EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
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MEMORANDUM FOR THE HEADS OF EXECUTIVE DEPARTMENTS AND AGENCIES

FROM: Russell Vought
Acting Director

SUBJECT: Implementation of Agency-wide Real Property Capital Planning

Summary:

This memorandum provides heads of executive departments and agencies with capital planning requirements for real property, in accordance with the Federal Property Management Reform Act of 2016 (FPMRA), 40 U.S.C. § 621. The FPMRA established the Federal Real Property Council (FRPC) and charged it with ensuring implementation of an efficient and effective real property management strategy. A core principle of this Administration's real property strategy is to ensure that agencies consistently implement sound capital planning practices to optimize their portfolio in order to cost efficiently achieve the agency's mission. To that end, agencies must identify, plan for, and allocate resources in the annual budget formulation process to eliminate gaps. This memorandum provides detailed guidance for agencies to implement the *Capital Programming Guide* in OMB Circular A-11.

Responsibilities:

The agency Senior Real Property Officer (SRPO), Chief Financial Officer (CFO), and Budget Officer are jointly responsible for developing the capital planning process, integrating it into the agency's annual budget formulation cycle, monitoring its execution, and analyzing cost and performance information The SRPO and CFO are jointly responsible for development of the capital planning process to maximize cost efficiency and mission effectiveness, and to ensure better real property information informs the annual budget formulation process. These three officials shall also jointly establish annual performance objectives/metrics for the plan to assess whether the agency is progressing towards portfolio optimization and eliminating identified gaps.

Required Actions:

1. **Capital Planning Process Documentation**

   Each agency, as defined per 5 U.S. Code § 105, must provide the specified information described below to the FRPC by August 15th of each year beginning in 2020. An FRPC working group will review the submissions based on information contained in Sections 2 and 3 below.

Each agency shall submit a document that outlines the capital planning process the agency has implemented pursuant to the requirements in this memorandum. The document should outline specific actions and components that make up the capital planning process, specifically addressing items in Section 2 of this document. The intended outcome of this document is to ensure that all agencies have a consistent, repeatable capital planning process that can support their mission. The FRPC working group will review the documentation and provide comments and feedback to the agencies to allow for continuous improvement in the capital planning process.

Based on the FRPC's recommendation, OMB may waive future submission requirement of an agency's Capital Planning Process Documentation if it determines the agency's planning has matured to be fully compliant with this policy and OMB's Capital Programming Guide. Granting a waiver will be based on the FRPC assessment of how well the agency's submission describes its implementation of the requirements in Section 2 of this policy.

2. Required Internal Agency Capital Planning Actions

To meet the government-wide capital planning objective defined above, agencies will implement the following actions through their internal capital planning policies. The plans are intended to be deliberative and pre-decisional to assist the agencies in the budget formulation and program execution resulting in portfolio optimization:

A. Define Mission Requirements for Real Property

Define the mission requirement(s) for which the agency holds interests in real property, the required functional capabilities required to meet mission requirements across the portfolio, the major lines of business, and clearly explain how the optimized real property portfolio links to and supports the agency's strategic plan.

B. Conduct Prioritized Needs Assessment

The comprehensive needs assessment is a portfolio level activity and must: 1) identify real property gap in meeting mission requirements and estimate the cost to eliminate mission gaps; 2) within the historical five year average investment horizon, identify anticipated prioritized future real property gaps in meeting mission requirements over the plan's life (i.e., five years) and the cost to eliminate the gaps.

Gaps can be facility condition, space utilization, security, life safety, location, functional capability, and recapitalization needs, among others identified by an agency. Agencies can also identify excess property holdings as a gap. In this case, agencies, through their needs assessment, could require a disinvestment or disposition.

C. Perform Alternatives Analysis

Evaluate and identify the best methods to perform alternatives analysis and estimate resource requirements to eliminate the current or future gap within the agency's real property portfolio. All feasible alternatives to eliminate gaps should be considered; the

alternative that is most cost effective over the anticipated life of the asset (e.g. lowest overall lifecycle cost) and efficient for the location, and that most fully eliminates the gap, should generally be selected. *Alternatives are to be limited to options within existing authorities and funding streams. Agencies should not assume new authorities or additional funding beyond the five year historical resource average.*

D. Prioritization

Describe the prioritization scheme used to rank all current and future gaps identified at the asset/project level and summarize how the scheme is aligned to the agency's strategic priorities.

E. Portfolio Cost Estimate

Describe how the resources needed to eliminate the gaps will be estimated. Allocate the costs of addressing these gaps in the life cycle phases of planning, acquisition, operations, maintenance and repair, modernization, and disposal.

Parametric modeling, condition assessments, and other tools, such as those developed by the US Army Corps of Engineers to estimate future needs and costs for buildings and roads, are available to project future needs and to estimate capital costs.

F. Define Performance Goals and Metrics

Define measurable objectives for the capital plan and performance metrics and how they will be used to measure progress toward reducing/eliminating identified gaps. Objectives and performance metrics that link directly to these identified gaps and the strategic plan should be used to provide an indication of how well the capital plan supports the agency's strategic objectives and addresses these gaps.

3. Capital Plan Requirements

The capital plan the agency submits to the Federal Real Property Council (FRPC) annually must include the following information unless there is an agency specific statute that specifies a different structure. The version of the plan agencies submit to the FRPC should include projects with associated funding identified for only the first year and the year should align with the President's budget. The remaining years of the five year plan are pre-decisional and intended to inform agencies' decision making and prioritize agency actions and will not be shared with the FRPC.

A. Mission requirements for real property

Define the mission requirements that require a blend of real property assets used to implement the mission.

B. CFO and SRPO responsibilities

Define the responsibilities and actions the CFO and SRPO will take to develop and implement the capital plan, including those required by this policy. To the extent that other CXO organizations are implicated, those organizations should also be involved in the planning process.

C. Annual budget process

Describe how the capital plan will be integrated into the agency's annual budget process and specify new processes that were implemented to achieve integration of the planning, formulation, execution (including cost and performance) of the agency's budget.

D. Identify Major Lines of Business

Identify major business lines for the agency and discuss each briefly, including how the agency assesses whether asset types within a business line and the business line as a whole, have sufficient capacity to meet mission requirements and how asset types within each business line are assessed for utilization. Any existing planning standards or unique real property requirements that support those major business lines should also be outlined at a high level in this section. This section should be written to help identify potential operational and analytic synergies among agencies and provide enough information for potential standardization to be discussed in more detail in an FRPC chartered workgroup. Workgroup discussion may lead to the development of standard definitions and business processes among the agencies for those business lines where synergies are identified.

E. Needs Assessment

Describe the processes the agency used to execute the comprehensive needs assessment. Note whether the assessment uncovered trends, gaps or imbalance in the composition of the portfolio or in its condition.

F. Alternatives Analysis

Describe the process the agency used to perform its alternatives analysis (consistent with current authorities and historical average of available resources), an explanation of cost-benefit methodologies employed to manage tradeoffs in selection of alternatives for capital investments and whether any trends were visible.

G. Prioritization Process

Describe the prioritization criteria in detail and explain how the criteria were used. The agency's strategic priorities should be clear from the description of the prioritization criteria and their relative weights in the context of the agency's mission.

H. Life Cycle Cost Estimate

Provide the estimate for the total lifecycle cost of the plan and summarize the methodology used by the agency to categorize portfolio life cycle costs. The objective is to document the level of rigor used to develop the estimate.

I. Performance Goals and Metrics

Identify performance goals for the capital plan that will indicate the type and number of identified gaps it partially or fully eliminated.

J. List of Projects

Provide the list of prioritized capital projects by real property category for the first year of the plan only, and identify those projects that were included in the President's budget request to Congress. The list of projects should include and identify those actions that agencies would previously have included as a separate plan under OMB Management Procedures Memorandum No. 2015-01 *Reduce the Footprint,* including the annual five year reduction targets for office and warehouse space.

4. Real Property Strategies in Agency Strategic Plans

All landholding agencies must integrate a discussion of real property management objectives into their Strategic Plans, and note gaps in the portfolio's ability to fully support the agency strategic plan. The intent is to ensure the real property portfolio is fully supportive of land holding agency mission delivery requirements. To ensure real property strategies and management objectives are reflected as part of the agency's overall strategic goals and objectives, agencies should incorporate, beginning with their FY 2022 Annual Performance Plan, the performance goals and metrics developed as part of the capital plans required above.

5. Assessment of Agency Submittals

Agencies will submit their capital processes and related documentation to the FRPC annually. The FRPC will convene a working group to review the plans, provide feedback to the agencies, and summarize the results of the review for the FRPC. The primary objective of the review is to ensure each agency's planning process meets the requirements of this policy with regard to completeness, level of rigor, conformance to this policy and OMB's Capital Programming Guide, and the extent to which the capital plan has been implemented since the previous submittal, among other factors, and to identify best practices that can be disseminated government-wide.

6. Relationship to the Program Management Improvement Accountability Act (PMIAA) Portfolio Reviews

OMB guidance implementing the PMIAA requires agencies, in coordination with OMB, conduct annual reviews of portfolios of programs and projects to ensure effective and efficient management. Agencies are encouraged to use the identification of their real property portfolios as an additional portfolio within the larger enterprise structure shown in their PMIAA implementation plan, and use the focus of PMIAA's program and project management strategies for improving management of the agency's real property.