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GAO Examines Use of P3s to Deal With Excess Property.

Federal and state agencies have used two types of P3 agreements to transfer ownership or control of unneeded property to private developers but a range of challenges hinder their use, the U.S. Government Accountability Office (GAO) has found.

GAO was asked by the Senate Committee on Homeland Security and Government Affairs and one of its subcommittees to review how federal and state agencies have used P3s to dispose of or arrange for private management of excess properties.

The [report](#) focuses on two types of P3s: enhanced use leases, through which a private developer manages a government-owned property for an extended length of time, and swap exchanges, through which a private developer assumes ownership of government property in return for building a new asset or completing other construction for the public partner.

The report's authors also examined negotiated sales agreements, in which a property sale is contingent on one of the partners meeting specific property-related requirements but private developers do not generally consider these types of agreements to be P3s.

GAO found that federal agencies have used P3s to deal with excess property fewer than 10 times per year, according to the General Services Administration (GSA), and states' use of these types of agreements seems to be even lower. For example, none of the three states that were identified as potential negotiators of P3s for this purpose — Washington, Virginia and Texas — could recall recent examples of such agreements being finalized.

GAO identified several obstacles to using P3s to deal with excess government property. They range from a lack of private sector interest in underused properties that have not been well maintained or require massive environmental remediation to difficulty in assessing both the value of such property and the costs of developing or repairing it.

GAO also pointed out that GSA, which helps agencies to acquire and manage their buildings, needs to obtain experience and expertise in conducting P3s. For example, GSA's inspector general has [expressed concern](#) over the agency's lack of experience in negotiating P3 agreements in connection with GSA's proposal to swap the FBI's dilapidated Washington, D.C., headquarters to developers of a replacement building. P3 negotiations for a similar project, involving the [potential swap](#) of several federal buildings in the southwest portion of the city in exchange for construction of a new GSA building, fell through in February.

The need to obtain political support from policy-makers and the surrounding community for private development of public assets is another potential hurdle to using P3s to manage excess government property, noted the report's authors.

Despite these obstacles, P3s could help governments to divest themselves of underused, superfluous or obsolete properties and transfer the responsibility of maintaining and operating historic buildings and infrastructure that may be needed in the future to private developers, GAO said in its report.

The report notes that the National Aeronautics and Space Administration worked with GSA to enter into an up-to-96-year lease with a private developer to rehabilitate, develop new uses for, operate and maintain Moffett Federal Airfield and the historic Hangar One in Mountain View, Calif. The Department of Transportation also is working with GSA to swap unused property near the Volpe National Transportation Systems Center in Massachusetts to a private developer in exchange for construction of a new facility.

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