports have recommended that the federal government use risk management as an important element in developing a national strategy.[28] We have also reported extensively on the security problems and challenges at individual real property-holding agencies. Our high-risk report identifies the problems and challenges faced by State, DOD, Interior, GSA, USPS, and ISC. More recently, we testified on security conditions of overseas diplomatic facilities.[29] We found that State has done much over the last 4 years to improve physical security at overseas posts by, for example, constructing perimeter walls, anti-ram barriers, and access controls at many facilities. However, even with these improvements, most office facilities do not meet security standards. As a result, thousands of U.S. government employees may be more vulnerable to terrorist attacks. Furthermore, our work has shown that agency coordination is critical to addressing security challenges. In our February 2003 report on threats to selected agencies' critical computer and physical infrastructures, selected agencies identified challenges, including coordinating security efforts with GSA. GSA may often be responsible for protecting facilities that house these critical assets.[30] We recommended that steps be taken to complete the identification and analysis of their critical assets and their dependencies, including setting milestones, developing plans to address vulnerabilities, and monitoring progress.

[27]U.S. General Accounting Office, *Combating Terrorism: Actions Needed to Improve DOD Antiterrorism Program Implementation and Management*, GAO-01-909 (Washington, D.C.: Sept. 19, 2001).

[28]U.S. General Accounting Office, *Homeland Security: A Risk Management Approach Can Guide Preparedness Effort*, GAO-02-208T (Washington, D.C.: Oct. 31, 2001).

[29]GAO-03-557T.

[30]U.S. General Accounting Office, *Critical Infrastructure Protection: Challenges for Selected Agencies and Industry Sectors*, GAO-03-233 (Washington, D.C.: Feb. 28, 2003); the agencies reviewed were the Departments of Health and Human Services, Energy, and Commerce, and the Environmental Protection Agency.

In addition to the clear challenges agencies will continue to face in securing real property assets, the security issue has an impact on the other problems that we have discussed. To the extent that more funding will be needed to increase security, funding availability for repair and restoration, preparing excess property for disposal, and improving real property data systems may be further constrained. Furthermore, real property managers will have to dedicate significant staff time and other human capital resources to security issues and thus may have less time to manage other problems. Another broader effect is the impact that increased security will have on the public's access to government offices and other assets. Debate arose in the months after September 11, 2001, and continues to this day on the challenge of providing the proper balance between public access and security.

In November 2002, legislation was enacted establishing the Department of Homeland Security (DHS).[31] The Federal Protective Service, which was part of GSA and which was responsible for protecting federal agencies under GSA's jurisdiction, was among those agencies whose functions and personnel were transferred to DHS. Accordingly, DHS became responsible for protecting buildings, grounds, and property owned, occupied, or secured by the federal government that are under GSA's jurisdiction. In addition, the act provided DHS with authority to protect the buildings, grounds, and property of any other agency whose functions were transferred to DHS under the act. In September 2002, we reported on the implications that the creation of DHS would have on ISC. We concluded that the need to address ISC's lack of progress in fulfilling its responsibilities should be taken into account in establishing this new department.[32]

[31] P.L. 107-296; 116 Stat. 2135 (2002).

[32] U.S. General Accounting Office, *Building Security: Interagency Security Committee Has Had Limited Success in Fulfilling Its Responsibilities*, GAO-02-1004 (Washington, D.C.: Sept. 17, 2002).

Various Efforts Initiated, but Real Property Problems Persist Due to Factors that Require High-Level Attention

Although the federal government faces significant, long-standing problems in the real property area, it is important to give Congress, OMB, GSA, and the major real property-holding agencies credit for proposing several reform efforts and other initiatives in recent years. Legislative proposals in the 108th Congress (H.R. 2548 and H.R. 2573[33]) are aimed at enhancing real property management. H.R. 2548 would provide GSA with enhanced asset management tools, including the use of public-private partnerships for itself and other landholding agencies. This bill also provides incentives for better property management, such as allowing agencies to retain funds generated from the property to pay expenses associated with the property and fund other capital needs. In addition, the bill contains provisions aimed at improving real property data, establishing senior real property managers at agencies, developing asset management principles, and identifying specific conditions under which GSA can enter into real property partnerships with the private sector. H.R. 2573 would provide GSA with the authority to enter into public-private partnerships for itself and other landholding agencies. In July 2001, we reported that public-private partnership authority could be an important management tool to address problems in deteriorating federal buildings, but further study of this tool was needed.[34] Appendix II summarizes this report and discusses two examples of public-private partnership opportunities. In August 2003, we also reported on other methods agencies are using to finance federal capital in addition to public-private partnerships, such as incremental funding, real property swaps, and outleases.[35] Another initiative in the National Defense Authorization Act for fiscal year 2002 gave DOD the authority for another round of base realignment and military installation closures in 2005. DOD officials testified that these actions could result in recurring annual net savings of about $3 billion.

Despite these and other initiatives agencies have undertaken and the sincerity with which the federal real property community has embraced the need for reform, the problems have persisted and have been exacerbated by several factors that will require high-level attention from

[33]The Federal Property Asset Management Reform Act of 2003 and the Public Private Partnership Act of 2003, respectively.

[34]U.S. General Accounting Office, ***Public-Private Partnerships: Pilot Program Needed to Demonstrate the Actual Benefits of Using Partnerships***, GAO-01-906 (Washington, D.C.: July 25, 2001).

[35]U.S. General Accounting Office, ***Budget Issues: Alternative Approaches to Finance Federal Capital***, GAO-03-1011 (Washington, D.C.: Aug. 21, 2003).

Congress and the administration. These factors include competing stakeholder interests in real property decisions; various legal and budget-related disincentives to businesslike outcomes; the need for improved capital planning; and the lack of a strategic, governmentwide focus on federal real property issues. More specifically:

- Competing Stakeholder Interests - In addition to Congress, OMB, and the real property-holding agencies themselves, several other stakeholders also have an interest in how the federal government carries out its real property acquisition, management, and disposal practices. These include foreign and local governments; business interests in the communities where the assets are located; private sector construction and leasing firms; historic preservation organizations; various advocacy groups; and the public in general, which often views the facilities as the physical face of the federal government in local communities. As a result of competing stakeholder interests, decisions about real property often do not reflect the most cost-effective or efficient alternative that is in the interests of the agency or the government as a whole but instead reflect other priorities.

- Legal and Budgetary Disincentives - The complex legal and budgetary environment in which real property managers operate has a significant impact on real property decisionmaking and often does not lead to economically rational and businesslike outcomes. For example, we have reported that public-private partnerships might be a viable option for redeveloping obsolete federal property when they provide the best economic value for the government, compared with other options, such as federal financing through appropriations or sale of the property. However, most agencies are precluded from entering into such arrangements.[36] Resource limitations, in general, often prevent agencies from addressing real property needs from a strategic portfolio perspective. When available funds for capital investment are limited, Congress must weigh the need for new, modern facilities with the need for renovation, maintenance, and disposal of existing facilities, the latter of which often gets deferred. In the disposal area, a range of laws intended to address other objectives—such as laws related to historic preservation and environmental remediation—

[36]When agencies have additional flexibilities, we have found that they can still face impediments. For example, VA is required to use the proceeds from disposal of property for nursing home construction and DOD has lacked personnel with sufficient experience to undertake complex real estate transactions. See U.S. General Accounting Office, *VA Health Care: Improved Planning Needed for Management of Excess Real Property*, GAO-03-326 (Washington, D.C.: Jan. 29, 2003); U.S. General Accounting Office, *Defense Infrastructure: Greater Management Emphasis Needed to Increase the Services' Use of Expanded Leasing Authority*, GAO-02-475 (Washington, D.C.: June 6, 2002).

makes it challenging for agencies to dispose of unneeded property.

- Need for Improved Capital Planning - Over the years, we have reported that prudent capital planning can help agencies to make the most of limited resources, and failure to make timely and effective capital acquisitions can result in increased long-term costs. GAO, Congress, and OMB have identified the need to improve federal decisionmaking regarding capital investment. Our *Executive Guide,*[37] OMB's *Capital Programming Guide*, and its revisions to *Circular A-11* have attempted to provide guidance to agencies for making capital investment decisions. However, agencies are not required to use the guidance. Furthermore, agencies have not always developed overall goals and strategies for implementing capital investment decisions, nor has the federal government generally planned or budgeted for capital assets over the long term.

- Lack of a Strategic, Governmentwide Focus on Real Property Issues - Historically, there has not been a strategic, governmentwide focus on real property issues among decisionmakers. Although some efforts in recent years have attempted to address real property issues with some limited success, the problems have persisted and will continue to grow in magnitude unless they are adequately addressed from a governmentwide standpoint. Resolving the long-standing problems will require high-level attention and effective leadership by Congress and the administration and a governmentwide, strategic focus on real property issues. A strategic focus on real property would be rooted in having the appropriate incentives in place; ensuring transparency in the government's actions; and fostering a higher level of accountability to stakeholders, including taxpayers. Also, it is important that key stakeholders develop an effective system to measure results. Having quality data would be critical to evaluate the progress of various reforms as they evolve.

A Transformation Strategy Is Needed

The magnitude of real property-related problems and the complexity of the underlying factors that cause them to persist put the federal government at significant risk in this area. Real property problems related to unneeded property and the need for realignment, deteriorating conditions, unreliable data, costly space, and security concerns have multibillion-dollar cost implications and can seriously jeopardize mission

[37] U.S. General Accounting Office, *Executive Guide: Leading Practices in Capital Decision-Making*, GAO/AIMD-99-32 (Washington, D.C.: Dec. 1998).

accomplishment. Because of the breadth and complexity of the issues involved, the long-standing nature of the problems, and the intense debate about potential solutions that will likely ensue, current structures and processes may not be adequate to address the problems. Given this, we concluded in our high-risk report that a comprehensive and integrated transformation strategy for federal real property is needed, and an independent commission or governmentwide task force may be needed to develop this strategy. Such a strategy, based on input from agencies, the private sector, and other interested groups, could comprehensively address these long-standing problems with specific proposals on how best to

- realign the federal infrastructure and dispose of unneeded property, taking into account mission requirements, changes in technology, security needs, costs, and how the government conducts business in the 21st century;
- address the significant repair and restoration needs of the federal portfolio;
- ensure that reliable governmentwide and agency-specific real property data—both financial and program related—are available for informed decisionmaking;
- resolve the problem of heavy reliance on costly leasing; and
- consider the impact that the threat of terrorism will have on real property needs and challenges, including how to balance public access with safety.

To be effective in addressing these problems, it would be important for the strategy to focus on

- minimizing the negative effects associated with competing stakeholder interests in real property decisionmaking;
- providing agencies with appropriate tools and incentives that will facilitate businesslike decisions—for example, consideration should be given to what financing options should be available; how disposal proceeds should be handled; what process would permit comparisons between rehabilitation/renovation and replacement and among construction, purchase, lease-purchase, and operating lease; and how public-private partnerships should be evaluated;
- addressing federal human capital issues related to real property by recognizing that real property conditions affect the federal government's

ability to attract and retain high-performing individuals and the productivity and morale of employees;

- improving real property capital planning in the federal government by helping agencies to better integrate agency mission considerations into the capital decisionmaking process, make businesslike decisions when evaluating and selecting capital assets, evaluate and select capital assets by using an investment approach, evaluate results on an ongoing basis, and develop long-term capital plans; and
- ensuring credible, rational, long-term budget planning for facility sustainment, modernization, or recapitalization.

The transformation strategy should also reflect the lessons learned and leading practices of organizations in the public and private sectors that have attempted to reform their real property practices. Over the past decade, leading organizations in both the public and private sectors have been recognizing the impact that real property decisions have on their overall success. Better managing real property assets in the current environment calls for a significant departure from the traditional way of doing business. Solutions should not only correct the long-standing problems we have identified but also be responsive to and supportive of agencies' changing missions, security concerns, and technological needs in the 21^{st} century. If actions resulting from the transformation strategy comprehensively address the problems and are effectively implemented, agencies will be better positioned to recover asset values, reduce operating costs, improve facility conditions, enhance safety and security, recruit and retain employees, and achieve mission effectiveness.

In addition to developing a transformation strategy, it is critical that all the key stakeholders in government—Congress, OMB, and real property-holding agencies—continue to work diligently on the efforts planned and already under way that are intended to promote better real property capital decisionmaking, such as enacting reform legislation, assessing infrastructure and human capital needs, and examining viable funding options. Congress and the administration could work together to develop and enact reform legislation to give real property-holding agencies the tools they need to achieve better outcomes, foster a more businesslike real property environment, and provide for greater accountability for real property stewardship. These tools could include, where appropriate, the ability to retain a portion of the proceeds from disposal and the use of public-private partnerships in cases where they represent the best economic value to the government. Congress and the administration could also elevate the importance of real property in policy debates and recognize the impact that real property decisions have on agencies' missions. Solving the problems in this area will undeniably require a reconsideration of funding priorities at a time when budget constraints will be pervasive. However, experimenting with creative financing tools where they provide the best economic value for the government and allocating sufficient funding will likely result in long-term benefits.

Without effective incentives and tools; top management accountability, leadership, and commitment; adequate funding; full transparency with regard to the government's real property activities; and an effective system to measure results, long-standing real property problems will continue and likely worsen. However, the overall risk to the government and taxpayers could be substantially reduced if an effective transformation strategy is developed and successfully implemented, reforms are made, and property-holding agencies effectively implement current and planned initiatives. Since our high-risk report was issued, OMB has informed us that it is taking steps to address the federal government's problems in the real property area. Specifically, it has formed a team within OMB to determine how to approach the resolution of these long-standing issues. To assist OMB with its efforts, we have agreed to meet regularly to discuss progress and have provided OMB with specific suggestions on the types of actions and results that could be helpful in justifying the removal of real property from the high-risk list.

Madam Chairman, this concludes my prepared statement. I would be happy to respond to any questions you or other Members of the Committee may have at this time.

Contacts and Acknowledgments

For further information on this testimony, please contact Bernard L. Ungar on (202) 512-2834 or at ungarb@gao.gov. Key contributions to this testimony were made by Kevin Bailey, Christine Bonham, Casey Brown, John Brummett, Maria Edelstein, Anne Kidd, Mark Little, Susan Michal-Smith, David Sausville, and Gerald Stankosky.

Appendix I: Examples of Vacant Federal Property

Three examples of vacant, highly visible federal properties are the former main Department of Veterans Affairs (VA) hospital building in Milwaukee, Wisconsin; St. Elizabeths Hospital in Washington, D.C.; and the former main post office building in downtown Chicago, Illinois.

Former Main VA Hospital Building in Milwaukee, Wisconsin

A VA-owned building at a health care facility campus in Milwaukee, Wisconsin is an example of a long-held vacant federal property. This 134,000 square foot building, which is shown in figure 1, has been vacant for about 14 years. The building had been used as the campus's main hospital but was vacated in 1989 primarily because a new main hospital was built on the campus. VA officials told us that in June 1999, a consulting firm—Economic Research Associates—issued a study in which it identified various options for VA to consider in trying to enhance the use of various vacant and underutilized buildings on the Milwaukee campus, including the former main hospital building.[38] On the basis of the study's results, VA officials have told us that a substantial investment of capital would in all likelihood be needed to convert this building for alternate use. For example, to convert the building for use as housing for the elderly, the study estimated that about $8.4 million to $9.3 million would be needed. VA officials also mentioned that various organizations, such as the Salvation Army and the Knights of Columbus, expressed some interest in leasing the building; but thus far, VA has not received any firm offers from these organizations. VA officials told us that in fiscal year 2001, VA incurred about $348,000 in maintenance costs for this building, which included such expenses as utilities, pest management, and security. Also, the officials said that VA currently has no alternate use or disposal plans for this building. However, VA officials have told us that updated information on the planned disposal of its vacant and underutilized property would in all likelihood be available after the Secretary of Veterans Affairs approves the results of the Capital Asset Realignment for Enhanced Services process, expected after December 2003.

[38] Economic Research Associates, *Report for Enhanced-Use Options, Zablocki VA Medical Center, Milwaukee, Wisconsin, Submitted to Department of Veterans Affairs*, ERA Project Number: 12460 (Apr. 1998; Re-Issue June 1999).

Figure 1: The Former Main VA Hospital Building at the Milwaukee, Wisconsin, Health Facility Campus

Source: VA.

St. Elizabeths Hospital, Washington, D.C.

The west campus of St. Elizabeths, which has 61 mostly vacant buildings containing about 1.2 million square feet of space on 182 acres, is held by the Department of Health and Human Services (HHS). During the Civil War, the hospital was used to house soldiers recuperating from amputations, and the property contains a civil war cemetery. In 1990, the property—which contains magnificent vistas of the rivers and the city—was designated a national historic landmark. This is the same designation given to the White House, the U.S. Capitol building, and other buildings that have historic significance. HHS has not needed the property for many years. In April 2001, we reported that the property had significantly deteriorated and had environmental and historic preservation issues that would need to be addressed in order for the property to be disposed of or transferred to another federal agency.[39]

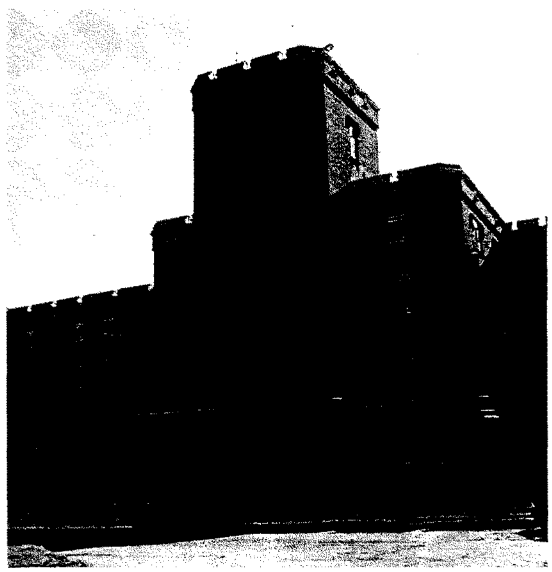
In the last year, the General Services Administration (GSA), the District of Columbia (the District), HHS, and various public interest groups have

[39]U.S. General Accounting Office, *St. Elizabeths Hospital: Real Property Issues Related to the West Campus*, GAO-01-434 (Washington, D.C.: Apr. 16, 2001).

been working to resolve the situation at St. Elizabeths. In May 2002, the Urban Land Institute formed an advisory panel that reported on several options for redeveloping the site.[40] The panel recommended that the federal government transfer the west campus to the District and that the District should identify a master developer for the site. The panel further recommended that the master developer consider redeveloping the site into four campus areas without changing the character of the surrounding neighborhoods and without displacing existing residents. The panel recommended preserving the historic buildings through adaptive use and sensitive addition of new buildings. In addition to the panel, an executive steering committee and a working group, each consisting of representatives from the District, HHS, GSA, and public interest groups, have been established and HHS and GSA have proceeded with a number of actions to prepare the property for disposal. These include preparing the property for "mothballing," which is work done to minimize further deterioration of the property while the disposal process proceeds; determining the extent of environmental remediation needed; and conducting community outreach. Figure 2 shows the vacant, boarded-up Center Building, which opened in 1855 and served as the main hospital building.

[40]Urban Land Institute, *An Advisory Services Panel Report: Saint. Elizabeths Campus, Washington, D.C.* (Washington, D.C.: May 2002).

Figure 2: The Vacant Center Building, St. Elizabeths Hospital, District of Columbia



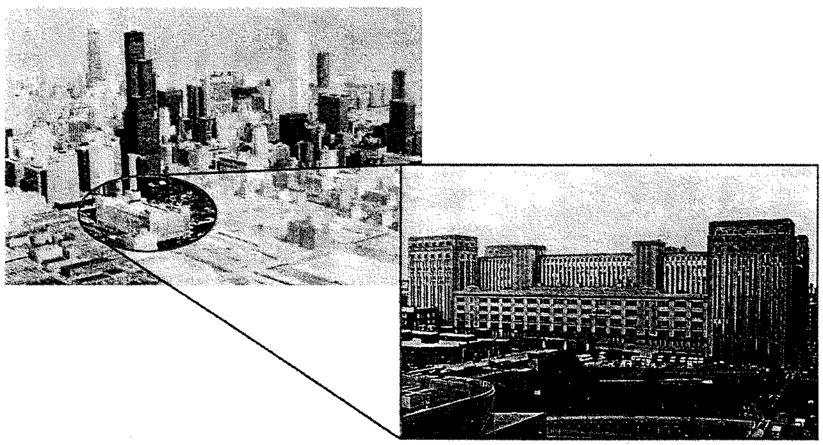
Source: GAO.
Note: Photograph taken in January 2001.

Former Chicago Main Post Office

The former Chicago main post office building is a 2.5 million square foot facility that was vacated when it was replaced with a new facility in 1997. The U.S. Postal Service (USPS) is incurring about $2 million in annual holding costs for the property. According to USPS, the property was listed for sale and publicly offered. About five offers were received and the property was placed under contract of sale for $17 million. According to USPS, completion of the sale has been delayed due to the weakness of the Chicago real estate market and the lack of an agreement between the developer and the city of Chicago that would abate real estate taxes on a portion of the redevelopment cost for a number of years. According to USPS, this has created a "chicken and egg" situation for the developer. Potential tenants are unwilling to commit to the project unless they are sure it will go ahead. The city appears unwilling to grant the tax abatement until the users of the building are known. USPS is hopeful that the city will begin to address the issue.

In addition to the holding costs USPS is incurring, a deteriorating façade will add additional repairs costs to USPS's annual budget. Furthermore, deterioration of the system that funnels train exhaust up through eight shafts to the roof of the building is a problem that will have to be addressed. The estimated cost of repair is about $10 million and is a condition of the sale. According to USPS, another factor, which bears on the cost of redevelopment, is that the State Historic Preservation Office wants to impose requirements on the redevelopment of the building. Currently, according to USPS, these requirements will add millions of dollars to the redevelopment costs, and the buyer and USPS are reviewing them. USPS said that this project is challenging because of the large amount of space that needs to be developed. According to USPS, a breakthrough in current market conditions will have to be achieved, together with an agreement with the city, before this project can move forward. Figure 3 shows downtown Chicago with the vacant post office building highlighted.

Figure 3: The Former Main Post Office in Downtown Chicago, Illinois



Source: USPS.

Appendix II: Use of Public-Private Partnerships to Redevelop Federal Property

Under a public-private partnership, a contractual arrangement is formed between public and private sector partners that can include a variety of activities that involve the private sector in the development, financing, ownership, and operation of a public facility or service. In the case of real property, the federal government typically would contribute the property and a private sector entity contributes financial capital and borrowing ability to redevelop or renovate the property. Public-private partnerships can be a viable option for redeveloping obsolete federal property if they provide the best economic value for the government, compared with other options, such as federal financing through appropriations or sale of the property. However, most agencies are precluded from entering into such arrangements. The Department of Defense (DOD), Department of Veterans Affairs (VA), and U.S. Postal Service (USPS), however, have this authority. Proposed real property reform legislation in the 108th Congress (H.R. 2548 and H.R. 2573[41]) is aimed at enhancing real property management. H.R. 2548 would provide GSA with enhanced asset management tools, including the use of public-private partnerships for itself and other landholding agencies. This bill also provides incentives for better property management, such as allowing agencies to retain funds generated through the use of the management tools to pay expenses associated with the property and fund other capital needs. H.R. 2573 would provide GSA with the authority to enter into public-private partnerships for itself and other landholding agencies.

Public-private partnerships need to be carefully evaluated to determine whether they offer the best economic value for the government, compared with other available options. In July 2001,[42] we reported that 8 of 10 GSA properties were strong to moderate candidates for a partnership because there were potential benefits for both the private sector and the government. The potential internal rates of return (IRR)[43] for the private partner ranged from 13.7 to 17.7 percent. It should be noted that we did not calculate the IRR for the government if the government had financed the entire project. This comparison would need to be made to determine which financing option offers the best economic value for the government.

[41]The Federal Property Asset Management Reform Act of 2003 and the Public Private Partnership Act of 2003, respectively.

[42]GAO-01-906.

[43]IRR is the present value interest rate received for an investment consisting of payments and income that occur at regular periods; IRR measures the return, expressed as an interest rate, that an investor would earn on an investment.

Furthermore, public-private partnerships will not necessarily work or be the best option available to address the problems in all federal properties. Two examples of properties that were strong candidates for a partnership were the Internal Revenue Service (IRS) Service Center in Andover, Massachusetts and an office building in Portland, Oregon that houses the Immigration and Naturalization Service known as the 511 Building. Since we profiled these properties in 2001, GSA officials said that they have been unable to pursue public-private partnerships for these properties because GSA continues to lack authority to enter into such arrangements. In August 2003, we also reported on other methods agencies are using to finance federal capital in addition to public-private partnerships, such as incremental funding, real property swaps, and outleases.[44]

IRS Service Center, Andover, Massachusetts

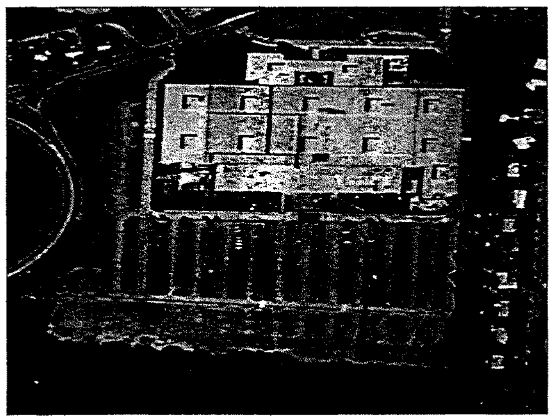
The Andover Service Center was a strong candidate for a partnership in terms of strong federal demand, moderate private sector interest in development, and strong nonfederal demand for use of the property. The property is a 375,000 square foot, single-story, highly secured building on 37 acres that is in need of capital repairs. At the time of our review, IRS was leasing about 336,000 square feet in additional space in the area. GSA and IRS would like to consolidate IRS's operations, and the property would be desirable for the city of Andover and local developers to develop. The redevelopment strategy involved a partnership to develop a small office park consisting of six, 5-acre pads. Under this plan, the project could progress as follows:

- Year 1: Build a new 4-story, 700,000 square foot IRS facility and parking structure for current and expiring IRS leases; the complex would be at the rear of the site to allow for security and a phased development of the rest of the site.
- Year 2: IRS moves into the new facility and the old building is demolished; the partnership constructs another 250,000 square foot federal office building for non-IRS expiring leases.
- Years 3 and 4: Partnership constructs two more 250,000 square foot federal office buildings for compatible agency and private sector occupancy.

The analysis of this strategy projected a 14.4 percent lifetime IRR for the private partner and a 9.4 percent lifetime IRR for the government. Figure 4 is an aerial view of the IRS Service Center in Andover, Massachusetts.

[44]U.S. General Accounting Office, *Budget Issues: Alternative Approaches to Finance Federal Capital*, GAO-03-1011 (Washington, D.C.: Aug. 21, 2003).

Figure 4: IRS Service Center, Andover, Massachusetts

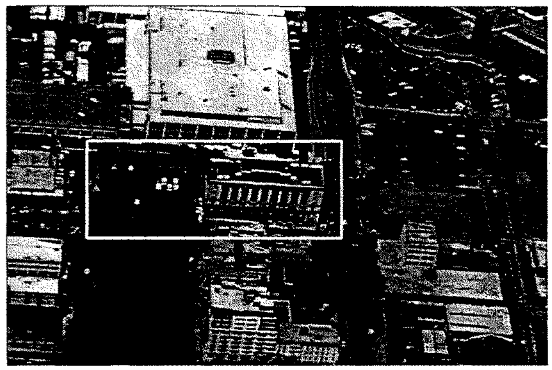


Source: Ernst and Young.

Portland, Oregon, 511 Building

The 511 building was also a strong candidate for a partnership in terms of strong federal demand, strong private sector interest in development, and moderate nonfederal demand for use of the property. The 511 building is an historic, 6-floor building in a desirable location between downtown Portland and the trendy "Pearl District" that housed offices of the Immigration and Naturalization Service. The property includes a parking lot that was sought by the city for a pedestrian mall. The redevelopment strategy included renovating the existing historic office building to include storage use in the basement and retail or restaurant on the first floor. In addition, the strategy included acquiring an additional site for construction of a 240,000 square foot, federal office building across the street. This strategy projected a 15.7 percent lifetime IRR for the private partner and a 12.7 percent lifetime IRR for the government. Figure 5 shows the 511 building (building in center of the picture).

Figure 5: 511 Building, Portland, Oregon



Source: Ernst and Young.

If the federal government were to completely finance the Andover and Portland projects, it would not have to share returns with a private sector partner. However, we did not determine what the returns would be in such a situation and how the returns would compare with the returns under a partnership arrangement.

(543050)

October 2003

FEDERAL REAL PROPERTY

Actions Needed to Address Long-standing and Complex Problems

GAO
Accountability·Integrity·Reliability

Highlights

Highlights of GAO-04-119T, a testimony before the Committee on Governmental Affairs, United States Senate

Why GAO Did This Study

The federal government faces long-standing problems with excess and underutilized real property, deteriorating facilities, unreliable real property data, and costly space. These problems have multibillion-dollar cost implications and can seriously jeopardize agencies' missions. In addition, federal agencies face many challenges securing real property due to the threat of terrorism. This testimony discusses long-standing, complex problems in the federal real property area and what actions are needed to address them.

What GAO Recommends

This testimony discusses recommendations that GAO has previously made. There is a need for a comprehensive and integrated transformation strategy that could identify how to realign real property and dispose of unneeded assets; address repair and restoration needs; develop reliable data; reduce the reliance on costly leasing; and protect assets from terrorism.

An independent commission or governmentwide task force may be needed to develop this strategy, and legislative actions are needed to provide agencies with tools and incentives to help them address the problems. If resulting actions address the problems, agencies will be better able to recover asset values, reduce operating costs, improve facility conditions, enhance security, and achieve mission effectiveness.

www.gao.gov/cgi-bin/getrpt?GAO-04-119T.

To view the full product, click on the link above. For more information, contact Bernard Ungar at (202) 512-2834 or ungarb@gao.gov.

What GAO Found

Government data show that over 30 agencies control hundreds of thousands of real property assets worldwide, including facilities and land, which are worth hundreds of billions of dollars. Unfortunately, much of this vast, valuable portfolio reflects an infrastructure based on the business model and technological environment of the 1950s. Many of the assets are no longer effectively aligned with, or responsive to, agencies' changing missions and are therefore no longer needed. Further, many assets are in an alarming state of deterioration; agencies have estimated that restoration and repair needs are in the tens of billions of dollars. Compounding these problems are the lack of reliable governmentwide data for strategic asset management, a heavy reliance on costly leasing instead of ownership to meet new space needs, and the cost and challenge of protecting these assets against potential terrorism.

Given the persistence of these problems and related obstacles, we designated federal real property as a new high-risk area in January 2003. Resolving these problems will require high-level attention and effective leadership by both Congress and the administration. Also, current structures and processes may not be adequate to address the problems. Thus, as we have reported, there is a need for a comprehensive, integrated transformation strategy for real property that will focus on some of the underlying causes that contribute to these problems, such as competing stakeholder interests in real property decisions, various legal and budget-related disincentives to businesslike outcomes, inadequate capital planning, and the lack of governmentwide focus on real property issues. It is equally important that Congress and the administration work together to develop and enact needed reform legislation to give real property-holding agencies incentives and tools they need to achieve better outcomes. This would also foster a more businesslike real property environment and provide for greater accountability.

Source: VA.

A vacant VA hospital building in Milwaukee, WI

Source: PTO.

The U.S. Patent and Trademark Office (PTO) Construction Project in Alexandria, VA (February 2003)

Statement of Johanna L. Hardy
Hearing on
Deteriorating Buildings and Wasted Opportunities:
The Need for Federal Real Property Reform
Before the U.S. Senate Committee on Governmental Affairs
October 1, 2003

Madam Chairman and Members of the Committee, my name is Johanna Hardy, sitting to my left is James McKay. We are part of the Governmental Affairs Committee's legal and investigative staff. Over the last 8 months, the Committee has been conducting an investigation into the management of federal real property. As part of the investigation, we focused on St. Elizabeths Hospital as a case study. The West Campus of St. Elizabeths is owned by the Department of Health and Human Services. St. Elizabeths, of course, is right here in the Capitol's backyard. In fact, we are the same distance from St. Elizabeths as we are from the Lincoln Memorial. Yet, despite the proximity, what we found during our five visits to St. Elizabeths could not contrast more from the well-maintained Capitol complex.

The St. Elizabeths property includes over 300 acres of land, 182 of which compose the federally-owned West Campus. The television monitor shows an overhead picture of St. Elizabeths, which is bounded by the red. There are 61 buildings, with approximately 1.1 million square feet of space on West Campus alone. In addition, the campus contains a civil war cemetery, sweeping views of the downtown and monumental core of the city, as well as a park-like landscape. In addition, the West Campus of St. Elizabeths is designated as a National Historic Landmark.

In 1987, pursuant to an act of Congress, the Hospital's East Campus was transferred to the District. Shortly thereafter, HHS entered into various agreements with the District to allow the District to use the federally-owned West Campus.

St. Elizabeths Hospital, the first and only national federal mental health facility, began its operations in 1855. For more than a century, the Hospital was a world premiere mental health and research facility. Since the District assumed responsibility for the D.C. mental health functions, St. Elizabeths' patient population has significantly decreased, as has the District's need for the facilities. During the 1990s, the District began moving personnel and property from the federal West Campus to the East Campus. While all personnel have been relocated to East Campus, considerable District property still remains in vacant West Campus buildings, owned by HHS.

Statement of James R. McKay
Before the U.S. Senate Committee on Governmental Affairs
October 1, 2003

Madam Chairman and Members of the Committee, I would like to take just a couple of minutes to explain the current situation at St. Elizabeths and then begin a slide presentation. Although the District's personnel have vacated the West Campus, a substantial amount of District property remains, including patient records, employment files, billing records, personal items, and furniture. Subsequent to the start of our investigation, the District, GSA, and HHS signed an agreement to provide for the removal of the District's remaining items.

After the removal of all District items from the West Campus is complete, HHS and GSA plan to begin mothballing the buildings in compliance with standards set by the Secretary of the Interior. "Mothballing" is the process by which a building is deactivated and temporarily sealed to protect it from the elements and to secure it from vandalism. Estimates of the cost to complete the mothballing of the entire West Campus vary. But, according to a February 2003 estimate provided to GSA, the cost will be at least $18 million, or double an estimate found in a GAO Report from just two years earlier.

We would now like to begin a slide presentation that shows the conditions in which we found St. Elizabeths during our five visits to the West Campus.

[Power Point Presentation]

Moving the West Campus from a mothballed state to productive use is likely to be an extremely expensive undertaking. As discussed earlier, the property is a National Historic Landmark and most of the buildings have to be preserved. The 1985 Physical Plant Audit of St. Elizabeths estimated the cost of renovating both campuses of St. Elizabeths at $66-69 million plus the cost of hazardous materials removal. Later, a 1993 estimate, which assumed that 52% of the West Campus would continue to be used for the District's mental health services with the remainder adapted for other institutional-type uses, retail facilities, and support buildings, assessed this cost to be as high as $116 to $128 million. The current cost to renovate the West Campus is likely to run much higher due to its accelerated deterioration. Nearly every building on the West Campus has severely deteriorated and almost all of the buildings will require lead and asbestos remediation. They will also need to have their heating and air conditioning systems completely replaced. As a result, GSA has estimated that it will cost between $400-$450 per square foot to bring St. Elizabeths to normal occupancy levels and in a manner that complies with the Secretary of the Interior's Standard for Historic Properties. If this estimate proves to be consistent across the West Campus's 1.1 million square feet, restoring it can be expected to cost between $440 and $495 million.

William C. Stamper

Deputy Assistant Secretary
Office for Facilities Management and Policy
Department of Health and Human Services

Before the

Committee on Government Affairs

United States Senate

October 1, 2003

Good morning. Thank you for inviting me to testify today on behalf of the Department of Health and Human Services. Secretary Thompson sends his thanks to this committee for deciding to address an issue that many Executive agencies are experiencing with Federal real property assets. As stated in the General Accounting Office report on real property, many Federal assets are no longer effectively aligned with, or responsive to, agencies' changing missions and are therefore no longer needed.

I have been asked specifically to speak about one such asset that the Department of Health and Human Services holds. The West Campus of St. Elizabeths Hospital, located in Southeast, Washington, DC, has been excess to the Department's needs for many years. However, due to a unique set of circumstances that I am about to describe, we have not been able to dispose of the property. To fully understand the significance of St. Elizabeths Hospital, I would like to start with a bit of history of the facility.

St. Elizabeths Hospital began operations in 1855 as the Government Hospital for the Insane, one of the nation's earliest asylums to offer moral treatment and enlightened human care to persons with mental illness. For more than a century, St. Elizabeths was internationally recognized as a leading clinical and training institution. During the Civil War, the property was also used to house wounded soldiers. A reluctance of the soldiers to write home stating that they were recuperating at the Government Hospital for the Insane gave rise to the use of the name St. Elizabeths, the historic name of the old royal land grant of which the campus was a part. Thereafter, the institution was informally referred to as St. Elizabeths for decades until the name was formally changed by Congress in 1916.

St. Elizabeths is comprised of two distinct sections; now known as the East Campus and West Campus. The West Campus is comprised of sixty-one buildings on approximately 185 acres, and contains the oldest structures on the Hospital grounds. The first building on the West Campus, now known as the Center Building, was opened in 1855. In all, the buildings on the West Campus represent approximately 1.1 million square feet of space. In addition to the historic buildings, the West Campus is the site of a Civil War cemetery, reported to be the only public cemetery containing the remains of both Union and Confederate, black and white soldiers.

In 1902, construction of the East Campus began with the erection of four buildings. Most of the development on this site took place between the World Wars and after World War II. The East Campus is currently comprised of approximately forty-seven buildings.

With the advent of limited Home Rule in the 1970's, Congress began the process of identifying various governmental functions that would be transferred to the nascent Government of the District of Columbia. After many years of debate, Congress adopted the St. Elizabeths Hospital and District of Columbia Mental Health Services Act, otherwise known as the Transfer Act, in 1984. The Act provided for the transition of responsibility for management of the District's mental health system to local control and gave the District two opportunities to take title to the St. Elizabeths Hospital grounds and buildings.

The first transfer of property took place on October 1, 1987, and included those buildings identified by the District as necessary for its mental health system. The District received title to these buildings which comprised the entire East Campus except for one building, in addition to title to five buildings on the West Campus, and approximately $27 million dollars to pay for repairs.

The Act also provided the District a right of first refusal for the remaining property, which included most of the West Campus. Although the District occupied about 34 buildings on the West Campus, this second transfer did not take place as planned. The District did not meet two statutory deadlines for submitting its master plan for the West Campus, and although the District eventually did submit the plan, title to the property cannot shift without further legislation from Congress, or through the General Services Administration's property disposal process.

In 1987, then Mayor Marion Barry signed a Use Permit with the Department of Health and Human Services for occupancy by the District which specifically stated that "All of the West side of the Saint Elizabeths Hospital property in the District of Columbia, excepting all property heretofore conveyed to the District by deed..." The Use Permit further states that , "During the term of this Agreement, the District shall preserve, maintain, and repair the West Campus in accordance with the Saint Elizabeths Hospital Physical Plant Audit of 1985...;" and, "During the term of this agreement, the District shall be fully responsible for all maintenance, repair, and operations of the West Campus..." The Use Permit was extended indefinitely in 1997.

In April 1989, the District, HHS, and the Advisory Council on Historic Preservation executed a Memorandum of Agreement detailing specific measures to preserve the historic character of St. Elizabeths. The MOA stipulates preservation and rehabilitation of most of the buildings, landscaping, vistas and the cemetery on the West Campus in accordance with the Secretary of the Interior's Standards for maintaining historic properties. In December of 1990, St. Elizabeths was designated a National Historic Landmark, the highest level of designation given to historic properties.

The buildings have deteriorated significantly since that time. To prevent further damage to the Center Building, HHS spent one million dollars on a new roof and gutter system in 1991 and another million dollars on mothballing and stabilization projects in 2000. Funding requested in the amount of one million dollars from Congress in 1998 was not appropriated.

We have mentioned that the District was responsible for maintaining the property. Although HHS oversight was minimal, our records show that we notified the City of various violations throughout the years, but no action was taken besides the notification. And truly, what was the recourse available? An adverse action taken against the city would in turn have an adverse affect on the patients at the Hospital.

However, once we were notified by City officials in 2000 of their intent to vacate personnel from the campus the following year, we immediately began to take the steps necessary to protect and dispose of the property. GSA instructed HHS on the steps necessary to declare the property excess. In September 2000, we completed Phase I of the required Environmental Assessment. In January 2001, HHS officially notified GSA of its intent to declare the property as excess to our needs.

In April 2001, the General Accounting Office, on behalf of the Committee on Appropriations, completed a review on real property issues related to the West Campus, and verified the need for funds associated with the property disposal process. The funds were required to fulfill requirements under the National Environmental Policy Act and the National Historic Preservation Act. Later in 2001, Congress provided 6.5 million dollars to begin the disposal process and mothballing.

In 2002 HHS funded a contract to hire a company to conduct a building-by-building mothballing assessment of the Federal buildings located on the West Campus and completed the Phase II Environmental Survey. In May 2002, the Urban Land Institute conducted a study to develop suggestions on potential land use for the entire St. Elizabeths campus (approximately 300 acres). GSA, HHS, and the District were participants in the study. The District also formed an Executive Steering Committee and a Working Group Committee, both of which had members from HHS, GSA and citizen groups, to provide some structure in planning for the future of the St. Elizabeths Campus. In addition, GSA sent out a notice to all Federal agencies informing them of the property's availability.

As I am sure Ms. Knisley will address, in late 2002, the District hired an architectural firm to develop a framework plan for the campus to specifically identify appropriate uses for the site including new projects and adaptive reuse, and to establish implementation strategies.

To start off 2003, in January, Mayor Williams held a public meeting to inform the community about the planning process for St. Elizabeths. Also at the beginning of this year, the District vacated its last employees from the campus and in the spring, HHS received the report from the contractor who was hired to conduct the building-by-building mothballing/stabilization assessment. GSA arranged for three contractors to bid on the mothballing of the property based on the building-by-building report and onsite inspection. It was immediately apparent, based on conversations with the contractors, that to complete the mothballing and stabilization project would cost far in excess of the approximate $6 million appropriated for the work. Therefore we plan to complete the mothballing and stabilization in three or more phases, depending of course on available funding. HHS recently completed a reimbursable work authorization with GSA to contract this work and the first phase, which will involve roofing, boarding-up windows, securing the entrances and pest control, should begin within the next two months. We have also started the environmental remediation process on a small amount of contaminated land outside of the buildings as noted in the environmental studies conducted earlier.

As previously mentioned, most of the buildings on the West Campus were constructed from 1855 to the early 1900s, and consist of a total of approximately 1.1 million square feet of space. Nearly every building suffers from severe deterioration, including structural failure in several, due to age and lack of proper maintenance. Therefore, the estimate we now have to finish the mothballing and stabilization of the buildings is approximately $20 million. This figure continues to rise as natural causes such as Hurricane Isabel and this past year's severe winter do further damage. The rate of deterioration and decline in the buildings, when not adequately addressed, is enormous.

Although the District has vacated its employees from the West Campus, it is still in the process of removing furniture, files and other articles from the buildings. The District is also required by the terms of the Use Permit to issue a written 180-day notice that the property is no longer needed. HHS has no current or future plans for this facility, but will be responsible for security and maintenance for the property until GSA assumes this responsibility. The estimates we have received from GSA range from approximately $3.7 million to $4.4 million annually to maintain the campus after the initial scheduled mothballing and to provide security. By comparison, to fully maintain an old facility such as this if fully occupied, would run approximately $9 - 13.5 million per year. In addition to security, these figures include building maintenance, grass cutting, tree and shrub maintenance, snow removal, pest control and water and electric costs.

In planning for the future of St. Elizabeths, we must recognize that this is one of the largest, mostly undeveloped tracts available in the District of Columbia and, therefore, an extremely valuable asset to the Federal Government, the community and the future of Southeast Washington. In addition, redevelopment of this site will have a positive impact on the City and promote economic growth in the area around St. Elizabeths. The government can, and should, make every effort to ensure that the property is redeveloped in such a way to make it worthwhile to preserve the historic buildings and site lines, as well as create new jobs.

Neither the Federal government nor the District can be shortsighted in this endeavor. The redevelopment of this property will have far-reaching effects on the area surrounding it, much the same way that the MCI center has had on the existing businesses and new development in the area in which it was built.

However, there are negatives in redeveloping the property in addition to the collapsing floors and ceilings. Since the entire site is listed as a Landmark on the National Register of Historic Places, all renovations must comply with the Secretary of Interior's Standard for Historic Properties. In addition, almost all of the buildings will require costly lead and asbestos remediation, and complete replacement of heating and air conditioning systems.

Although the property is protected by the covenants of the National Historic Preservation Act, this does not necessarily preclude some limited, sensitive development at the site based on conversations with officials in both the National Park Service and the Advisory Council on Historic Preservation. In fact, allowing adaptive reuse, integrated with historic preservation responsibilities, may be the best way to preserve the historic buildings.

With its rich heritage, St. Elizabeths Hospital offers a wonderful look at an important aspect of our nation's history. Creativeness must become part of the negotiation process between the Federal government, the District and, if needed, private entities. Only then will this important cultural asset be saved.

GSA informed HHS that there may be other Federal uses for the property. Although we have no further information regarding the interest, if a Federal transfer occurs, we believe that it will greatly benefit the immediate community and the city as a whole. The continued mothballing and maintenance of the property is costly, and decisions need to be made as soon as possible to ensure that money is not being wasted and that the community can feel confident that this vital and historic asset is revitalized.

The Administration feels that the challenge of maximizing the use and benefits of all Federal real property requires a new approach to property management. In 1998, the National Research Council stated that Federal assets must be well maintained, and operationally cost effective to protect their function and quality, and to provide employees and the general public with a safe, healthy, and productive environment. However, as GAO has pointed out in its High-Risk Series, Federal Real Property, the Government's landholding agencies are confronted with a growing challenge of not being able to satisfy this standard. One such approach that Federal landholding agencies support is for the Congress to pass Government-wide property reform legislation that provides the appropriate tools and financial incentives to help promote sound and innovative real property management.

At Secretary Thompson's initiative, HHS is redoubling our efforts to work with GSA, the District and the community to make certain that the potential of St. Elizabeths Hospital is realized. Thank you for allowing me to speak with you today.

GOVERNMENT OF THE DISTRICT OF COLUMBIA
DEPARTMENT OF MENTAL HEALTH

Before the Committee on Governmental Affairs
United States Senate
October 1st, 2003

Testimony of

MARTHA B. KNISLEY

Director, District of Columbia Department of Mental Health

Chairman Collins, Ranking Member Leiberman, members of the Senate Committee on Governmental Affairs, I am Marti Knisley, the Director of the District of Columbia Department of Mental Health and I thank you for inviting me to testify before you on a subject of great importance to myself, my department, and the citizens of our nation's capitol -- the past, present, and future of the West Campus of Saint Elizabeths Hospital.

Allow me to preface my remarks with a brief explanation of the Department and its current interest in the subject of this hearing. As you no doubt know, in 2001, the Mayor and the District of Columbia Council, with the approval of Congress, abolished the old Commission on Mental Health Services and established the Department of Mental Health as a new District of Columbia cabinet-level agency. The establishment of the Department as a cabinet-level agency, with independent personnel and contracting authority, attests to the District government's resolve to finally create a fully-functioning community-based system of mental health services delivery for the citizens of the District, thereby meeting the goals set out in the Court-Ordered Plan in *Dixon v. Williams* and ending the class action litigation first brought almost thirty years ago, when the Hospital was owned and operated by the predecessor agency to the Department of Health and Human Services (HHS). The cornerstone of this effort involves moving away from the District's long-standing Hospital-centered system of care, where community programs perform only those services that the Hospital cannot, to a community-based system, where the Hospital provides a service of last resort, and constitutes one alternative among several hospitals. To meet this challenge, the Department dedicated itself to making every effort to shift as many resources as possible away from the Hospital and into community-based services. We identified as an immediate priority the reduction of Hospital-associated costs by vacating the West Campus, consolidating patient-care-related functions on the East Campus, and moving non-patient care functions off the Campus. We have completed these moves and are currently making arrangements for the removal of personal property from West Campus buildings and the cleaning of those buildings so that they may be stabilized and mothballed.

Chairman Collins has asked me to comment specifically on how the West Campus arrived in its present state of deterioration? Let me first say that I possess no first-hand knowledge of events from 1987 until my appointment in April 2001 and, from my staff's efforts to compile answers to questions previously posed by Committee staff, it appears that very little institutional memory carried over to the Department from its predecessor agency. Nevertheless, I can offer the following comments.

It is important to keep in mind that the Hospital Campus was already in a deteriorated state in 1987, when ownership of the East Campus and five buildings on the West Campus was transferred to the District pursuant to the "Saint Elizabeths Hospital and District of Columbia Mental Health Services Act', also known as the "Transfer Act". The West Campus is the site of the 148 year-old original hospital building, as well as a number of other buildings of comparable vintage. Under the original version of the Transfer Act, the federal government was charged with the responsibility of repairing and renovating those buildings and support systems that the District indicated it intended to use in its Final System Implementation Plan. Pursuant to the Act, HHS contracted for a physical plant audit which was conducted by an architectural and engineering firm, AEPA Architects Engineers. This audit concluded that it would cost 55.8 million dollars to bring up to code those portions of the campus that the District intended to use. Of that amount, 25.8 million dollars was attributable to renovation of West Campus facilities.

Unfortunately, the story only goes downhill from there. In general, I believe the Government Accounting Office (GAO) hit the nail on the head when it commented in its April 2001 report (at p. 2) that "lack of funding and the absence of a clear direction for the future of the west campus over the years have left it in a badly deteriorated condition." In hindsight, it appears to me that the District did what it could to keep up with maintenance of the West Campus. However, its efforts seemed to be hamstrung by a number of factors.

First, the effort to bring the property up to code was never adequately funded. At some point, it was determined that, rather than carry out the renovations identified in the AEPA audit, the federal government would transfer the funds identified in the audit to the District, which would then be responsible for performing the renovations. However, The Department of Health and Human Services (HHS) transferred only 20.7 million of the 55.8 million dollars identified in the audit. The District brought suit against the United States over these discrepancies in 1993 and to date the litigation remains unresolved.

Second, the rapidly deteriorating buildings and crumbling infrastructure have required the District to devote its operating and capital funds to remedying immediate functionality, safety, and environmental issues to the detriment of strategic and preventive maintenance. Infrastructure compromises have produced the greatest cost burdens. For instance, in the past year alone, a crack in an aging water tower on the campus, left us no choice but to spend a quarter of a million dollars to replace it, even though the Washington Area Sanitation Authority (WASA) plans to put a new tower on the campus in the near future. We are currently replacing aged fuel oil tanks and cleaning up oil that has leaked from them, at a cost of 300,000 dollars. Steam line leaks and faults are a common occurrence, as are water main breaks, which require major digging at great expense. The ubiquitous slate roofs are vulnerable to high winds and rain and are very expensive to replace. Maintenance of the lawns, trees, roadways, and parking lots is an immense and costly task. Hurricane Isabel just knocked down some thirty trees, which will have to be removed. The list goes on and on.

Challenges such as these confronted the District from the first day it assumed responsibility for the West Campus. The Hospital power plant, located on the West Campus, became an immediate and especially significant drain on the District's resources. After being cited by the Environmental Protection Agency (EPA) for Clean Air Act violations, the federal government sued the District in 1991 in an effort to force it to essentially "pick up the tab" for years of neglect and mismanagement of the power plant prior to 1987. Affidavits filed in that case by the Hospital's Mechanical Engineer substantiate that the District spent 5.3 million dollars in fiscal years 1988 through 1994 on repairing the power plant to achieve Clean Air Act compliance and projected it would have to spend 18.3 million dollars overall. The court dismissed the federal government's claims in that case and consolidated parts of a counterclaim raised by the District with the other lawsuit I mentioned earlier.

In fiscal years 1988 through 1991, the District spent 10.1 million dollars to preserve, maintain, and repair all the vacant buildings on the West Campus. Of that amount, 4.35 million was attributable to buildings that the District had notified HHS it had vacated; and therefore, under paragraph 13 of the 1987 Use Permit agreement, HHS was to reimburse the District up to 1.3 million dollars.

HHS ultimately transferred only 1.1 million and the difference of $200,000 is the subject of the ongoing litigation I mentioned earlier.

Records we have been able to locate for five of the years since 1991, establish that the District spent an annual average of 10.7 million dollars out of its capital budget each year for maintenance and repairs on the Hospital campus. The records do not parse these costs out as between east and west campus, but a pro rata distribution based on relative square footage would attribute 4.4 million of those dollars to annual maintenance and repair of the West Campus. My staff developed a current estimate that, even after decommissioning the West Campus buildings, maintenance costs could amount to 3.6 million dollars annually. This high figure is due in large part to the fact that the deteriorated condition of the campus infrastructure, especially the water distribution systems, makes it impossible to cut off utilities to decommissioned buildings without risking substantial damage.

You have asked me to address the responsibility for this state of affairs. The responsibility ultimately rests with HHS as the holding agency of the property. The 1987 Use Permit stated that HHS "has holding agency responsibility and accountability" and paragraph six of the associated agreement assigns to the Public Health Service the responsibility for administering the agreement and supervising the District's use of the property. The extension agreement executed in 1997 substituted SAMHSA for PHS as the supervising office.

Beyond the information I have already shared, which is gleaned in large part from the record of the ongoing litigation, my Department cannot shed much light on HHS' level of effort over the years to supervise the use permit. We have not been able to locate records of visits or other enforcement activity, nor does anyone currently employed by the Department recall visits or inspections related to the use permit. I can say that, since the federal government's decision to surplus the property, which roughly coincided with my appointment and our decision to vacate the West Campus entirely, we have enjoyed a collaborative relationship with HHS. They have participated with the District's Office of Planning in the process of planning for development of both the East and West campuses. They took responsibility for mothballing and stabilizing the Center Building, the oldest and largest building on the West Campus. And currently, they are working with us and GSA on a three-way agreement for cleaning out the remaining West Campus buildings in preparation for mothballing.

In fairness, HHS' task has not been made any easier by the transformation that has taken place over the years in the District's plans for use of the West Campus. Once the District decided to vacate the West Campus altogether, the

GAO was correct to point out that "it would likely have little reason to continue its maintenance and protection responsibilities." (2001 Report, at 13). Also, we can no longer sacrifice fiscal resources needed for the long-overdue development of a delivery system for community-based mental health services.

You have also asked me to comment on the extent of the deterioration and the financial loss associated with the deterioration. There is no way to give a comprehensive answer to this question without expending precious financial resources for a full-scale assessment. For instance, we commissioned an assessment of just one West Campus Building, Hitchcock Hall. The assessment, which concluded it would take 5.8 million dollars to restore the hall to a useable state, cost 14,000 dollars to obtain. Other available figures provide rough measures of financial loss. For instance, the District's Master Plan, submitted to Congress in 1993, estimated costs ranging from 116 to 128 million dollars to renovate the West Campus for a mix of mental health services, other institutional uses and retail uses.

Finally regarding plans for future use of the site, it is too soon to answer this question with any specificity. Of course, the immediate plans are for HHS and GSA to mothball and stabilize the property pending its disposition as excess federal property. In the meantime, the District's Office of Planning has begun the process of planning for redevelopment of both the East and West Campuses, involving the federal government, the local citizenry, and other stakeholding entities, and taking into account the continued consolidation of hospital functions into a small number of buildings on the East Campus and the planned construction of a replacement hospital there.

I thank you for the opportunity to address the Committee today and I will strive to answer any questions you may have of me.

DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of the Secretary

Washington, D.C. 20201

November 12, 2003

The Honorable Susan M. Collins
Chairman, Committee on Governmental Affairs
United States Senate
Dirksen Senate Office Building
Washington, DC 20510-6250

Dear Senator Collins:

During the October 1, 2003, hearing on Federal real property management, you asked what action the Department of Health and Human Services (HHS) took in response to an October 17, 1996, Washington Post article on the District's endangered buildings, which mentioned St. Elizabeths Hospital. I responded that I was not aware of the article, but that I would research the matter and report back to you. We have reviewed our files and are unable to find any specific action items relating to the Washington Post story.

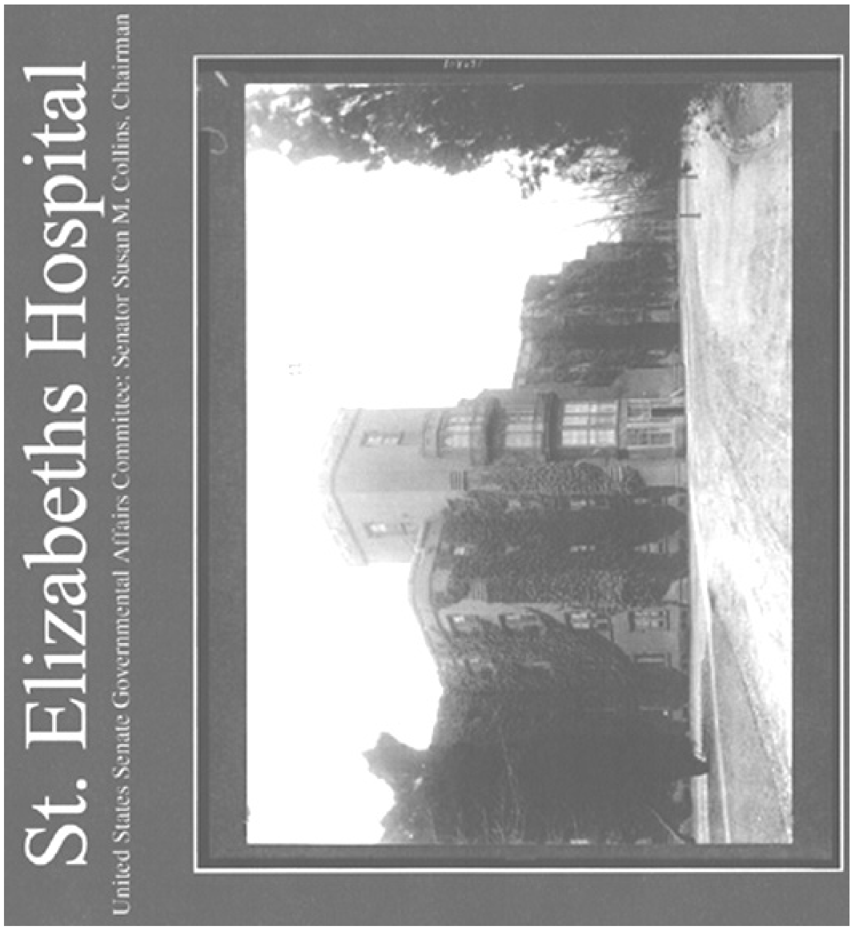
As I mentioned during my testimony, I believe that this Department's oversight over the District's maintenance of St. Elizabeths Hospital was minimal in the past. However, I also believe that we are now taking the best corrective measures under the constraints of the current situation.

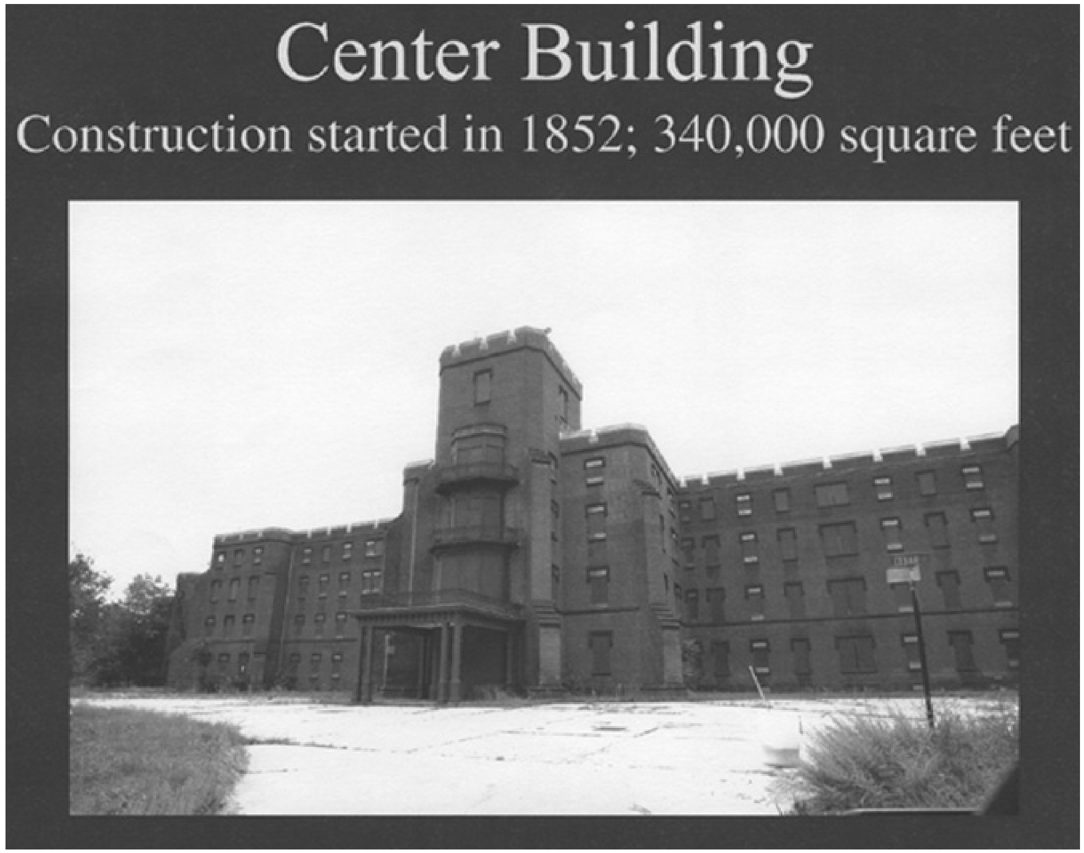
Please let me know if I can provide further information concerning this matter.

Sincerely,

William C. Stamper

William C. Stamper
Deputy Assistant Secretary
Office for Facilities Management and Policy


St. Elizabeths Hospital
United States Senate Governmental Affairs Committee; Senator Susan M. Collins, Chairman


Center Building
Construction started in 1852; 340,000 square feet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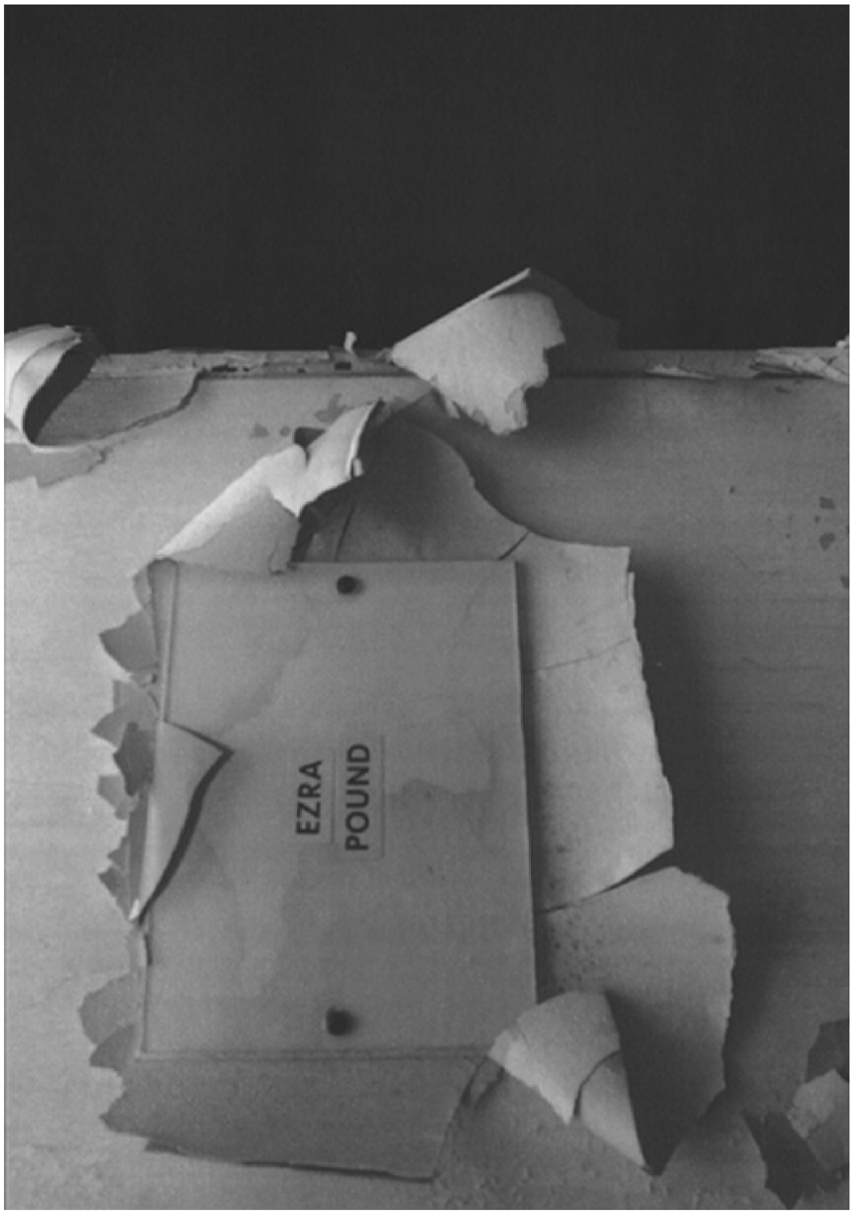
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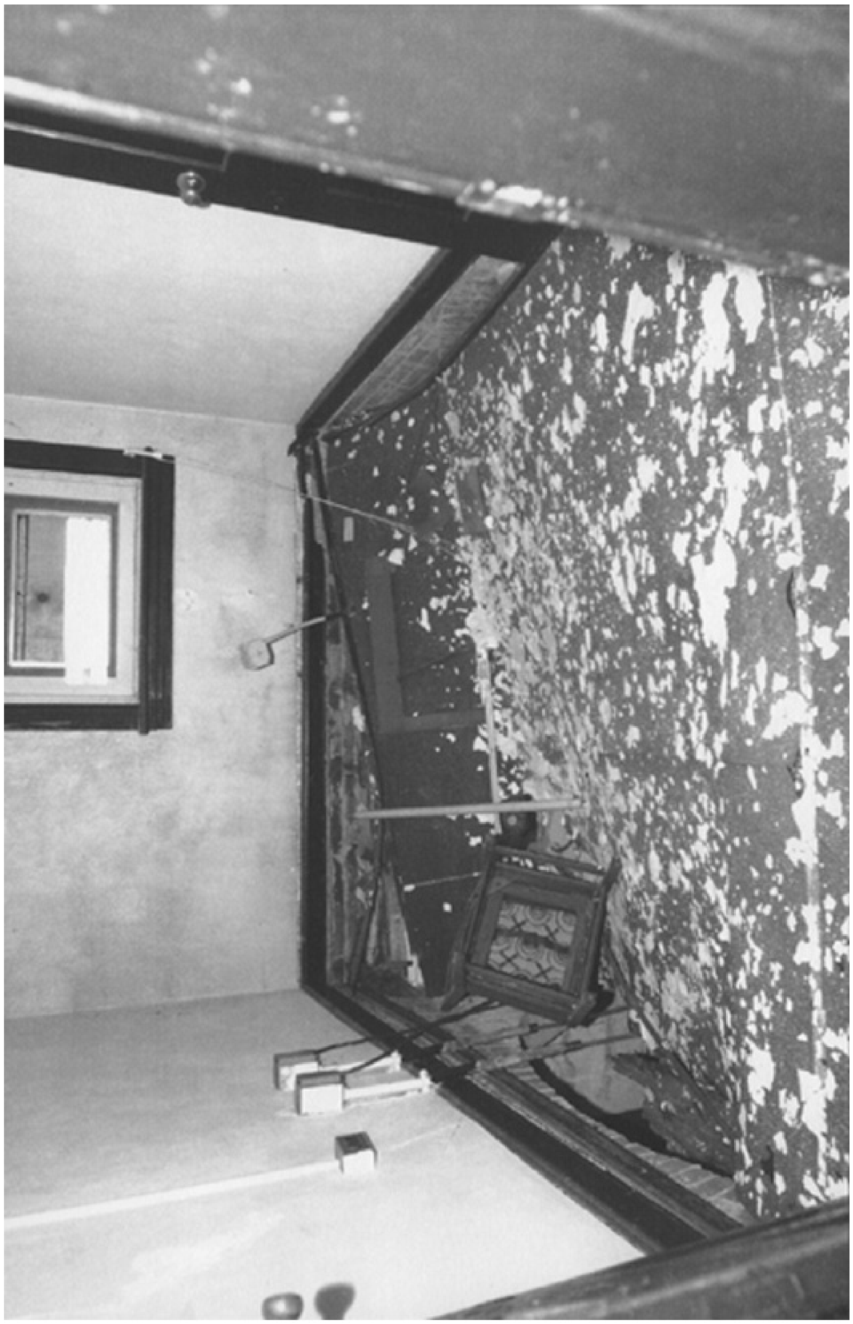


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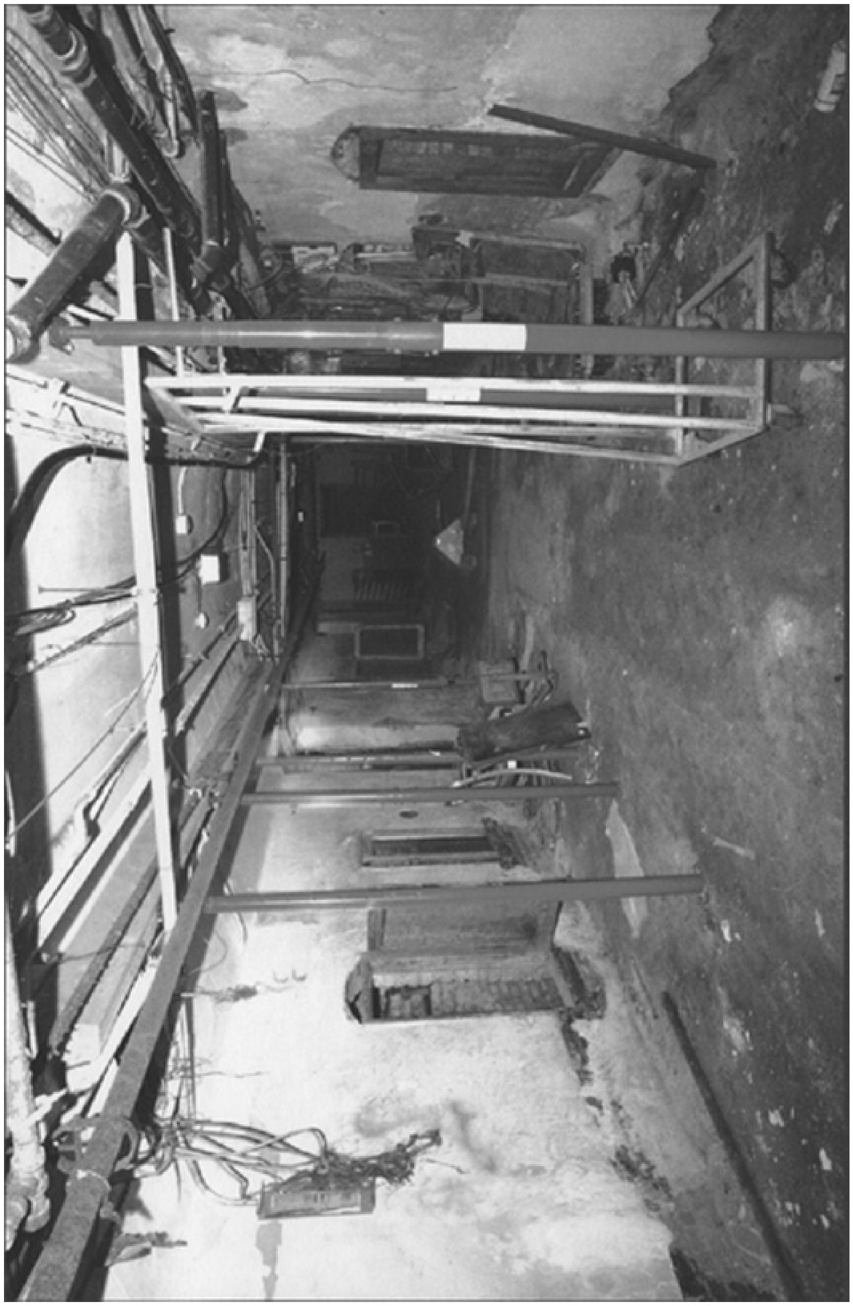
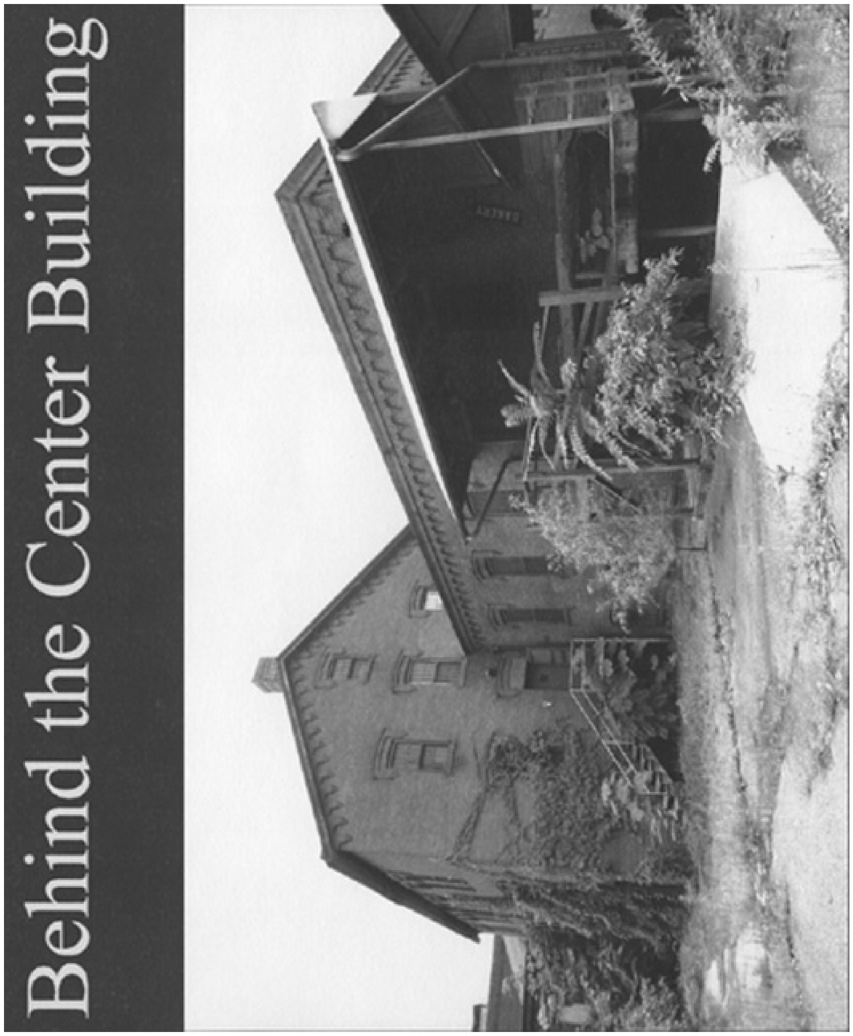
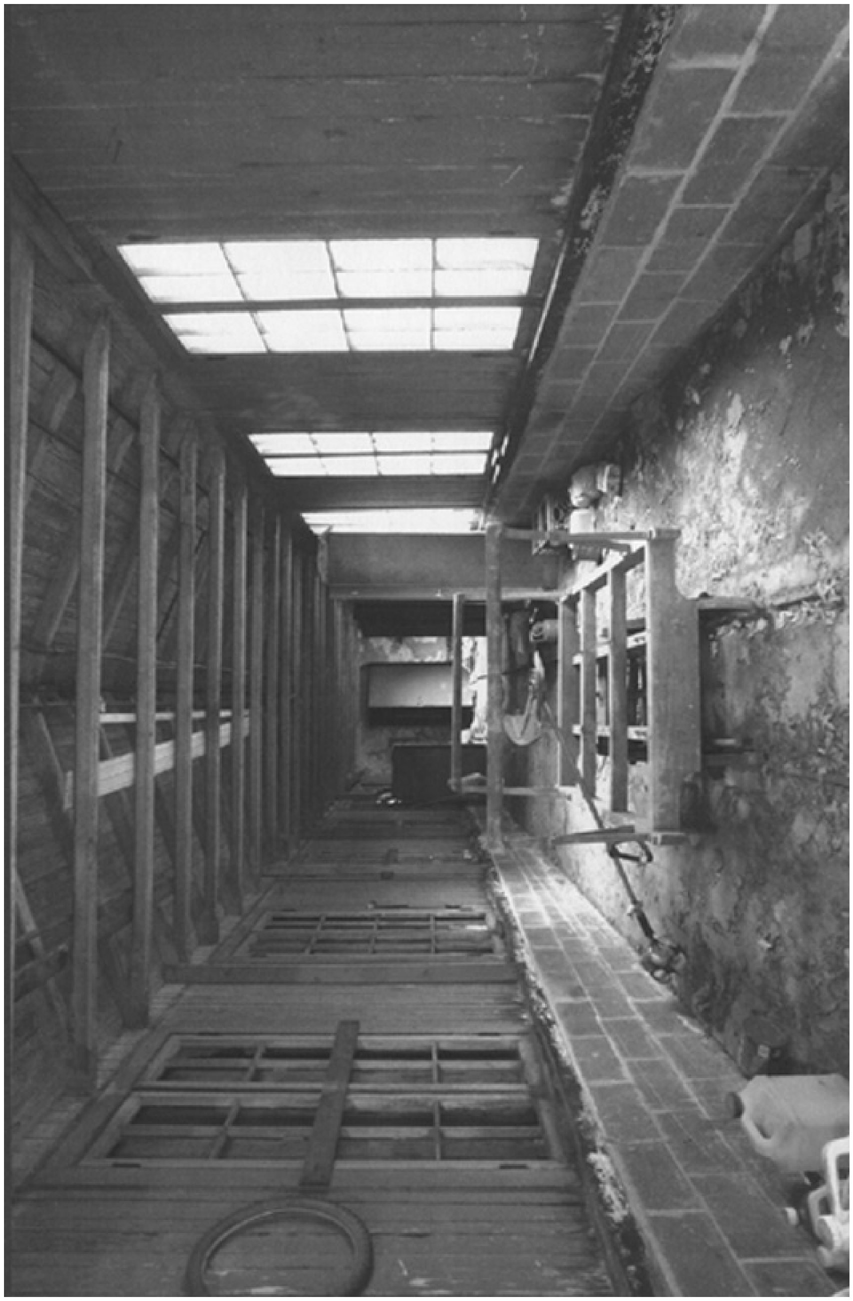
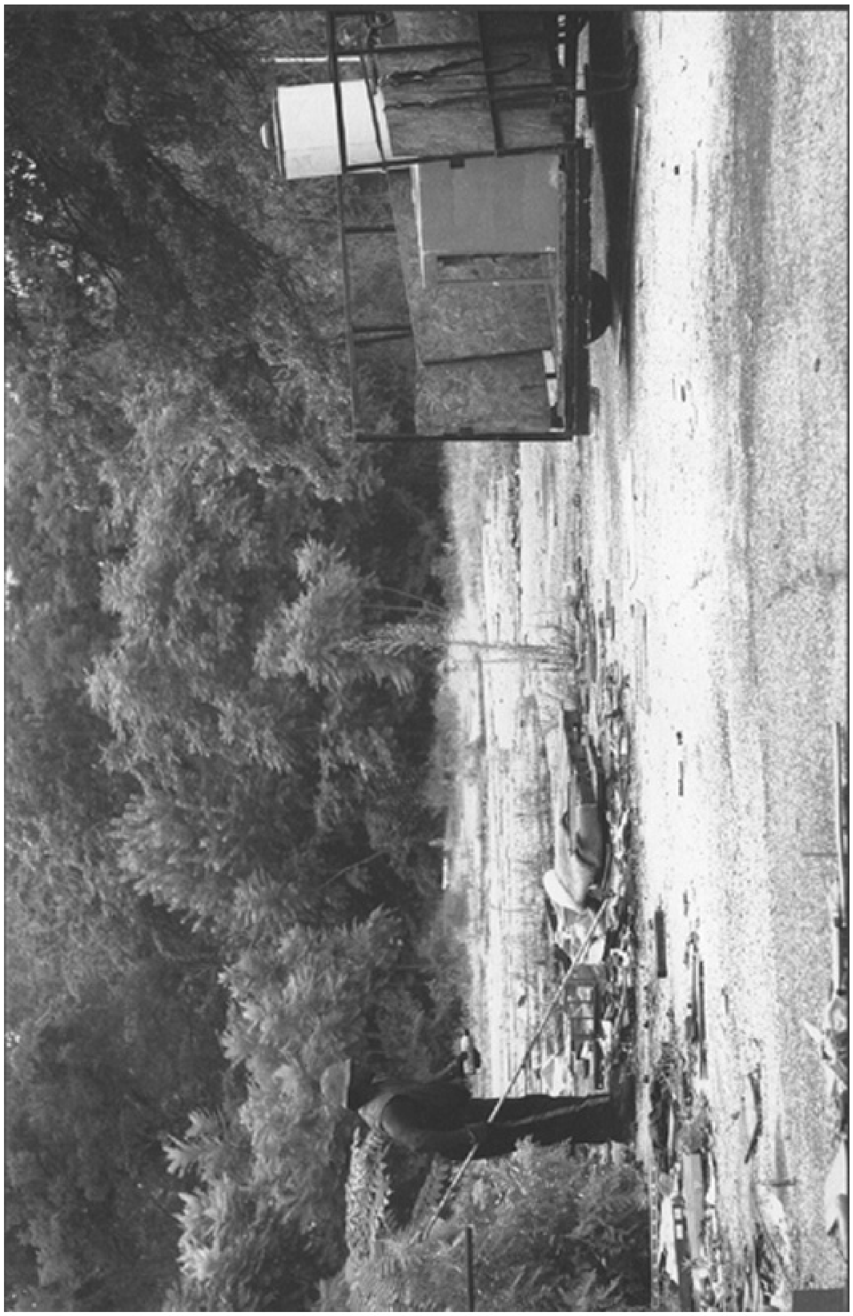
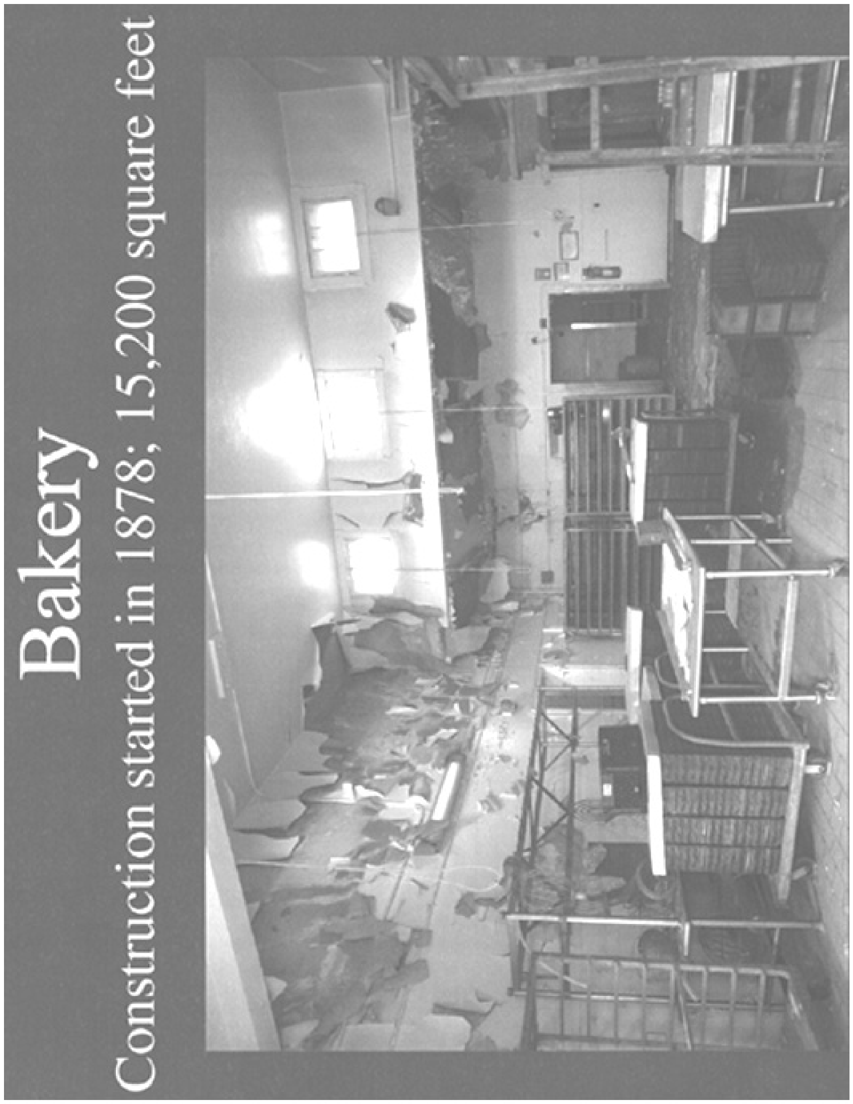
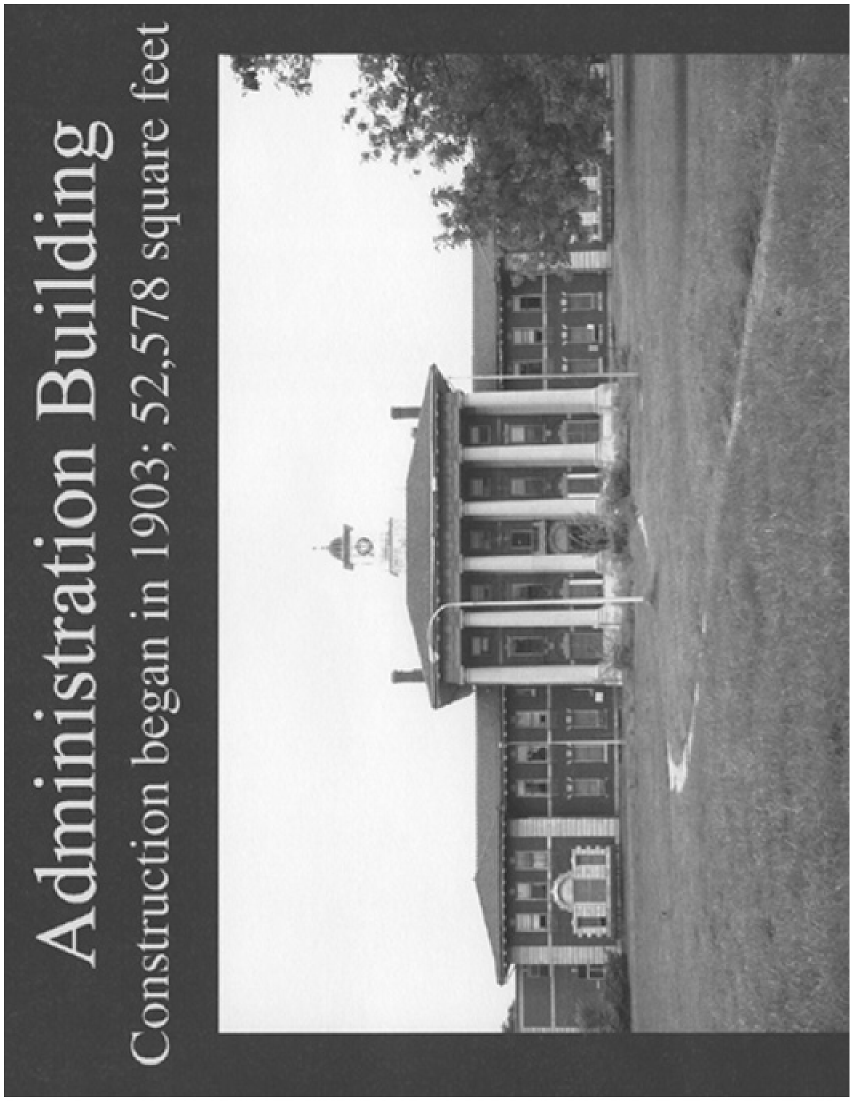


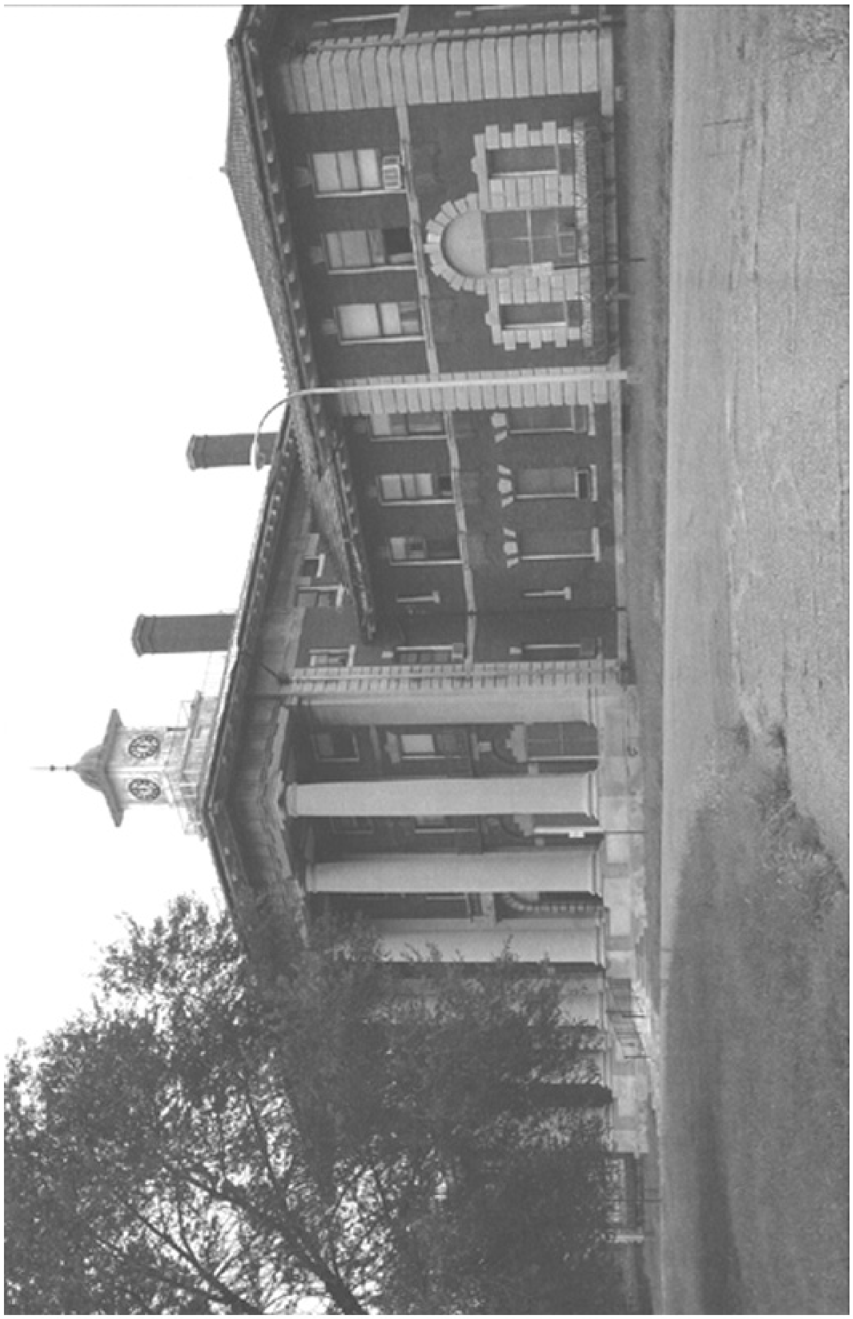

Behind the Center Building






Bakery
Construction started in 1878; 15,200 square feet


Administration Building
Construction began in 1903; 52,578 square feet

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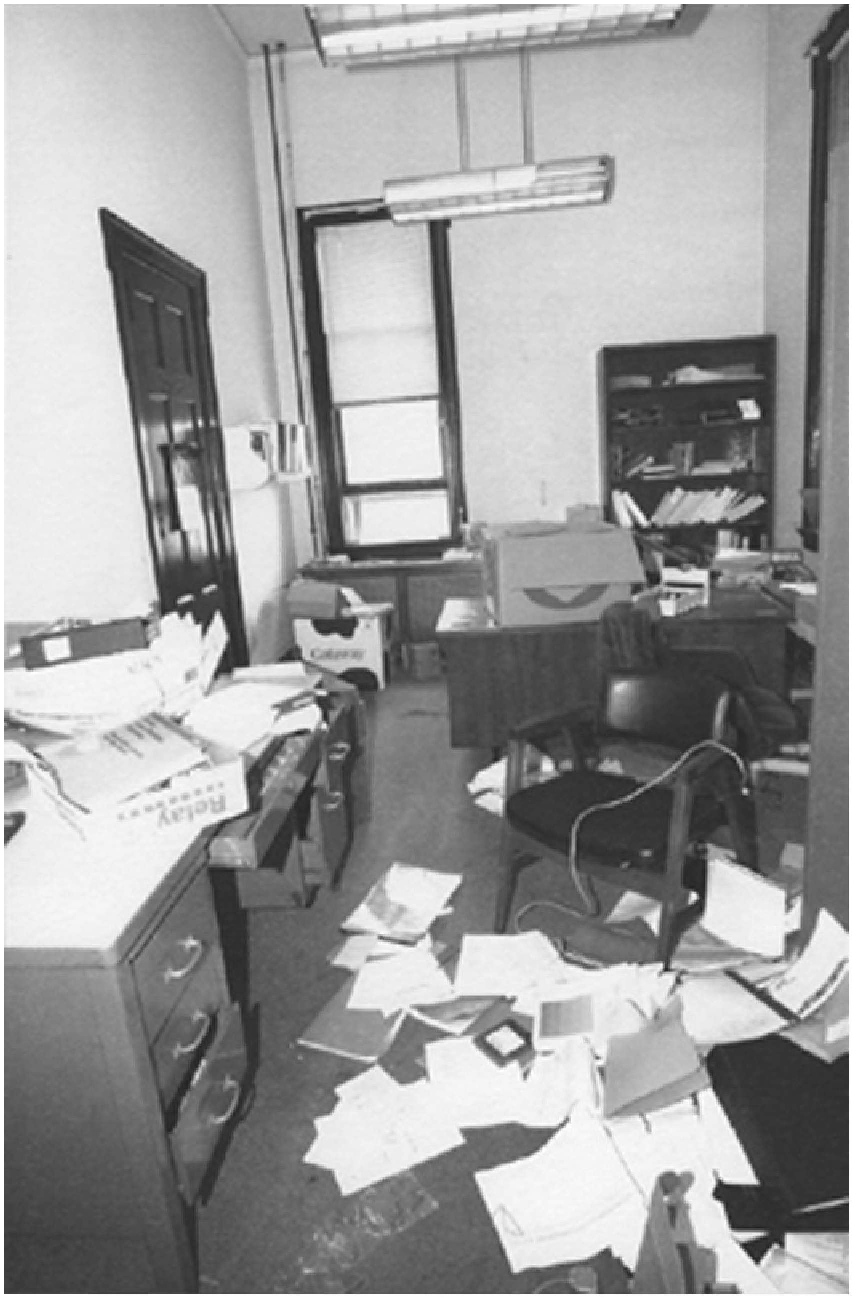


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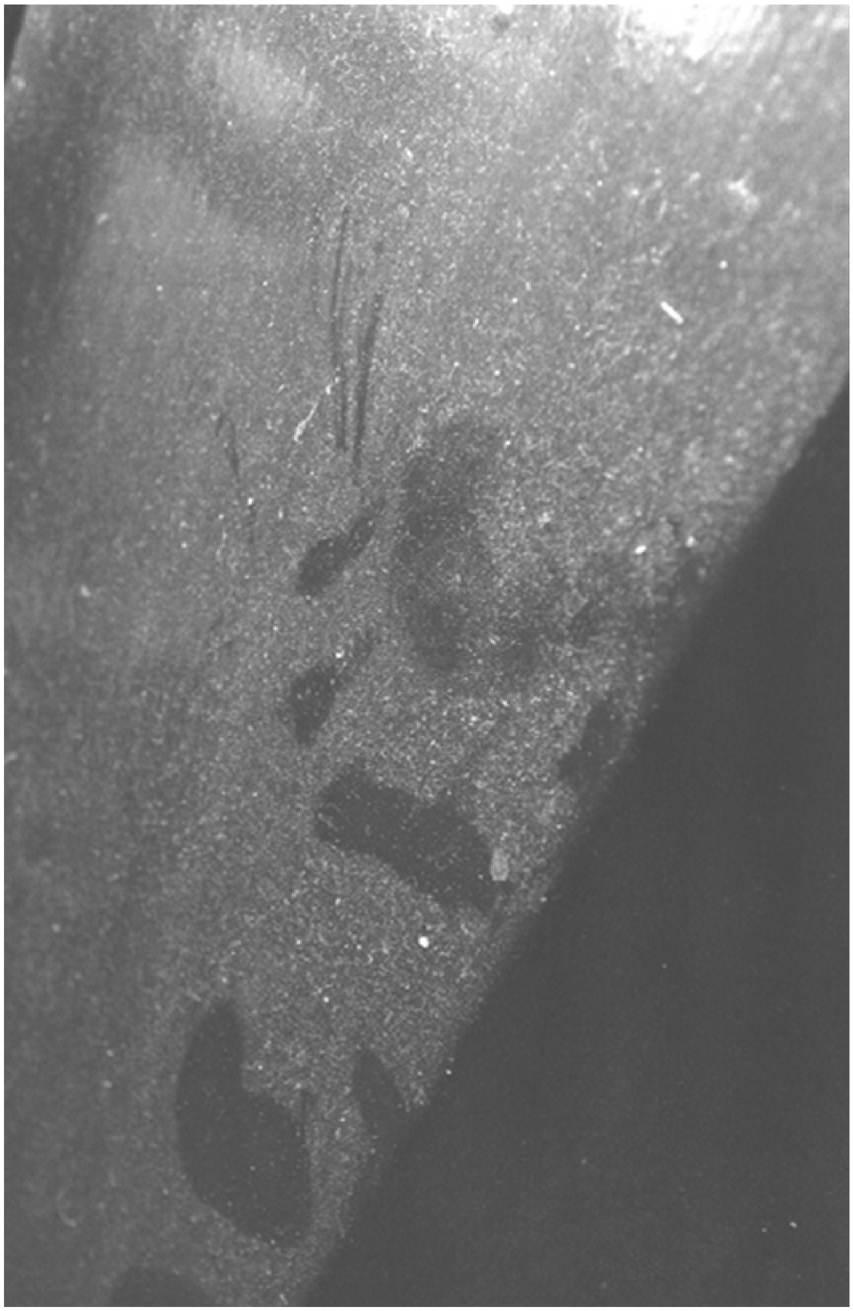


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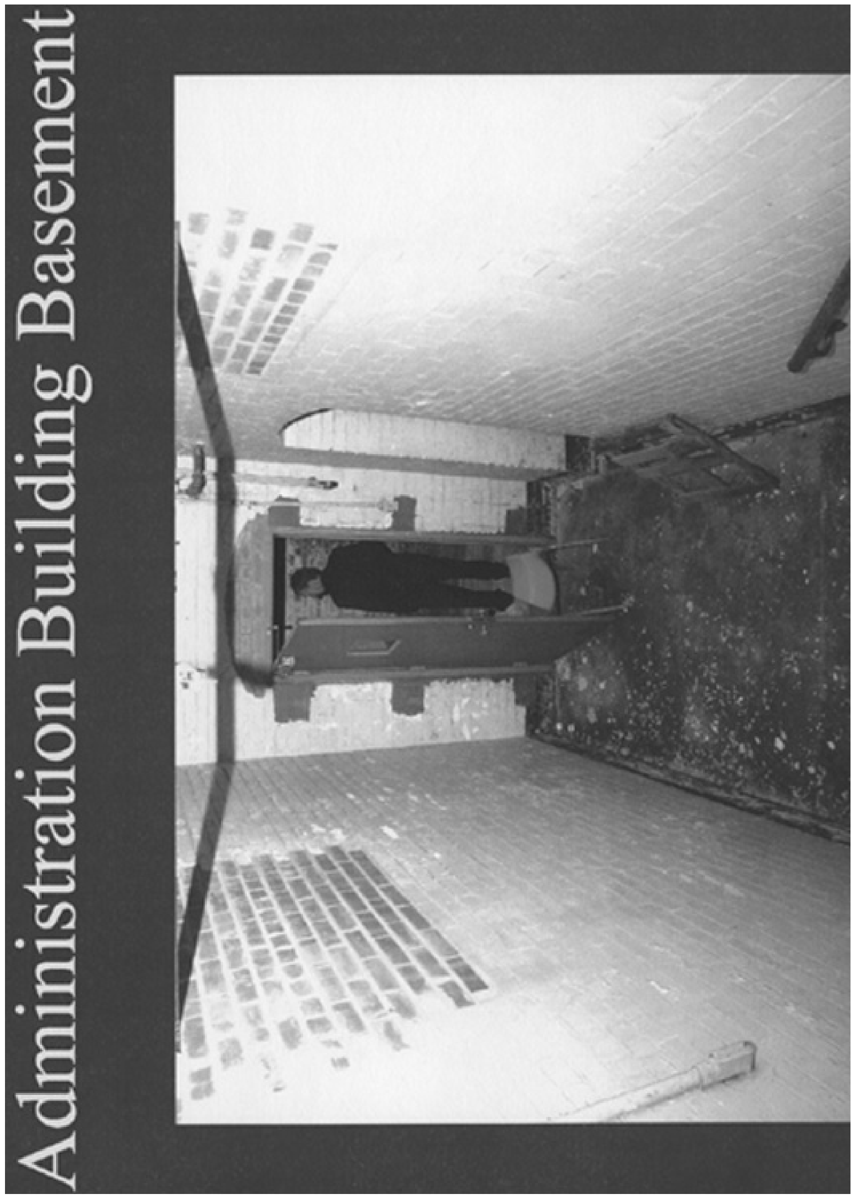
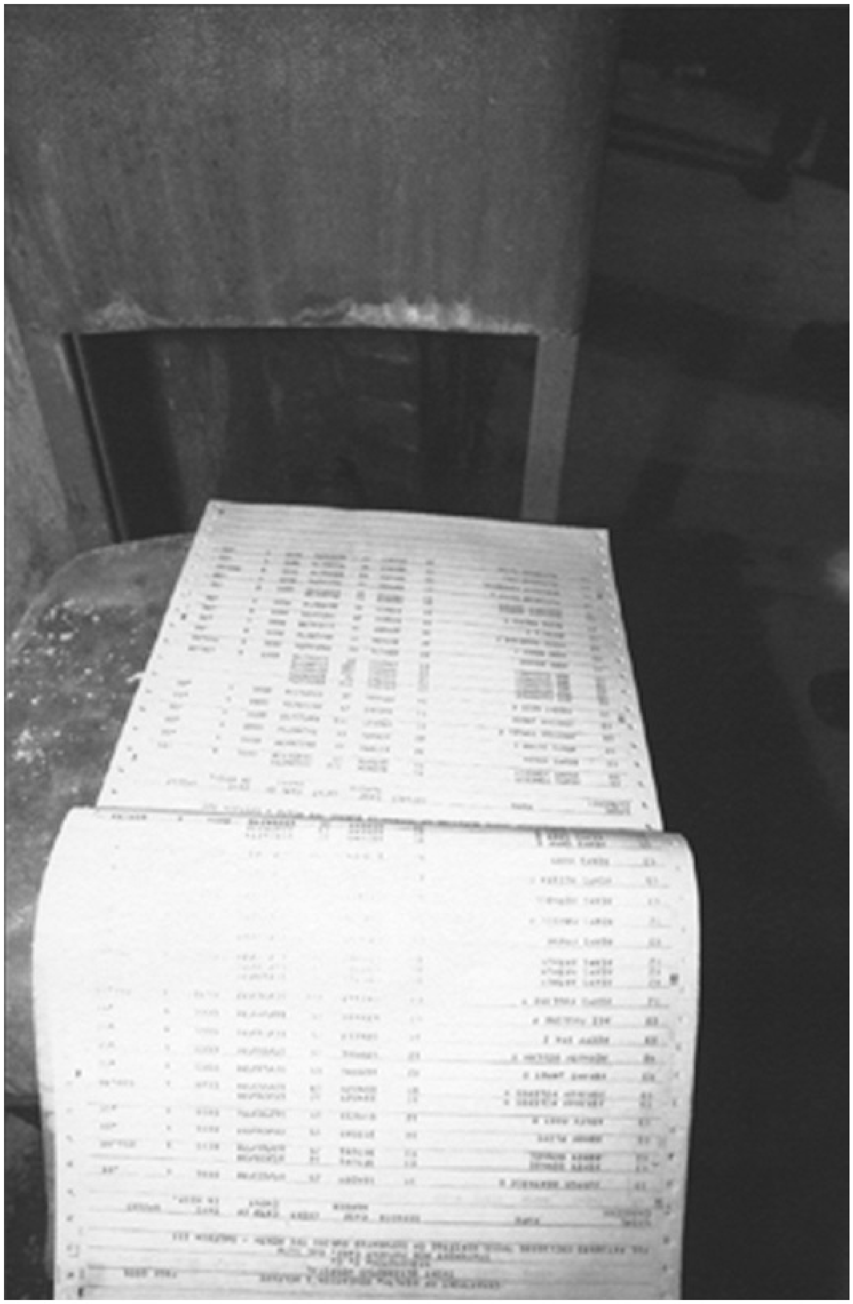
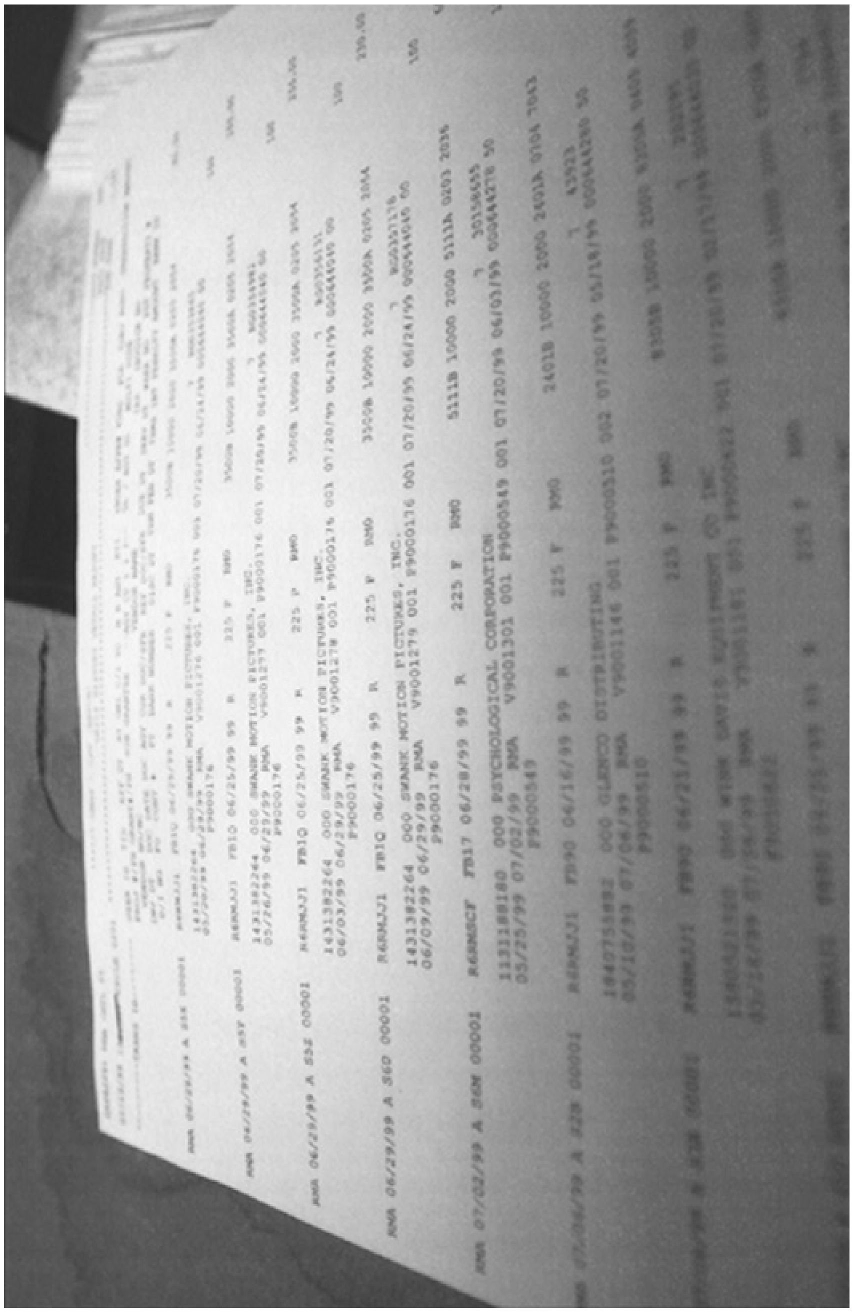
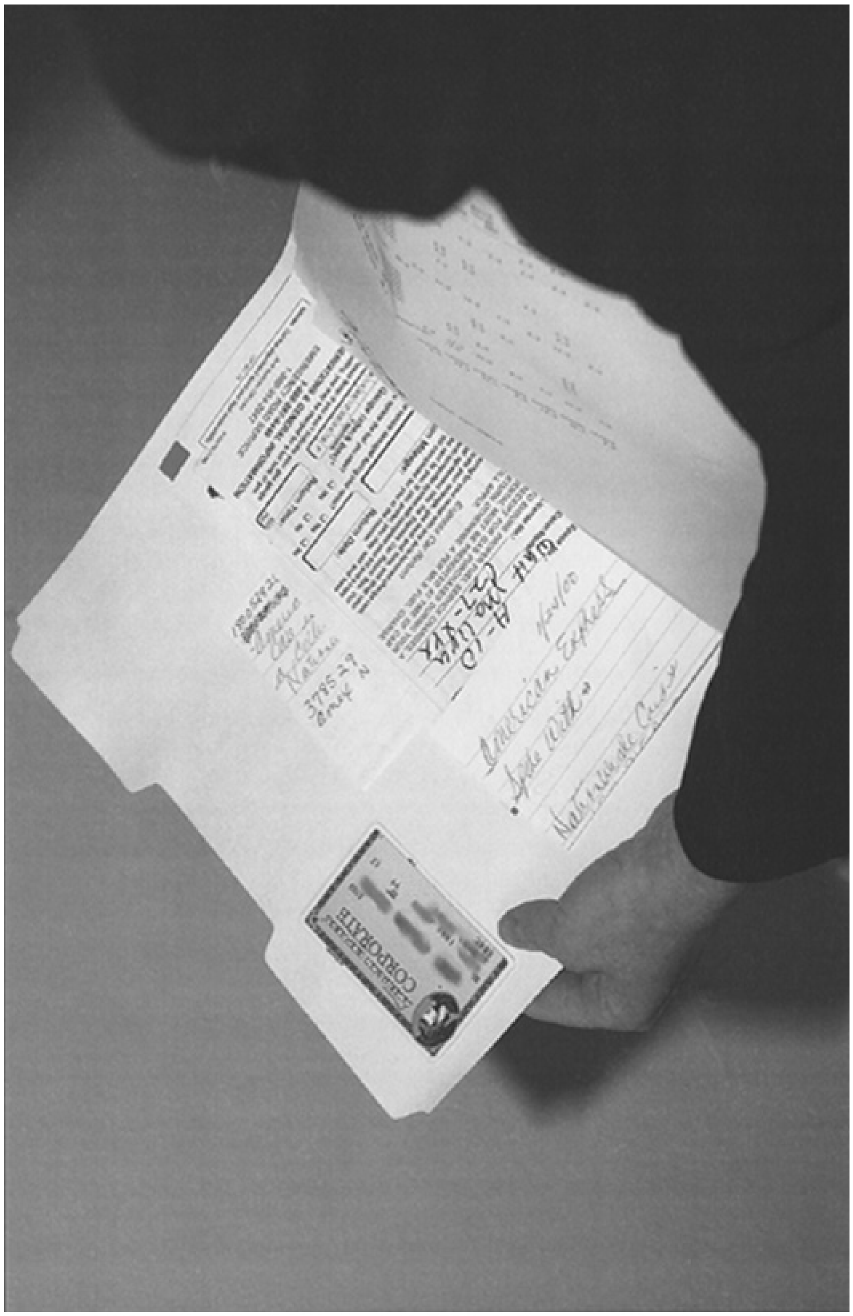
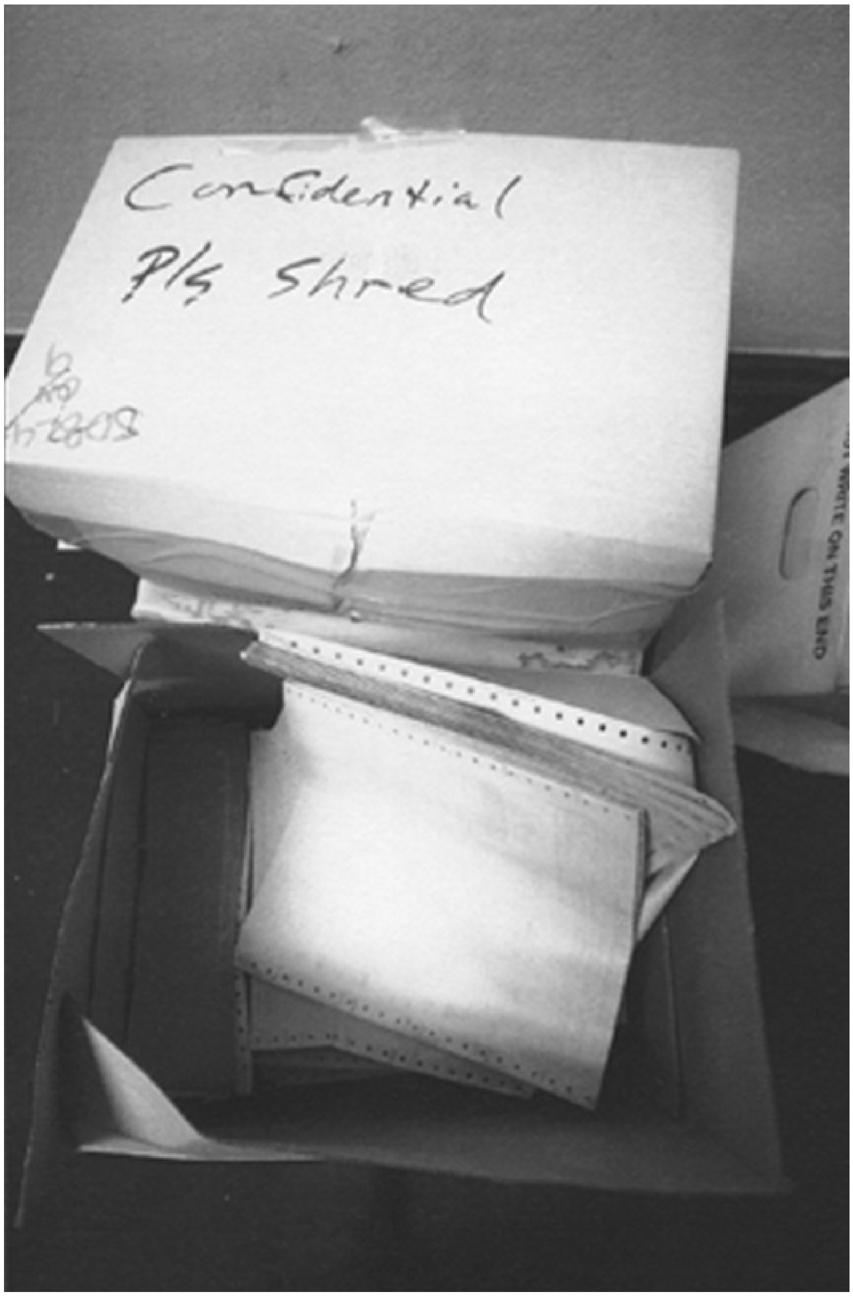

Administration Building Basement


3-1





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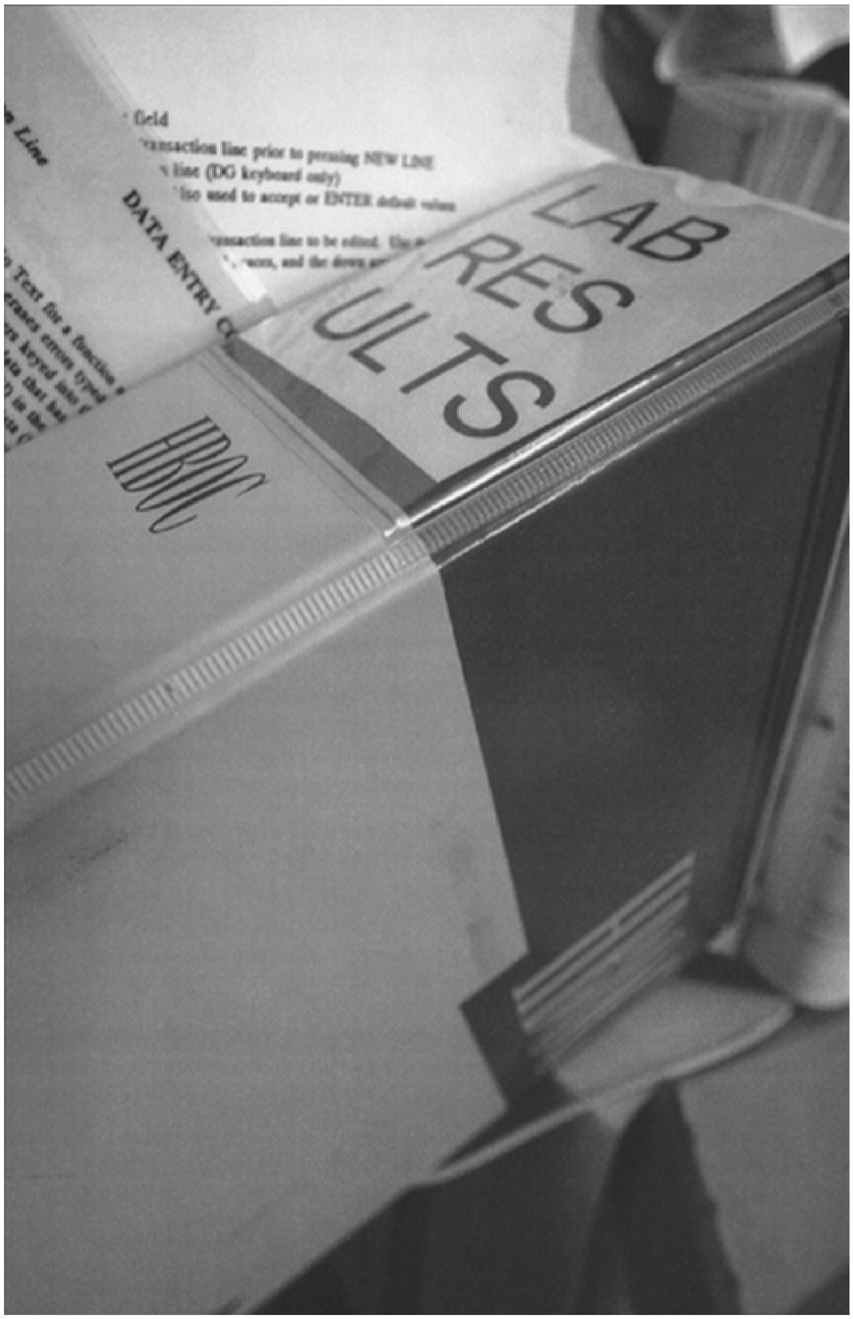
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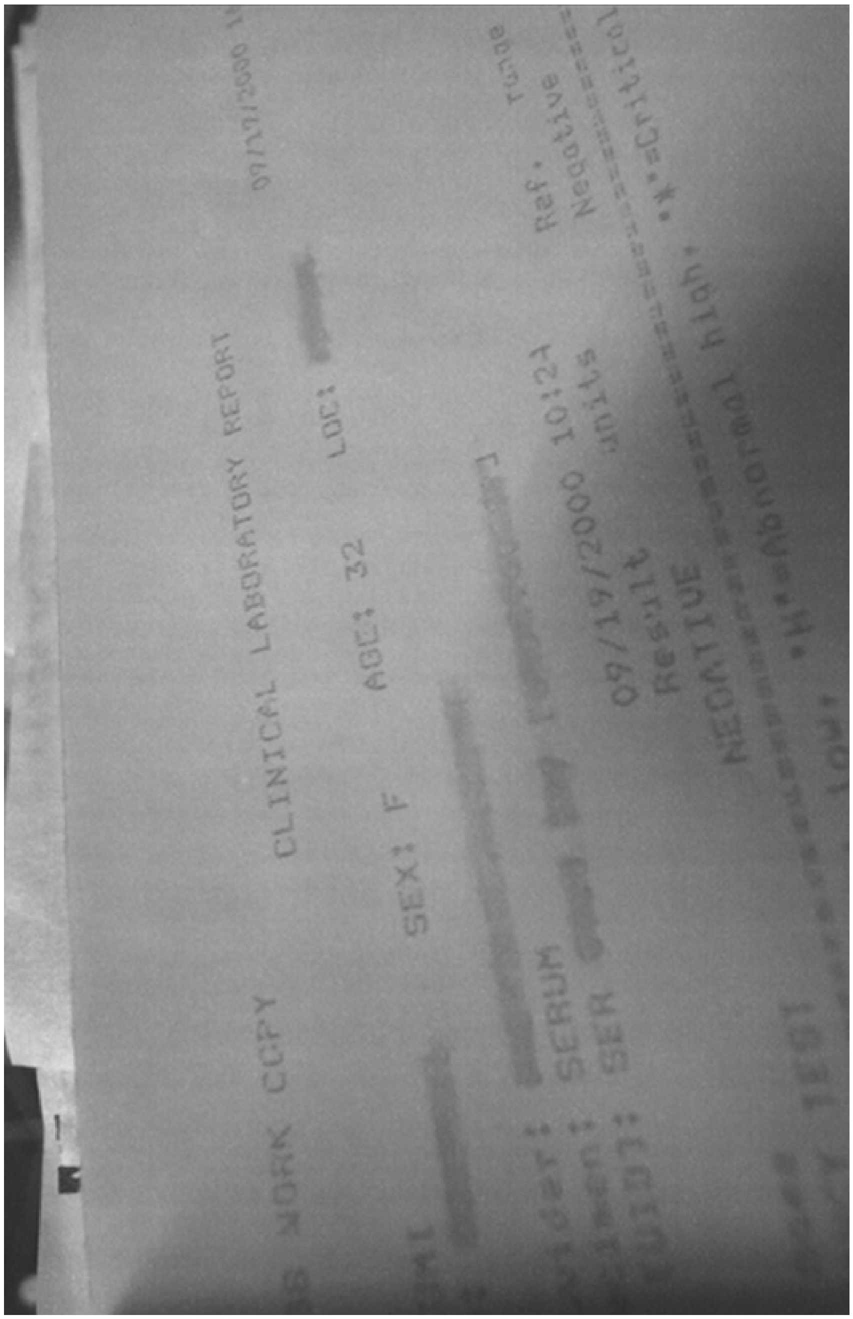
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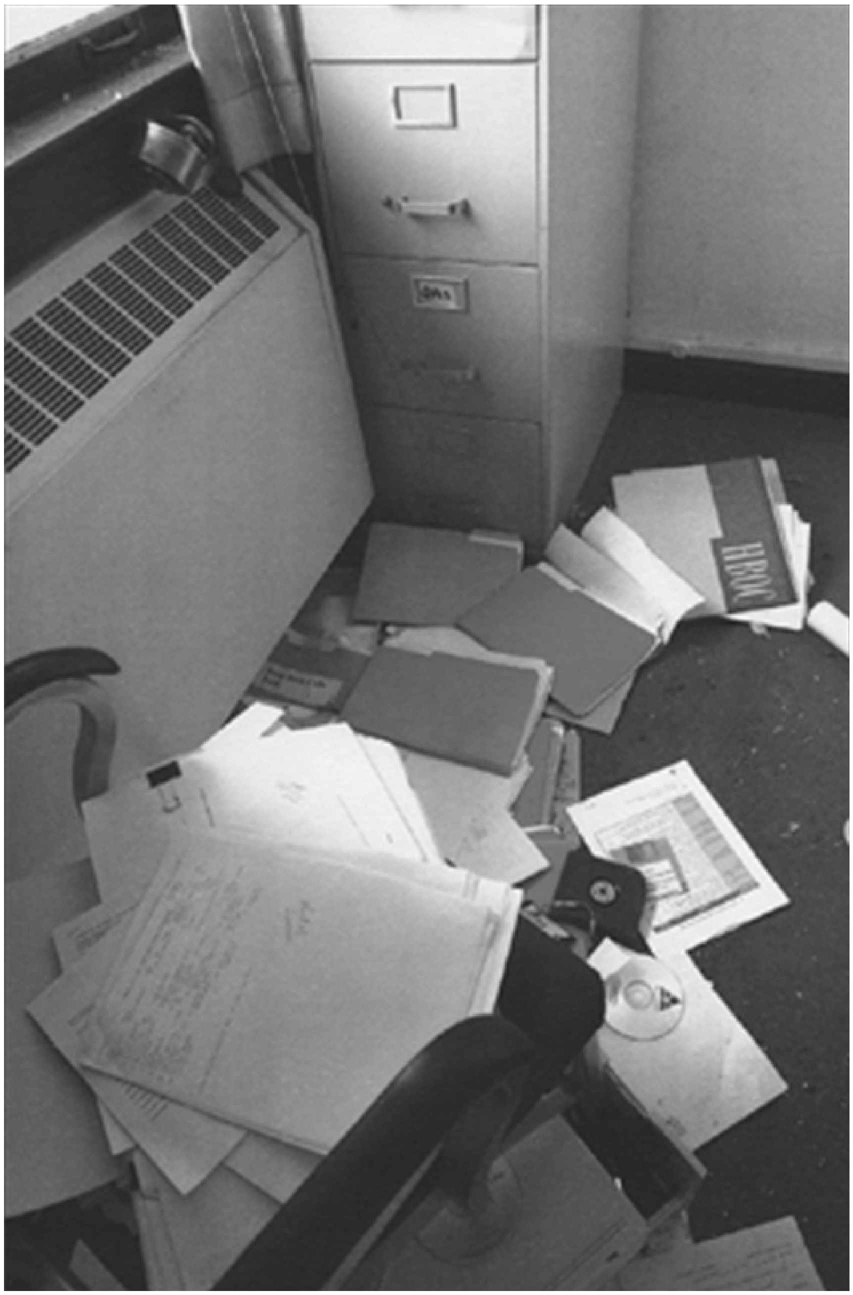

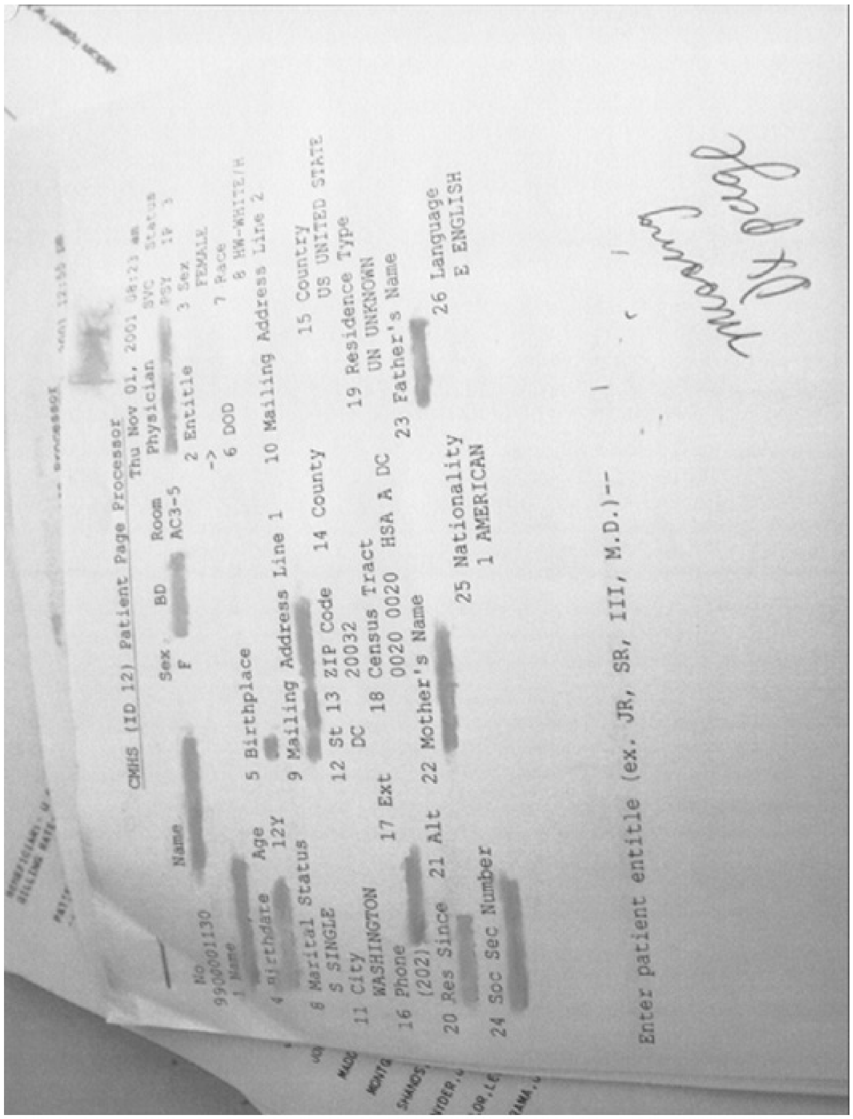

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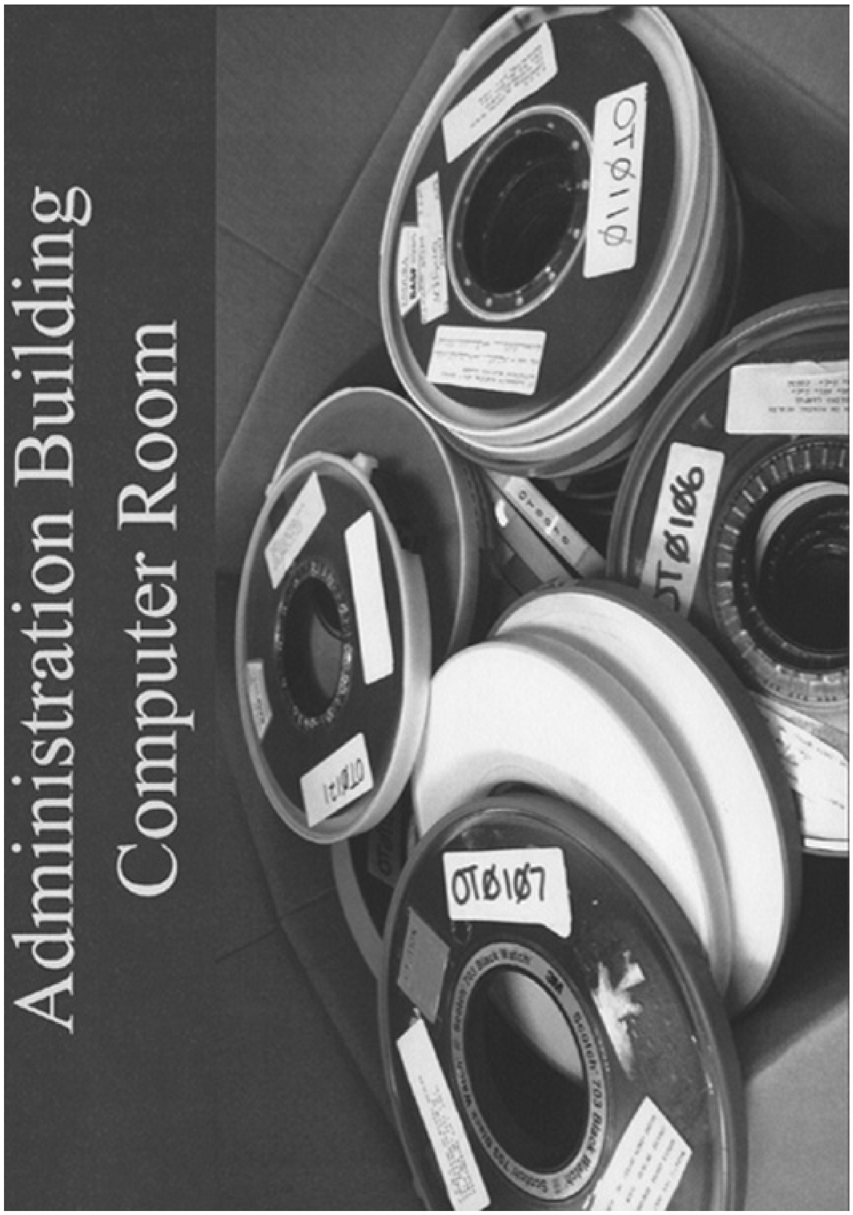
Administration Building
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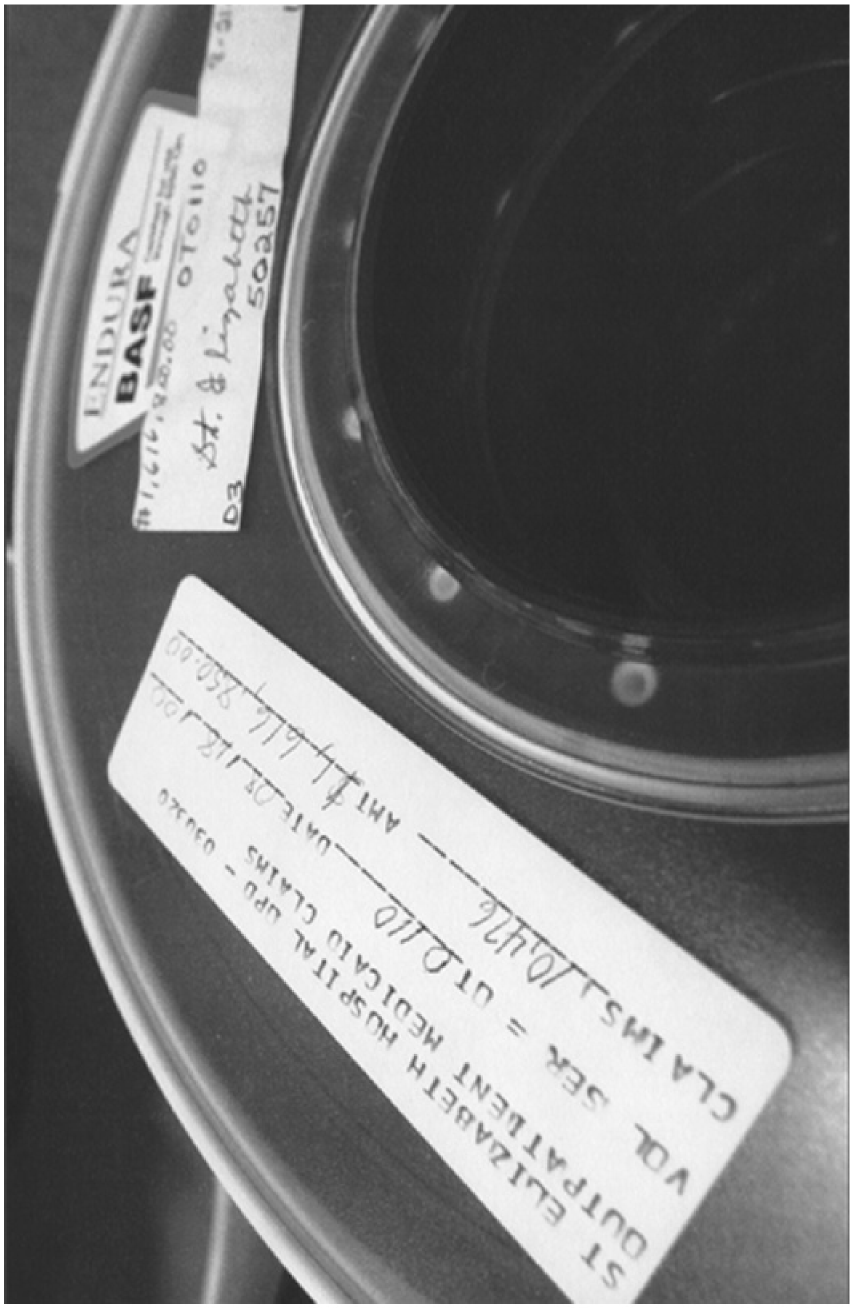
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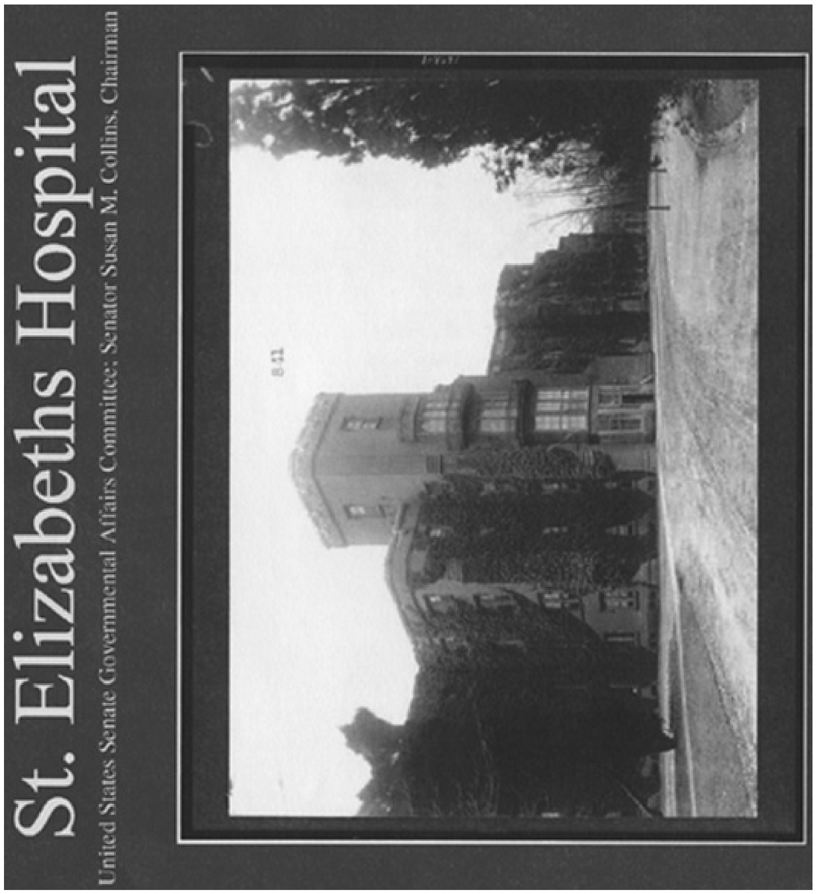
St. Elizabeths Hospital
United States Senate Governmental Affairs Committee: Senator Susan M. Collins, Chairman