



Keeping it Real:

The Real Property Manager and the Impact of Recent Laws and Regulations

By Robert King, CPPS, and William Garrett, CPPS, Federal Center Chapter

There have been a number of laws and regulations enacted in recent years that have, and will continue to have significant impact on federal real property management.

Prior to this legislation, there were limited regulations and guidance on how agencies should properly track and manage real property inventory. The operating mindset was that real property was an asset from a financial perspective and acquiring more of it was a good thing. Real property holdings were acquired with little consideration to the ancillary costs related to each asset and the utilization of each asset. Real estate and facilities management offices focused primarily on acquisition processes, i.e., buying or executing commercial/GSA leases, paying the monthly mortgages/rent, supporting the budget cycles, and maintaining and operating their facilities. However, the recent legislation is transforming real property management and how it integrates with other entities.

The laws and regulations referred to include:

- 1) Executive Order 13327 – Federal Real Property Asset Management
- 2) Executive Order 13423 – Strengthening Federal Environment, Energy, and Transportation Management
- 3) Guiding Principles for Federal Leadership in High Performance and Sustainable Buildings

Executive Order 13327

Executive Order (EO) 13327 has drastically changed the government's approach to managing its portfolio of real property assets. EO 13327 recognizes that the lifecycle maintenance, operations and repairs costs are greater than the value that these holdings represent. Thus, the executive order was established to promote efficient and economical use of the federal government's real property assets.



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Major provisions outlined within EO 13327:

- Established the interagency Federal Real Property Council (FRPC) and the role of the Senior Real Property Officer
- Issued the creation of a centralized, descriptive database for all federal real properties, known as the Federal Real Property Profile (FRPP)
 - The FRPC is the body that defines the guidelines and data attributes to be reported to the FRPP database
- Directed each agency to develop and implement an Asset Management Plan (AMP) that includes guidance to monitor real property performance measures, develop a complete and accurate inventory of real property assets, and properly dispose of properties that are no longer needed.

Additionally, the FRPC provides agencies with a framework to aid in the identification of property holdings that no longer effectively support the mission and guidance outlining how to proceed with disposing of these holdings.

The FRPC also defined four performance measures to use as a key gauge for valuing each piece of government real estate. The four performance measures are defined as:

- 1) Utilization - The state of having been made use of, i.e., the rate of utilization. Utilization will be captured as a percent utilization on a scale of 0% to 100% which will define the utilization category as:
 - a. over-utilized
 - b. utilized
 - c. under-utilized or
 - d. not-utilized.
- 2) Condition Index (CI) – A general measure of a constructed asset's condition at a specific point in time. It is calculated as the ratio of repair needs to plant replacement value (PRV) (also known as functional replacement value).
- 3) Annual Operations Costs – Annual operating and maintenance costs include:
 - a. Recurring maintenance and repair costs
 - b. Utilities (includes plant operation and purchase of energy)
 - c. Cleaning and/or janitorial costs (includes pest control, refuse collection and disposal to include recycling operations) and
 - d. Roads/grounds expenses (includes grounds

maintenance, landscaping and snow and ice removal from roads, piers and airfields).

- 4) Mission Dependency – The value an asset brings to the performance of the mission as determined by the governing agency. The categories include:
 - a. Mission Critical – without constructed asset or parcel of land, mission is compromised
 - b. Mission Dependent, Not Critical – does not fit into Mission Critical or Not Mission Dependent categories
 - c. Not Mission Dependent – mission unaffected, or
 - d. Not Rated – used for DoD/BRAC properties only.

Executive Order 13423

EO 13423 was established in January 2007 to require, "Federal agencies to conduct their environmental, transportation, and energy-related activities under the law in support of their respective missions in an environmentally, economically and fiscally sound, integrated, continuously improving, efficient, and sustainable manner." Although this EO reaches across all functions of a Federal agency, it does specifically address requirements with regard to real property management.

Specifically, the EO states that each agency shall ensure that:

- 1) New construction and major renovation of agency buildings comply with the *Guiding Principles for Federal Leadership in High Performance and Sustainable Buildings set forth in the Federal Leadership in High Performance and Sustainable Buildings Memorandum of Understanding (2006)* (Guiding Principles); and
- 2) Fifteen percent of the existing federal capital asset building inventory of the agency as of the end of fiscal year 2015 incorporates the sustainable practices in the Guiding Principles.

Guiding Principles for Federal Leadership in High Performance and Sustainable Buildings

The Guiding Principles, originally a Memorandum of Understanding (MOU) signed in 2006 by a number of federal agencies, was an effort to establish and follow a common set of sustaining Guiding Principles for integrated design, energy performance, water conservation, indoor environmental quality, and materials. These principles are aimed at helping federal agencies and organizations:

- Reduce the total ownership cost of facilities;

- Improve energy efficiency and water conservation;
- Provide safe, healthy, and productive built environments; and
- Promote sustainable environmental stewardship.

Within the MOU, it details specific metrics and timelines to which each agency must adhere. They apply to the entire life cycle of a real property asset, from construction to disposal. EO 13423, which references the Guiding Principles, became law in early 2009, thus making these Guiding Principles required for all federal agencies. Further, the FRPC recently established an additional reporting component, *Sustainability*, on which all federal agencies must report. This reporting component also specifically cites the Guiding Principles as the document to which all federal agencies must refer for FRPP reporting.

Functions of the Real Property Manager

As mentioned, prior to this recent legislation, the real property manager had limited regulations and guidelines on how to track and manage real property

inventory. However, the guidelines are now much more specific and aligned with the other functions of the agency. This is compelling the real property manager to rethink how real property is tracked and managed, and how that information is conveyed, internal and external of the agency.

In general, there are three functional areas of the real property manager:

- 1) FRPP Reporting & Property Record Management
 - a. Manage all 25 FRPP reporting attributes, including the four Performance Measures
 - b. Generate FRPP XML File with prescribed controls
 - c. Capture all Annual Operating costs
 - d. Capture summary Project (e.g., CIP, RWA) Costs and Activities
 - e. Capture and accrue all Acquisition and Capitalization costs
 - f. Provide visibility into the availability of owned/leased space
 - g. Manage projected space requirements/needs



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2. Commercial Lease/GSA Occupancy Agreement (OA) Management
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 - b. Track OA/Lease milestones
 - c. Support Rent Budget Formulation and Execution
 - d. Capture and track OA/lease versions and modifications
3. Rent Reconciliation
 - a. Capture and process GSA Rent-on-the-Web (ROW) Rent Bills
 - b. Capture and process Commercial Rent Bills
 - c. Allocate Space Assignment against monthly rent bill(s) and CRBs
 - d. Identify and Track Rent Bill Discrepancies for future reconciliation
 - e. Facilitate the internal collection of rent from the occupying tenants

Impact on Federal Agencies

Recent evidence justifying EO 13327 detailed the extensive operating costs that overshadowed the value of real estate. Ever-increasing property taxes, utility costs, and renovation expenditures required the government to gain visibility into and an understanding of its inventory and, for the first time, make an effort to dispose of real property that was deemed surplus. The annual reporting requirements related to the four performance measures, in addition to the other 21 FRPP reporting elements, can only be comprehensively achieved in an integrated environment. As shown with the real property manager functions, other support functions such as human resources, IT management, and personal property have a similar mission, albeit through a modified perspective. Agencies have typically viewed these functions as disparate, but there is certain overlap and there is need, more now than ever, to integrate these functions. For example, the performance measure "Utilization" requires insight into the assignment of individuals to space for its calculation, but in most situations Human Resources owns this data.

By taking the initiative to streamline property management functions via implementation of an enterprise visible data repository, tighter integration with upstream and downstream processes, and the use of standardized reference data across asset lifecycle systems, property managers will benefit from more timely and accurate capture of property information enabling the organizations that they support to make better decisions

regarding their mission critical assets. The initiatives outlined within and resulting from EO 13327, EO 13423, and the Guiding Principles have and will continue to impact the property management industry and agencies as a whole.

The overarching benefit is to improve operational readiness by streamlining property holdings through the careful scrutiny of performance measures over time. Nearly as important is the opportunity to reduce exposure to loss, damage or other liability through careful analysis of risk scenarios and their associated cost impacts. Ancillary benefits may include the potential for reduced operations and maintenance costs for those properties that can be de-prioritized or disposed.

Property managers know better than most that their chance of success is greater when information is shared across their partner functions. They need acquisition documents to know what additions are being received into the inventory. They need to know where their property is utilized and by whom. They need to know when users of property are relocating or leaving their organization. These are just a couple of the numerous situations where the objectives of personal property managers are better achieved through an integrated environment.

The function of real property management is no different. It requires personnel information related to space assignment and movement. As contract officers procure service contracts, real property managers need to understand the annual operations implications. If a program transitions and half the office space is vacant, real property managers need to be able to screen the space to be reutilized by another program. Or, if the lease can be modified, real property managers need to be able to release the vacant space.

Identifying how to best integrate administrative support functions to streamline the management of the reportable FRPC attributes is a key practice to complying with EO 13327. Identifying opportunities within processes and technology to centralize information is a practice organizations should continue to explore. One example is the need for standard nomenclature and reference tables within all supporting property/facility systems, such as internal organization codes that are assigned to both real property and personal property records should be synchronized. To take this concept a step further, identifying the common data structures that exist across the personal property and real property systems and synchronizing across these structures can result in standardized reporting. This

type of standardization across systems is where property and facility managers can gain efficiencies to support the mission.

There is substantial opportunity as investments are made to meet the recent legislation and reporting requirements to evaluate how all the functions of property management can be integrated. By taking the initiative to streamline property management functions, property managers will be able to reduce organizational risk and mobilize faster while incorporating more efficient and economical practices. Although EO 13327 was signed in 2004, its impact continues to reverberate throughout the Federal real property industry. Organizations are still adapting to the extended scope of their real estate operations. However, this period of transition, although daunting, is filled with extensive opportunity. It provides a platform to redefine or design new processes, train personnel, and invest in technology. It is an opportunity for the federal real property industry to redefine itself and meet the needs of the 21st century.

BIOGRAPHY

Rob King, CPPS, is a Solutions Development Manager for Sunflower Systems™, a leading provider of asset management solutions and software, where he works to ensure that these tools meet current and evolving future needs of government property managers and enterprise asset management programs. Rob is also the President of the NPMA Federal Center Chapter and a member of the ASTM Committee E53 on Property and Asset Management Standards. He has contributed to NPMA's educational curriculum as a speaker at multiple NES and regional education seminars.

Bill Garrett, CPPS, is the Chief of the Personal Property Division within the Office of the Secretary at the U.S. Department of Commerce. He is also Treasurer of the NPMA Federal Center Chapter. Prior to joining the Department of Commerce, he spent seven years accumulating property and financial management experience working as a business advisor within a number of federal agencies. He served as an officer in the U.S. Navy for five years and holds a bachelor's degree in Mathematics from the U.S. Naval Academy and a master's degree in Business Administration from Georgetown University.



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