

**STATEMENT OF  
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BEFORE THE  
HOUSE COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE  
SUBCOMMITTEE ON ECONOMIC DEVELOPMENT, PUBLIC BUILDINGS,  
AND EMERGENCY MANAGEMENT**

**July 12, 2017**

Good morning, Chairman Barletta, Ranking Member Johnson, and Members of the Committee. Thank you for the opportunity to appear today to discuss the Department of Veterans Affairs (VA) real property portfolio, particularly its ongoing efforts to reuse or dispose of vacant property, and VA's compliance with the Federal Assets Sale and Transfer (FAST) Act of 2016.

**VA Real Property Portfolio**

VA's mission is distinct compared to other Federal agencies, in that we operate the Nation's largest integrated healthcare system, with more than 1,700 hospitals, clinics, community living centers, domiciliaries, readjustment counseling centers, and other facilities. Additionally, VA administers a variety of benefits and services, and operates 135 national cemeteries nationwide.

The Department owns and leases real property in hundreds of communities across the U.S. and overseas. Overall, VA maintains approximately 155 million square feet in 6,274 owned buildings, and more than 35,000 acres of land. Approximately 24.6 million square feet of space has been acquired through over 1,926 leases for the Department. VA's portfolio of nearly 180 million square feet is one of the largest in the Federal Government; and unlike many Federal agencies, VA owns the majority of its

portfolio – 86 percent of its square footage – which means real estate plays an important role in our overall asset management. Another aspect that separates VA from other Federal agencies is the fact that the average age of a VA-owned building is approaching 60 years old. Managing a portfolio of that size and age is complex, and takes a significant amount of resources. VA has more than \$50 billion in capital needs over the next 10 years to modernize and maintain its infrastructure.

### **VA Real Property Disposal**

One of Secretary Shulkin's top-five priorities includes modernizing VA's system, by focusing on infrastructure improvements and streamlining. In support of this priority, VA has identified 430 individual vacant buildings, totaling 5.9 million gross square feet that are geographically dispersed through VA campuses nationwide. These buildings are not being used to serve Veterans; and the \$7 million in annual capital and operating expenses currently used to maintain these vacant buildings can be redirected to better serve Veterans. On June 20, 2017, the Secretary announced VA's plans to initiate disposal through demolition, sale, or transfer; or reuse actions for the 430 vacant identified buildings totaling 5.9 million gross square feet, over the next 24 months. When looking at possible reuse of these buildings, VA would look for internal reuse options different from the original use of the building, as well as possible repurposing for homeless housing via VA's Enhanced-Use Lease (EUL) program or as part of the federal surplus program under the McKinney-Vento Act. Because the buildings are currently categorized as vacant, these disposal and reuse actions will not change the delivery of services to Veterans.

VA evaluated the 430 vacant buildings and categorized them for disposal based on data regarding several factors. These factors included whether the buildings were classified as historic or historic eligible, had environmental concerns, or if there were more complex issues preventing disposal or reuse of the buildings. VA's next steps will be to begin performing due diligence on these buildings, with the first step being evaluating for potential reuse of the building. Reuse can be internal to VA for a different function than originally intended, or external to VA for purposes such as homeless

housing or historic reuse. After being evaluated for reuse, VA would work to complete any necessary due diligence to move forward with the desired reuse or disposal option. Once necessary due diligence is completed to ensure compliance with laws and regulations, the disposal or reuse transaction would be initiated. On June 20, 2017, Secretary Shulkin also announced that VA will review another 784 non-vacant, but underutilized buildings to determine if additional efficiencies can be identified to be reinvested in veterans' services. This effort will be incorporated as the Department works towards the goal of high performing healthcare networks.

### **Disposal and Reuse Challenges**

While VA is working with an aggressive timeline to address its vacant buildings, there may be occasional impediments that delay the disposal or reuse of these buildings. Many disposal/reuse delays are due to the historic nature of much of VA's inventory. Impediments do not specifically prevent disposal/reuse, but they can significantly slow the process. VA's biggest challenges that can impact disposal or reuse timelines include (but are not limited to): compliance with the National Historic Preservation Act (specifically the Section 106 consultation requirements); funding availability to demolish given operational needs at VA medical centers; National Environmental Policy Act compliance/due diligence; the location/condition of the buildings on the campus, and stakeholder opposition to the disposal/reuse. VA welcomes support from Congress to streamline approval timelines and processes, so VA can better align owned assets more efficiently and effectively.

### **Available Outleasing Tools**

While disposal and reuse challenges do exist, VA has made progress in its efforts to reduce its vacant and underutilized building footprint, and has aggressively pursued reuse and disposal strategies. Since 2004, this effort has resulted in the disposal or reuse of 1,059 assets totaling approximately 8.3 million gross square feet, and 932 acres. One of VA's most successful real property asset management tools is its EUL authority. The EUL authority allows VA to outlease assets to private and public-sector entities for the purpose of repurposing underutilized capital assets. The authority

currently allows VA to outlease vacant historic buildings and excess land, which can be transformed into housing for homeless Veterans, at little or no long-term carrying cost to VA. VA's EULs are authorized for maximum terms of up to 75 years. The program has provided significant benefits to VA in terms of annual cost savings; improved facilities consistent with VA's mission and operations; increased healthcare services; substantial private investment in VA's capital facilities and infrastructure; creation of jobs; and increased tax revenues for local communities.

VA is one of only a few Federal agencies with an EUL authority, and VA manages one of the most successful versions of these programs within the Federal Government. Approximately 4.5 million square feet of VA building space has been outleased in public-private partnerships through VA's EUL authority. This has resulted in over 2,700 operational housing units for homeless Veterans, Veterans that are at-risk for homelessness, and, in some situations, their families.

VA previously had broader EUL authority that allowed for mixed-use and other wide-ranging partnerships beyond supportive housing. Such uses were consistent with VA's mission and operations. While that authority lapsed in December 2011, VA has submitted draft legislation to Congress that proposes to expand the EUL authority beyond the scope of supportive housing. This would allow greater reuse flexibility of unneeded assets, and improve services for Veterans.

Another instrument available to the Department and other Federal agencies, is the historic outleasing program under Section 306121 of Title 54 of the United States Code. This authority allows VA to outlease or exchange historic properties with third parties, after consultation with the Advisory Council on Historic Preservation, provided the properties are not needed for current or projected agency purposes. Historic outleasing gives VA the ability to preserve historically significant assets while transferring maintenance and management costs to the private sector for a defined period.

## **Federal Assets Sale and Transfer (FAST) Act of 2016**

The FAST Act of 2016 required that VA submit to the General Services Administration (GSA) recommendations regarding VA real properties that no longer meet VA's needs, and that potentially could be sold for proceeds or otherwise disposed. VA submitted this requested information on April 12, 2017. VA identified 15 sites consisting of 551 acres and approximately 2.3 million square feet. VA's real property submission comprised a substantial portion of the total Federal portfolio data gathered for the FAST Act government-wide. VA looks forward to continuing to support this effort and, in compliance with the Act, will submit updated real property data in January 2018.

## **Pittsburgh Highland Drive**

In the fall of 2016, VA determined that the Pittsburgh, Highland Drive campus is excess to its needs. The campus totals 168 acres and approximately 752,326 square feet. The site has been vacant since it was closed in 2013, as a result of the consolidation of services and functions to other local VA hospitals. VA has been collaborating with GSA, and in May 2017 submitted a report of excess to GSA for disposal. It is anticipated that the timeframe for excessing the site could take 1 to 2 years, depending on the physical, environmental, and historic condition of the campus. During the excess process, it is anticipated that GSA and VA will engage the community at large, as part of required environmental and historic review processes.

## **Conclusion**

VA has a complex real estate portfolio, and seeks to maintain the optimal mix of investments needed to provide care, services, and benefits to our Nation's Veterans. VA welcomes new or expanded tools to reduce its vacant and underutilized real property assets, establish viable reuses where possible, cut waste, and save taxpayer dollars. The FAST Act, in combination with expanded EUL authority, and other strategies, will help VA continue to address its most challenging assets.

Mr. Chairman and Members of the Committee, this concludes my statement.  
Thank you for the opportunity to testify before the Committee today. I would be happy to respond to any questions you may have.