United States Department of the Interior

OFFICE OF THE SECRETARY
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Memorandum

To: Assistant Secretaries
Heads of Bureaus and Offices

From: Rhea S. Suh
Assistant Secretary – Policy, Management and Budget

Subject: Freeze the Footprint Program

Summary:
Section 3 of Office of Management and Budget (OMB) Memorandum 12-12, "Promoting Efficient Spending to Support Agency Operations," established the "Freeze the Footprint" policy, and stated that OMB would provide "additional guidance for carrying out" that policy. OMB has not issued final policy but shared a draft version that we have circulated along with draft Department of the Interior policy. This memorandum issues final policy for Freeze the Footprint for the Department to allow bureaus and offices to begin implementation immediately. If OMB issues guidance that modifies any of our assumptions, we will notify you immediately.

The "Freeze the Footprint" policy is intended to control utilization and spending associated with real property. Each bureau/office must maintain its total square footage of office and warehouse space consistent with the FY 2012 levels. In addition, each bureau/office is required to submit a three-year Real Property Strategic Plan that focuses on multiple aspects of Federal real property management. The Department of the Interior Strategic Plan will be a compilation of bureau/office plans, which will support attainment of OMB's goals for:

- Square footage – each agency is to maintain 2012 levels of office and warehouse space, from FY 2013 through 2015
- Leasing costs – each agency is to provide a quantitative analysis of leasing costs and how they will control leasing and other costs
- Efficiency in utilization of space – each agency must identify actions to maximize and increase efficiency in utilization of space
- Processes and internal controls that ensure effective management of space and budget – each agency shall identify strategies, policies, methods and procedures to comply with policy.

Interior's Freeze the Footprint:
In August of 2011 the Assistant Secretary- Policy, Management, and Budget established related cost saving policies through a memorandum to all bureaus/offices. These policies, controls, and

metrics will remain in effect and be supplemented with new requirements as the Department implements the Freeze the Footprint policy. Included in this policy was a space utilization cap of 180 square feet per person.

Inter-bureau transfers of real property shall be scrutinized and approved through an appropriate review process at the bureau level, if such an internal control process exists, or at the Departmental level, if it does not. See Appendix 1 for policy on inter-bureau transfer.

Bureaus/Offices should leverage their five-year Space Management Plan and their five-year Deferred Maintenance and Capital Improvement plan to prepare their three-year Real Property Strategic Plan and ensure that the processes to enforce the goals in the Strategic Plan align with leased space and owned space controls. This new strategic plan will demand close coordination and integration between the owned and the leased space management teams.

DOI will monitor compliance with this policy on a semi-annual basis to determine whether a bureau/office has increased its real property footprint compared to its FY 2012 baseline. While compliance with the "Freeze the Footprint" policy will be evaluated based on total square footage each year, the Real Property Strategic Plans for each bureau/office should contain a summary of current leasing costs and owned facility operations and maintenance (O&M) costs with a quantitative analysis and how these will be managed over the next three years. The Plans provide an opportunity to describe each entity's overall approach in managing real property consumption and spending. There may be circumstances where a bureau/office has exceeded its FY 2012 square footage baseline in a given year, but is still deemed compliant with the "Freeze the Footprint" policy based on offsets. The Department will also consider an exemption if the deviation is associated with, a net reduction of total leasing costs relative to the FY 2012 spending baseline.

Actions Required:

1. **Real Property Strategic Plans**. Within ninety (90) days of this Memorandum's issuance, each bureau/office shall develop and submit a Real Property Strategic Plan. Every year, bureaus/offices will be asked to submit adjustments to the Plan, as needed. The purpose of the plan will be for the bureau/office to provide information about the process to manage to the current baseline of FY 2012 office and warehouse space, management of costs and budget, current and planned acquisitions and offsets and strategies, policies, and methods to remain compliant with the "Freeze the Footprint" policy,. The bureau/office Senior Asset Mgmt Team Executive and Chief Financial Officer (CFO) shall certify the plan.

   The Real Property Strategic Plans shall include the following components:

   a. *Compliance with bureau/office Baseline*: Each bureau/office shall identify the office and warehouse baseline, in terms of square footage, leasing costs and O&M costs for owned space. The bureau/office shall provide the 2012 actual costs for owned and leased office and warehouse space and report on planned changes that may affect the bureau/office overall domestic office and warehouse footprint over the course of a three-year period (i.e., from FY 2013 through FY 2015). This analysis should include a descriptive narrative for how the bureau/office will remain compliant with the "Freeze the Footprint" policy, the cost ($/SF) of owning and operating office and warehouse space versus leasing, and plans to shift resources from leased space to owned space, and plans to address additional O&M funding needs for owned space. . This analysis should also identify any new leases, acquisitions, or expansions and associated offsets.. This plan is an opportunity for each bureau and office to better inform the Department of its strategy, its challenges and its requirements for consolidation, collocation and other potential actions to achieve more effective and efficient use of owned and leased space.

b. *Costs*: While bureaus/offices will not be held to the same compliance standards as the square footage baseline, they shall provide a quantitative analysis and discussion of their current total leasing costs and O&M costs and how they will control leasing and other costs over the three year period. The Bureau/Office should provide an analysis of how to shift funding allocation from leased assets to owned, to supplement the underfunded O&M account.

c. *Efficiency*: Bureaus/offices shall provide an analysis and discussion of actions they are taking to maximize and increase efficiency in their utilization of space. This should include, specifically, plans for disposal and surplus of space. GSA is interested in exploring a new concept to exchange buildings for services (such as leases and building management), we would like to explore this option with bureaus/offices that have proposals. Bureaus and offices are encouraged to work with PMB to pursue proposals to move from leased space into Federal space, wherever possible. PMB will continue to support bureaus and offices that want to collocate under the auspices of Service First.

d. *Internal Controls*. Each bureau/office shall identify the strategies, policies, methods, and procedures complying with the "Freeze the Footprint" policy. Please identity by name and title the executives that are accountable for decisions and oversight. Controls must include, but are not limited to:

    i. the processes through which the bureau/office will identify, execute and secure approval for new acquisitions, expansions and growth and offsets when acquiring additional office and warehouse space;

    ii. internal reviews and certification processes, where all new leases, acquisitions, expansions, or other growth in the bureau/office office and warehouse space, at all locations, require approval by the bureau/office CFO or Senior Asset Mgmt Team Executive, before they can be implemented;

    iii. processes for bureaus and offices to coordinate new office and warehouse acquisitions with the DOI CFO (or identified delegate) and SRPO for owned assets greater than or equal to 100,000 square feet and GSA occupancy agreements or direct leases equal to or greater than 50,000 square feet; and

iv. tracking of all domestic bureau/office office and warehouse increases and offsets, netting to zero annually .

e. *Exceptions:* On a narrow and case-by-case basis, growth in bureau/office and warehouse space may result in a bureau/office exceeding its FY 2012 baseline in a given year. Bureaus/offices must explicitly address these situations in their Real Property Strategic Plans and demonstrate how they are mitigating the impact through efforts to reduce space and enhance utilization of space. DOI will consider these exception requests in the context of a bureau's overall strategy to constrain its footprint and reduce spending on real property.

2. **Annual Update to Strategic Plans**. On annual basis, consistent with the FRPP reporting cycle, bureaus/offices shall develop and submit an updated Real Property Strategic Plan that contains the following information:

   a. *Analysis of Performance*. Bureaus/Offices shall include an updated report of square footage and costs and a discussion of their performance benchmarked against the information contained within its Real Property Strategic Plan. PMB will conduct a semi-annual review of bureau/office compliance based on interim data submitted by bureaus that will factor into this discussion and presentation.

   b. *Adjustments to Real Property Strategic Plans*. Bureaus/Offices shall include any necessary adjustments to its Real Property Strategic Plans including a detailed narrative and analysis for why these adjustments are necessary.

3. **Freeze the Footprint**. On an annual basis, a bureau/office shall not increase the size of its domestic real estate footprint, measured in square footage, for space predominately used for offices and warehouses. DOI, through its role in department-wide coordination of real property policy, will monitor this performance semi-annually. As OMB has retained the ability to modify and establish more aggressive targets, DOI retains the ability to modify bureau/office square footage and cost targets, to add additional property types or cost categories in the future.

   a. *Baseline for Measurement*. A bureau's/office's total square footage for office and warehouse space shall remain at the FY 2012 level. The baselines will be calculated based on the FY 2012 Federal Real Property Profile (FRPP), FY 2012 General Services Administration's (GSA) Occupancy Agreements, and FY 2012 bureau Leasing Agreements. Within 30 days of the issuance of the final OMB Memorandum, GSA will consolidate this information and submit to DOI for review. Within (14) days of receipt, DOI in collaboration with the bureaus, may provide comments for GSA consideration. Final baselines shall be established and submitted to OMB (thru GSA) no later than February 28, 2013.

   b. *Annual Evaluation of Compliance*. DOI will evaluate bureau/office compliance on a semi-annual basis (in June and December). As established in Section 4(b) of this

Memorandum, GSA will collect and synthesize annual DOI information for monitoring and enforcement purposes, as part of the FRPP reporting cycle. DOI's semi-annual evaluation will compare bureau/office baseline information against current-year information prepared by GSA (containing information from the FRPP, Occupancy Agreements, and Bureau leases) and bureau/office Real Property Strategic Plans as outlined in Section 2 of this Memorandum. There may be circumstances where a bureau/office has exceed its FY 2012 square footage baseline in any given year, but is still deemed compliant with the "Freeze the Footprint" policy based on offsets identified, or a net reduction of total leasing costs relative to its FY 2012 spending baseline.

c. *Requirements for Offsets against Real Property Acquisitions*. Bureaus/Offices shall achieve offsets through consolidation, co-location, or disposal of office and warehouse space, including declarations of excess to GSA.

   i. <u>In general.</u> On an annual basis, a bureau/office must offset growth in combined office and warehouse space only with other corresponding combined office and/or warehouse space (*e.g.*, a bureau may not offset growth in office space with offsets in warehouse space) to ensure no increase in the size of these real property assets, compared against the baseline.

      1. A bureau shall not use properties that the bureau has "mothballed" (*i.e.*, put into a closed state where the property is vacant and incurring little to no costs) as an identified or realized offset.

      2. A bureau shall not use enhanced use leases (EULs) and outleases—properties that are being occupied by a non-government entity that remain titled to the Federal government—to offset the agency's growth in its real estate inventory. However, the declaration of a property as "excess" to GSA will count as a disposal, because this action will result in the inevitable transfer of the property from the bureau's inventory.

   ii. <u>For certain owned and leased properties.</u> For owned or otherwise managed assets, equal to or greater than 100,000 gross square feet, and for directly leased or GSA-provided space, equal to or greater than 50,000 rentable square feet, additional requirements apply prior to acquisition.

      1. For these properties, bureaus/offices must certify to DOI, on a transactional basis, that it has identified a corresponding offset that will keep the bureau compliant with the "Freeze the Footprint" policy. The Department's SRPO will review these changes before they can be implemented. DOI, in coordination with GSA, will ensure proper accounting for these acquisitions and offsets and notify GSA when there is evidence that DOI may have exceeded its established baselines for total square footage. Bureaus/offices

will also include current and anticipated offsets for these properties in their Real Property Strategic Plans.

2. Exception: Office space and warehouse inventory (of any area) acquired to support specific emergency situations affecting life, health, and safety. However, the bureau/office shall notify DOI at a time that does not impede the bureau's ability to adequately respond to the emergency of any increase in office or warehouse space and plans to divest of the property when emergency situation has ended. The Department's SPRO will review these exceptions.

4. **Requirements for FRPP Reporting.** Bureaus/Offices shall take appropriate actions to ensure that data reported to the FRPP is accurate, complete, and consistent. In addition, beginning in FY 2013, GSA shall include the following information in the FRPP Data Dictionary, and beginning in FY 2013 and, on an annual basis thereafter, bureaus/offices shall report on these data elements:

   a. The number of government employees and contractors occupying office and warehouse space.

   b. In FY13, a lump sum of annual operating & maintenance costs for offices and warehouses. In FY14 and FY15, a breakdown of annual O&M to include, but not limited to:

      i. Leasing costs;

      ii. Utilities;

      iii. Taxes;

      iv. Service contracts; to specifically cover Cleaning and Roads & Grounds

      v. Repairs and maintenance

      vi. Security

   c. Any other FRPP definition which is necessary to remain consistent with this guidance.

5. **External Monitoring and Reporting.** GSA and OMB will implement the following controls to improve the consistency and accuracy of information used to measure agency performance:

   a. *Update to OMB Circular and Audit Bulletin.* OMB will update OMB Circular No. A-136, *Financial Reporting Requirements*, to include reporting requirements on "Freeze the Footprint" activities. In addition, OMB will update OMB Bulletin No. 07-

04, *Audit Requirements for Federal Financial Statements*, to include a requirement to review agency internal controls for the "Freeze the Footprint" policy.

b. *GSA Monitoring.* On an annual basis, GSA will analyze DOI data submitted to the FRPP and DOI Occupancy Agreements submitted to GSA, consistent with the FRPP reporting cycle, to measure compliance with the policy. In addition, GSA will perform data integrity tests on DOI-submitted FRPP and occupancy agreement data that will help ensure the information is valid and reliable.

c. *OMB Reporting.* As established in Section 1(b) and 4(b) of this Memorandum, on an annual basis, consistent with the FRPP reporting cycle, GSA will transmit a report to OMB that lists DOI's current-year square footage compared to its FY 2012 baseline. GSA will submit its report to OMB within 60 days of final FRPP submission.

6. **Enforcement**. In the event that a bureau/office exceeds its square footage baseline, or specified reduction target established by DOI, which is not outlined in the bureau's Real Property Strategic Plan, DOI may impose corrective actions. These corrective actions will be proportional to the degree to which the bureau/office is out of compliance with the "Freeze the Footprint" policy.

7. **Transparency**. GSA, in consultation with OMB, will update *Performance.gov* on an annual basis with summary-level data, to show DOI compliance with the "Freeze the Footprint" policy. Before updating the website, GSA will perform a final review to verify and certify that the data to be posted is complete and accurate.

8. **Consultation with GSA.** Throughout this process, DOI will consult GSA on how to utilize technology and space management to consolidate building space, increase occupancy rates in facilities, and eliminate lease arrangements that are not cost or space effective.

9. The Office of Acquisition and Property Management (PAM) shall be responsible for coordinating this action for the Department and establishing further guidance when needed.

Glossary of Terms

Co-location. For the purposes of this Memorandum, a co-location is the consolidation of two or more functions from two or more agencies, where one agency consolidates its function into the host agency's space.

Note: As a best practice, agencies should first consider and pursue available co-location opportunities within the Federal real estate inventory, especially those that will result in no net growth of the overall Federal real estate inventory. The offset created by a co-location is the reduction in the occupied space of the host agency for the host agency's function, and the reduction created by the disposal of the unnecessary property from the agency that is co-locating into the host's space.

Consolidation. For the purposes of this Memorandum, a consolidation is combining one or more components, offices, bureaus or divisions, of the same agency in an existing owned office or warehouse space, and disposing of the square footage in a leased facility.

Disposal. For the purposes of this Memorandum, a disposal is a sale, demolition, lease termination, public benefit conveyance, Federal transfer, or any other action that results in the removal of the asset from the inventory of the agency. For GSA space leased on behalf of another agency, disposal is recognized as occurring on the agency rent termination date.

A disposal creates an offset in the amount of the square footage of the office or warehouse space disposed. Within an agency's own inventory of owned and leased office or warehouse space, a consolidation can yield subsequent disposals that create offsets.

Office Space (From FRPP Data Dictionary). Buildings primarily used for office space or military headquarters

Otherwise Managed Assets. Assets identified in the FRPP Guidance dated August 16, 2012. Assets include state government owned, foreign government owned, museum trusts, and withdrawn land.

Predominant Use (From FRPP Data Dictionary). The greatest use of the real property asset as noted in the FRPP. For example, buildings used primarily for office purposes are classified as "office" even though certain portions of them may be used for storage or research.

Warehouse Space (From FRPP Data Dictionary). Buildings used for storage, such as ammunition storage, covered sheds, and buildings primarily used for storage of vehicles or materials. Also included are underground or earth covered ammunition storage bunkers and magazines. This category excludes water reservoirs and POL (petroleum, oil, and lubricants) storage tanks which are storage structures. <u>Space utilized for museum collection management, curation, education, research and storage is NOT considered warehouse space.</u>

Appendix 1

Interim Guidance for Screening Excess Real Property

The Department of the Interior continues to make progress in reducing the footprint of our real property portfolio. Several bureaus have initiated disposal actions on administrative real property holdings to improve utilization, consolidate activities, and generate savings and efficiencies in use of operations and maintenance (O&M) funds. In recent months GSA modified the requirements associated with reporting excess real property for disposition. These requirements, which are established in the Federal Management Regulation (FMR) 102-75, "Real Property Disposal", include completing Standard Form (SF) 118, "Report of Excess Real Property" and the accompanying forms and checklists.

One significant change to these forms requires the disposing bureau/office (bureau) to certify that the excess property has been screened against the known needs of the reporting agency. The Department does not currently have a repository of known needs to assist with certification. Until such a repository exists, or a Department-wide electronic listing of excess real property is available for bureau review, the Office of Acquisition and Property Management (PAM) is requesting that bureaus follow the interim process outlined below when real property containing constructed facilities is deemed excess to mission needs.

1. The disposing bureau will submit the completed SF-118 and all related documentation required by FMR 102-75 to PAM when they seek to dispose of a land parcel with constructed facilities.
2. The PAM staff will distribute the package to the Asset Management Team (AMT) for distribution to potentially interested parties within each bureau. The timeframe for the initial review should be no more than two weeks. Additional time and details may be necessary if the initial review identifies a potentially interested party within the Department.
3. The AMT members will report back to PAM if there is interest in transferring the real property across bureaus. If there is no interest or if no response is received, PAM will inform the disposing bureau that it may proceed with reporting the real property as excess through GSA.
4. If any bureau expresses interest in acquiring the real property in question, the interested bureau shall submit through the bureau's AMT member to the AMT Chairperson (Chair) with copies to PAM, a written business case that details the compelling need that would be satisfied through the internal transfer of real property. The business case shall include:

    (a) A completed GSA-1334, "Request for Transfer of Excess Real and Related Personal Property";
    (b) A set of photographs and maps that illustrate the subject properties and locations;
    (c) A narrative explaining the purpose for which the properties are to be used and how this mission need has been satisfied in absence of the property;
    (d) The impact of the acquisition on O&M budgets and a budgetary estimate of the anticipated annual O&M expenditures;
    (e) The impacts to the bureau if the transfer is denied;
    (f) A list of real property to be disposed if the property is transferred;
    (g) A condition assessment report on the subject property with enough detail to identify major deficiencies, cost to repair, and Facility Condition Index;
    (h) Any available reports on environmental assessments, historic evaluations, etc;

5. The AMT Chair and PAM will review the package within two weeks of receipt. If the AMT Chair concurs with the business case and request for transfer, both bureaus/offices will be notified. The requesting bureau will develop and submit to the disposing bureau for review and

concurrence a Memorandum of Understanding (MOU) outlining the roles and responsibilities of each party and the completed GSA-1334. Following execution of the MOU, the disposing bureau shall inform GSA of the action and any additional administrative/legal processes necessary to transfer title, property records, etc. If the AMT Chair does not concur with the business case, both bureaus/offices will be notified and the disposing bureau shall proceed with the disposal action through GSA.

The interim procedures outlined above provide the Department with direction and a process for evaluating potentially excess real property until permanent policy and support systems are developed. The procedures also provide general oversight of proposed internal transfer activities that may impact real property asset management goals. The Department is sensitive to these internal real property transfers because such actions equate to new acquisitions by the receiving bureau.

The Department's intent is to ensure that these acquisitions are appropriately managed, similar to other capital investment strategies such as design/construct or leasing. Bureaus should develop an appropriate capital planning process for evaluating and approving the business case of these investments with rational thresholds for approval similar to other strategies of acquisition. Until such processes exist and are communicated to the Department, all internal transfers will follow the procedures outlined above.

Further information and guidance on the overall Federal real property disposition process is available through GSA at the following website https://resourcecenter.secure.force.com/pbs/PropertyDisposal.