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PUBLIC MEETING

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PUBLIC BUILDINGS REFORM BOARD

9

Washington, DC

10

Thursday, July 11, 2024

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10:04 a.m.

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20 Job No.: 541712

21 Pages: 1 - 78

22 Recorded By: Socrates Matthews, AAERT CER

1           Public Hearing, held at the location of:

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4                   JONES LANG LASALLE IP, INC. (JLL)

5                   2020 K St NW, #1100

6                   Washington, DC 20006

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12                   Pursuant to agreement, before Socrates  
13 Matthews, AAERT CER, Notary Public in and for the  
14 District of Columbia.

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## 1                   A P P E A R A N C E S

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3 PAUL WALDEN   Executive Director

4 MIKE CAPUANO - Board Member

5 DAN MATHEWS - Board Member

6 DAVID WINSTEAD - Board Member

7 NICK RAHALL - Board Member

8 SIRI COLLINS - Aleto, Inc.

9 GAIL FISHER - Aleto Inc

10 JORY HECKMAN - Federal News Network

11 ANGELA DUPONT - Senior Urban Planner at

12 National Capital Planning Commission

13 ZACH BRADEN - MidAtlantic Realty Partners, LLC

14 MANDI WEDIN - Feroce Real Estate Advisors

15 JUSTIN FREER - Turner Strategic Technologies

16 MATTHEW JOHNSON - Colliers

17 ZACH WADE - MRP

18 DAVID ZEHR- Jones Lane Lasalle

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1	C O N T E N T S	PAGE
2	Proceedings	5
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4	E X H I B I T S	
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1 PROCEEDINGS

2 (Whereupon, the court reporter was duly  
3 sworn.)

4 CHAIRMAN: Good morning, everyone.

5

6 CHAIRMAN: Can  
7 everyone hear me okay in the back? I sometimes  
8 talk too loud. I don't want to damage anyone's  
9 eardrums, but good morning. I'm Paul Walden, and  
10 I'm the Executive Director of the Public Buildings  
11 Reform board. Welcome to our public hearing. I  
12 think this is the first one we've had this year,  
13 and it's good to see you all back.

14 Just a couple of notes. The meeting is  
15 being recorded, and we have a transcriptionist who  
16 will prepare a transcript that'll be published on  
17 our website in a week or so. And also, we do have  
18 a member of the press here who will be recording  
19 the -- Jory Heckman from Federal News Network, who

20 will be recording the -- the meeting as well. So  
21 be advised, you know, your comments may be in the  
22 paper, or certainly in our printed transcript.

6

1 I will -- once I go through my  
2 introductory remarks, we're going to open it to the  
3 Board for commentary, then we will open up the  
4 floor for Q and A. And -- and when we get to that  
5 point, I'll give you a microphone. Just please  
6 speak your name and the organization that you  
7 represent. And we are live-streaming this week.  
8 One of our Board members was not able to attend in  
9 person and, hopefully, momentarily, he will be  
10 joining through our Microsoft Teams, but he's the  
11 only one calling in virtually.

12 So, again, just a brief overview of  
13 the Public Buildings Reform Board. The Federal  
14 Asset Sales and Transfer Act of 2016 created our  
15 Board. It was a bipartisan legislation, and the  
16 mission of the PPRB is to recommend underutilized  
17 properties for disposition and consolidation with  
18 the idea that the proceeds would fund and asset

19 sales and proceeds fund that would fund future  
20 disposals and consolidations, and the idea was to  
21 help address the deficit by returning this revenue  
22 to the government.

7

1           The PPBR is composed of six appointed  
2 citizens by the White House and they were selected  
3 because of their broad experience. And we have a  
4 -- I must say we have a very diverse board with  
5 their backgrounds. We have two former legislators,  
6 two former PBS commissioners, and then two well-  
7 known real estate developers. And I'm going to  
8 introduce the ones here in the room.

9           Nick Rahall, former congressman from  
10 West Virginia; David Winstead from Maryland; and  
11 also the former PBS Commissioner Dan Mathews, a  
12 former PBS Commissioner from Virginia; and Mike  
13 Capuano, a former congressman from Massachusetts;  
14 and our acting Chairman who was not with us today,  
15 because he had a death in the family, Talmage  
16 Hocker, who's a well-known real estate developer  
17 from Kentucky. And also, who should be calling in

18 via the Teams is Jeffrey Gural, a well-known  
19 developer in New York City.

20           So when we were formed in 2019, it  
21 took about a year to get a full quorum appointed,  
22 but FASTA directed us to make three rounds of

8

1 recommendations of properties to be disposed of.  
2 And let me make a couple of points very clear. We  
3 make the recommendations to OMB, and assuming OMB  
4 approves them, they then turn to GSA as the  
5 execution agent. We, the PBRB does not conduct the  
6 execution or the disposal; GSA does. We just make  
7 recommendations to OMB, and, of course, OMB  
8 consults with the GSA to make sure the projects can  
9 be executed.

10           So the first round in the legislation is  
11 a little confusing with the terminology. The first  
12 round was what they called the high-value asset  
13 round, the second round is what the legislation  
14 calls the first round, and the third round is what  
15 the legislation calls the second round. So HVA,  
16 round one, round two; three rounds. So of the



17 high-value asset round, 13 were recommended and  
18 approved. One was removed, the -- the  
19 NARA Seattle, because of local  
20 stakeholder concerns, and 10 have sold to date.  
21 And to date, the proceeds from this high value  
22 asset sales is 193 million.

9

1           There are two remaining. One is  
2 the Laguna Niguel property in Orange County --  
3 County California, which is currently on the  
4 auction block with an anticipated -- the auction is  
5 to close at the end of this month, and then a --  
6 the other one is in the Bay Area, Menlo Park; that  
7 auction date has not yet been scheduled. There are  
8 some issues with getting the agencies out, so I'm  
9 hoping that will be on the auction block next year.

10           But the -- the point I'm trying to  
11 make is once those two sell, you know, we're very  
12 hopeful that will bring in two, three, maybe 400  
13 million in addition to the 193 already in the --  
14 already that's been sold on the -- the -- the high  
15 value asset sales. The next round, again, which

16 was called, the first round was interrupted by a  
17 loss of quorum in January '22, and then -- and as  
18 you'll recollect from our public hearing last year,  
19 we didn't regain quorum until November of that  
20 year, November of '22.

21                   And the final round we're working  
22 on now is the second round, and it's to be

10

1 submitted to the Office of Management and Budget,  
2 not before December 27th, 2024, and we're going to  
3 focus on our work leading towards those round two  
4 recommendations. We have, of course, the -- the  
5 legislation directs OMB to provide us guidance each  
6 year on what sort of factors we need to consider in  
7 coming up with these recommendations. We have met  
8 with OMB several times in the past year to get  
9 additional guidance from them. One thing that  
10 we've had some discussions with, it's -- it's an  
11 appropriations issue. So, right now, there's only  
12 31 million that's been appropriated for use to  
13 facilitate future disposals and consolidations.  
14 We're working with OMB, and the idea is when we

15 submit our recommendations in December, we're going  
16 to have it kind of segmented.

17           Here's how we propose to spend the  
18 31 million already appropriated, but then if we got  
19 appropriations from that additional 193, here's how  
20 we recommend that be spent. And we're also --  
21 we're not just focusing on what's available in the  
22 asset proceeds fund, but, you know, there are other

11

1 funding sources that can facilitate these. For  
2 example, for the high-value asset round, the  
3 agencies funded a lot of that because we only had  
4 40 million appropriated when we first started out.  
5 So it's not entirely dependent on what's  
6 appropriated in the asset proceeds fund.

7           The -- the unique thing that's happened  
8 in the past year is, as you'll recall, GAO published  
9 a report a year ago that identified the vast under  
10 utilization of these buildings in DC in this  
11 post-COVID environment. And, really, the Board  
12 views this current reality as an extraordinary  
13 once-in-a-lifetime opportunity to -- for the

14 government to right size its portfolio. And we had  
15 been meeting with GSA for the past couple of years.  
16 I know GSA was undergoing some portfolio studies.  
17 We were waiting to get some results from that  
18 portfolio study, and it -- we didn't get it as  
19 quickly as -- the thing is the clock is ticking  
20 against us, because, right now, the legislation has  
21 us sun setting in May of 2025.

22                   So we embarked on our own portfolio

12

1 study last fall. And I think we mentioned this  
2 back last September, when we met. But, basically  
3 we focused on cities that had a large federal  
4 presence, obviously, Washington DC being on top of  
5 that list, but also cities with a large federal  
6 presence and had a strong real estate market,  
7 namely, Boston, Atlanta, Miami, and LA, to get some  
8 sense, based on our own analysis, you know, what  
9 potential disposals or consolidations we could  
10 identify.

11                   So what we did in -- in DC, particularly,  
12 we used anonymized cell phone data from a

13 commercial source -- a commercial available  
14 source and what this data -- and we looked at the  
15 time period January to September of '23. And,  
16 basically, we looked at some of the larger federal  
17 buildings in DC to get some sense of how  
18 underutilized those buildings were in that time  
19 period, and what we found -- and this was in our  
20 interim report to Congress that we issued back in  
21 March -- is that the average occupancy was around  
22 12 percent in that time period, and this is about

13

1 30 percent of the pre-COVID averages. And even  
2 pre-COVID, a lot of these buildings were  
3 underutilized. So it's just magnified the  
4 situation with these underutilized buildings, and  
5 that, I think, supported what GAO found last year  
6 when they look at a shorter time period of these  
7 same buildings.

8           So we have all these buildings that  
9 are vastly underutilized, and the operating  
10 expenses are extraordinary, if you look at it on a  
11 per-person cost. And the reality is, you know,

12 they -- there's extensive deferred maintenance. I  
13 know one building in particular, they had upwards  
14 of \$1 billion in deferred maintenance and -- and  
15 modernization needed. So the -- the costs are  
16 extraordinary. The utilization is, you know,  
17 extraordinarily low.

18           So our real estate consultant, Jones Lang  
19 LaSalle and Martine Combal, as project lead -- she  
20 has her team with her -- they've done some  
21 extraordinary work with their financial  
22 analysis and real estate analytics. They did some

14

1 analysis based on the underutilization and the  
2 deferred maintenance and the operating cost of  
3 these federal buildings. If you did some disposals  
4 and some consolidations, these savings are just  
5 astronomical, and I think -- let me go to my slide  
6 here. And I've already talked about our mission.

7           So basically, we -- we looked at  
8 those -- some of those key cities -- and this will  
9 be on our website too. Like I said, Boston,  
10 Atlanta, LA, and Miami, and, for example, in

11 Boston, the government could realize a -- a \$1  
12 billion in potential cost savings over a 30-year  
13 period if you did some of these disposals and  
14 consolidations, and realize -- and especially in  
15 DC. When you look at these, you've got, you know,  
16 all of these federal headquarters, and there's  
17 probably a half dozen ways you can slice and dice  
18 them. You can, you know, move them from building A  
19 to building B. But what we looked at is a  
20 hypothetical scenario. It's certainly not the  
21 final recommendation, but it's a -- we really were  
22 trying to get an idea of what the net present value

15

1 impact would be.

2           So in Atlanta, for example, there  
3 are basically four federal buildings. One of them  
4 is -- is vastly underutilized. In -- in Atlanta  
5 alone, you could achieve \$2.5 billion potential  
6 savings; Miami, just by closing one building, \$33  
7 million in potential cost savings; And LA, just  
8 from closing one building, you could achieve \$148  
9 million over that 30-year period. Again, that's

10 net present value. And in -- and in Washington in  
11 particular, as you might imagine, that's where the  
12 largest potential impact is. If you did some of  
13 these consolidations and -- and let me emphasize,  
14 we are not proposing in any of these cities that we  
15 move people out of the CBD. It's -- we're not the  
16 suggesting move people out of DC into, you know,  
17 out in the suburban area; I'm just saying, if you  
18 consolidate within the central business district,  
19 in DC, you could achieve over \$7 billion in savings  
20 over that 30-year period.

21           And so, we've come up with a preliminary  
22 list based on our portfolio study and based on our

16

1 independent study, and I'll say this was unique.  
2 We've not done this for the previous rounds. This  
3 is something rather innovative we did this year  
4 because we realized in this post-COVID environment,  
5 you know, the opportunity is huge and, you know,  
6 we're hoping that, based on our final reports to  
7 OMB and Congress, this will, you know, encourage  
8 Congress to take some action to effect these



9 changes in the future.

10           But the three that we identified  
11 through our independent review was the -- and  
12 again, let me emphasize, this is all preliminary.  
13 We're still collecting data from GSA and running  
14 some numbers, and the Board needs to formally vote  
15 on these before we submit any recommendation to  
16 OMB. But, preliminarily, three of the buildings we  
17 identified for potential disposal or consolidation  
18 is the 11000 Wilshire Federal Building in Los  
19 Angeles. It's a -- FBI is a predominant tenant.  
20 The building is, you know -- needs some seismic  
21 upgrades, and it's -- again, it's -- it's a  
22 40-year-old -- or 50-year-old federal building that

17

1 has a huge backlog for deferred maintenance, but  
2 the thing is, it's on a very large site in probably  
3 the most high value area of LA, so the market  
4 potential is huge.

5           And another building we identified  
6 -- and again, it's another example of a federal  
7 building that is sort of a misfit in the

8 environment. It's on the -- Brickell Avenue, which  
9 is -- those of you familiar with Miami, that's the  
10 -- the up-and-coming hot area of Miami. It's -- so  
11 you've got this 40-year-old federal building that's  
12 really a vast under improvement for the site. You  
13 could put a building in that's, you know, three  
14 times the height there, and it's surrounded by all  
15 these luxury condos, and office buildings, but,  
16 again, it's -- the building has no value. It's the  
17 land that has the value.

18           And lastly, a building we identified --  
19 and then, as you may know, back in November, GSA  
20 issued a list of 23 buildings -- is it 23 or 24? I  
21 can't remember the exact number. 23 or 24  
22 buildings, they have identified for disposal. They

18

1 also added the Peachtree Summit Building in  
2 Atlanta, which is one we identified as a potential  
3 disposal candidate. And again, the value isn't so  
4 much in the building, but it's in the land value,  
5 so -- and of those 23 buildings that GSA announced  
6 for disposal -- and, presumably, they've done a

7 great deal of the stakeholder outreach. One thing  
8 OMB has asked us to be sure that we contact all  
9 potential stakeholders, i.e., the local government,  
10 the Indian tribes, the congressional interests, to  
11 make sure there's no issues that they're aware of  
12 that would cause concern for these buildings being  
13 disposed of.

14           Of the 23 buildings that GSA announced,  
15 there are several that we were proposing for  
16 disposal under FASTA, only because they're of a  
17 high value. They would return a lot of money to  
18 that asset proceeds fund. And again, this is not  
19 -- include -- this is not conclusive, but this is  
20 sort of at a high level views of the ones we're  
21 focused on. It's the Captain Williams Coast Guard  
22 Building in Boston, the Lipinski Federal Building

19

1 in Chicago, the Nebraska Avenue Complex here in  
2 Washington -- for those of you who are familiar  
3 that's up by American University -- the San Antonio  
4 Texas Federal Building, the La Branch Federal  
5 Building in Houston, the Estes Kefauver Federal

6 Building in Nashville, and the Fort Lauderdale,  
7 Florida Federal Building Courthouse. And an  
8 interesting one is the -- it's the USDA, it's  
9 APHIS. It's their headquarters on River Road in  
10 Riverdale, Maryland. That, I think would be a good  
11 disposal candidate. Again, we're still reviewing  
12 details of the GSA collecting some additional data  
13 on what stakeholder outreach they've made. We're  
14 getting some additional cost data.

15           But, anyhow, that will give you an  
16 idea of what we're proposing to submit to OMB later  
17 in the year, and the Board has visited -- or will  
18 soon be visiting all of these locations. And as I  
19 said, we submitted this interim report to Congress  
20 in March, and it basically told Congress, you know,  
21 based on our initial analysis, there's this vast  
22 underutilization of space, you know, predominantly

20

1 focused on DC, of course. But we told Congress  
2 we're going to follow up with a final report later  
3 this year, that'll give them more detail on the  
4 potential cost savings.

5           And so, just so you understand, it's  
6 sort of a two-part process. We're writing up  
7 this list of specific property disposal  
8 recommendations that'll go to OMB for their  
9 approval or disapproval, but then, concurrently,  
10 we're writing this subsequent interim report, this  
11 follow-up report, to Congress, so it's sort of a  
12 parallel track. And we have -- when we submitted  
13 our report to Congress in March, we got quite a lot  
14 of interest. I think we've been up on the Hill  
15 probably a dozen times since then, briefing various  
16 members of Congress and the Senate on our findings,  
17 and, by and large, we got very positive feedback on  
18 the direction we're taking, which is very -- we're  
19 -- we're enthused to get that level of support from  
20 Congress.

21           So what we're doing to sort of carry this  
22 forward is we recently held a roundtable. We

21

1 solicited -- it was really a listening session.  
2 The Board didn't really have a lot of input. We  
3 brought in key members of the commercial real

4 estate community, some of the planning community,  
5 and basically asked them, you know, given the  
6 current situation, particularly in Washington, what  
7 do you think needs to happen going forward to  
8 effect change? You know, do you need to stand up a  
9 new commission? Do you need to give PBRB more  
10 authority, GSA more authority, OMB more authority?  
11 What needs to happen? What -- in other words, what  
12 can we tell Congress to effect this -- this  
13 transformation going forward.

14           And also -- and I'm very excited  
15 about this -- as I said, we are slated to sunset in  
16 May of 2025, but to sort of carry on our mission  
17 and to solicit -- so I -- I want to make it clear,  
18 this roundtable is just the first round of our  
19 engagement with the development community and the  
20 real estate community to solicit ideas. We've  
21 partnered with the National Capital Planning  
22 Commission -- and is anyone from NCPC here? Yes;

22

1 there you are. NCPC, we're very excited to partner  
2 with them, and we're going to bring in the Urban

3 Land Institute to do some additional studies  
4 focused primarily on the DC market on what can be  
5 done and what the potential would be for  
6 Washington. In other words, we envision a total  
7 transformation of, you know, Downtown, Washington  
8 DC with all these excess federal buildings and the  
9 development potential of some of these areas in the  
10 district.

11           And although I try to read from the  
12 script, I tend to -- will make sure I covered  
13 everything pertinent today. But the bottom line  
14 is, you know, for our round two we're trying to  
15 identify properties that would consume this three  
16 to 500 million, hypothetically, that's in this  
17 asset proceeds fund, you know, get OMB's  
18 recommendation, but then again, at the same time,  
19 submit this report to Congress and continue -- and  
20 continue this engagement through NCPC and the Urban  
21 Land Institute. So with that said, I'm going to  
22 ask the Board for their comments or -- or key items

1 they would like to propose.

2 MR. RAHALL: Well, thank you, Paul. I'm  
3 going to be very brief because I think the main  
4 purpose of this public hearing today is to hear  
5 from you, and that's certainly what --

6 MR. ZEHR: Tell them -- your names --  
7 the -- the --

8 MR. RAHALL: Oh. I'm --

9 MR. ZEHR: -- so the transcription get  
10 your name.

11 MR. RAHALL: Oh, okay.

12 MR. ZEHR: That's okay. I -- I got it.

13 MR. RAHALL: I -- I'm Nick Rahall,  
14 member of the Board, former member of Congress in  
15 West Virginia. So, as we all know -- and certainly  
16 Dan Mathews, who helped write, if not wrote it all  
17 by himself, write FASTA back in 2016 -- FASTA was  
18 created to efficiently, effectively, and  
19 expeditiously create a disposal process for a lot  
20 of these underutilized and unused federal  
21 facilities that Paul has discussed. Today, it  
22 appears that much of that status quo has not been



1 changed. That status quo that existed at the time  
2 of passage and was one of the reasons for the  
3 passage of FASTA. That's not to say that we have  
4 not had successes; we have. We've had tremendous  
5 successes, as Paul has related to you, but we have  
6 much more to do. We have much more to do, and we  
7 have problems. We have problems in getting the  
8 information. We have problems in -- with a lot of  
9 the agencies and trying to convince them to  
10 relocate or consolidate, whatever the issue may be.

11           But we're going to do it. We're  
12 going to get our work done. We are determined to  
13 do that. We have a Board that is full force now  
14 and is very experienced in a lot of these areas,  
15 and we -- we just need partnership. We need a  
16 partnership with the GSA; we need a partnership  
17 with OMB, especially; and we need a partnership  
18 with each of you in this room as stakeholders. So  
19 with that, I'm going to turn it over to David  
20 because, as I said, we're here to hear from you --

21           Exec Dir: Great.

22           MR. RAHALL: -- and how you think we can

1 be more effective.

2 MR. WINSTEAD: Thanks, Nick. It's a  
3 pleasure to be here. I -- I want to just comment  
4 -- Paul, thank you --

5 Exec Dir: Say your name for the type  
6 --

7 MR. WINSTEAD: Sorry. I apologize.  
8 David Winstead, member of the Public Buildings  
9 Reform Board. I want to, number one, thank you,  
10 Paul, for your excellent overview of where we've  
11 been with this assignment, and also for the history  
12 of your career in federal real property.

13 Exec Dir: Thank you.

14 MR. WINSTEAD: You've had a very  
15 distinguished career over what, 35 years --

16 Exec Dir: Uh-huh.

17 MR. WINSTEAD: -- Dealing with federal  
18 real estate, so --

19 Exec Dir: I wouldn't look that old,  
20 but --

21 MR. WINSTEAD: So we're very lucky to  
22 have him. You know, this is -- I think, Nick,

1 we're here to hear you, so I'll be brief. If you  
2 look to the back, you'll see a lot of office  
3 buildings in the District of Columbia, 40 percent  
4 of which are obsolete. So the private sector is  
5 dealing with this issue effectively and quickly.  
6 They have a bottom line, they have investors, they  
7 have tenants, and they're having to react quickly  
8 to the situation brought on by COVID and the fact  
9 it changed our work habits forever. The tenants  
10 are not coming in. I was in a law firm about a  
11 block away. Only 30 percent of my colleagues --  
12 former colleagues are returning to work on a daily  
13 basis. My law firm is struggling with, how can we  
14 afford to maintain this rent and this tenancy when  
15 only 30 percent of the people are showing up daily?  
16           It's more severe on the federal  
17 level, as -- as Paul commented. And you commented,  
18 Paul, it's 12 percent average vacancy in these  
19 buildings. We did an analysis of a couple of these  
20 buildings over the last year that showed it is a  
21 huge cost to the federal taxpayer to maintain these  
22 buildings that are no longer competent to be

1 competitive, nice workspaces for federal employees.  
2 Many of the major historic ones are very, you know  
3 -- we need to keep, and I think the board's  
4 committed to that.

5           But I -- as a member of this Board,  
6 I really have had a couple of public sector  
7 assignments, but the private sector's reacting  
8 quickly, and from my position on this Board, I'm  
9 going to make sure that our recommendations are  
10 reported out, that -- that we try to get the same  
11 responsible reaction from the federal government  
12 about the cost of housing employees in the District  
13 of Columbia and some of these other cities that  
14 Paul mentioned. So that's our commitment and we  
15 really appreciate you attending and providing your  
16 thoughts.

17           MR. MATHEWS: Thanks, David. My name is  
18 Dan Mathews, and I'm a member of the Public  
19 Buildings Reform Board. I'll just echo several of  
20 the comments here. First off, just about the staff  
21 of the -- the Board, thank you, for the last couple  
22 days. They have really been a great experience.

1 We've gotten a lot of feedback from the DC  
2 government, from all sorts of government  
3 stakeholders, NCPC, other sorts of organizations  
4 that all play a role in the future of real estate  
5 in this city and the private real estate sector.  
6 And I think we got some really great feedback and  
7 we're looking for additional feedback today.

8           I guess my key points, right, the  
9 -- the need for this Board and for disposals,  
10 particularly in the District, but across the  
11 nation, is so obvious. It is so much larger than  
12 it was when we wrote this legislation that two of  
13 the members who were on the committee when that  
14 happened -- and I was a staff director over there.  
15 The need is so much greater now than it was then  
16 because of the pandemic and the change of the  
17 workforce. The -- and I used to talk a lot about  
18 when I was at GSA, mission and money and real  
19 estate needs to serve the mission of the agencies  
20 who are there to serve the American people. It's  
21 not to serve the real estate. And I think there is

22 a complete disconnect now in a lot of the real

29

1 estate people at my -- my old agency and other  
2 agencies right now.

3           And then, the other thing I would  
4 say is money. It's mission and money, right?  
5 You've got to serve the mission, but you have to do  
6 it the most reasonable cost you can to achieve that  
7 objective. And what's happening now is completely  
8 indefensible amounts of money are being spent on  
9 quantity of real estate. And now, quality is  
10 absolutely horrible. I don't blame a lot of  
11 federal employees for never wanting to come back in  
12 the office. We've toured buildings all across the  
13 country recently, and it's just the same thing over  
14 and over and over again. It's -- they're empty.  
15 They have capital liabilities that are so far  
16 beyond the available resources. There is no  
17 economic path forward for those buildings, period,  
18 bar none.

19           So why aren't we seeing more properties  
20 through the normal disposal process, which is why

21 this Board was created? Congress got frustrated  
22 that they saw a need for disposals, yet -- yet,

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1 nothing was going through the process, or almost  
2 nothing, in respect to the need. And that -- that  
3 problem is -- is, in a way, worse now, because  
4 there's so much more need. But it's happening for  
5 a couple reasons, and I think the most significant  
6 one is executive branch decision making. It is not  
7 aligned with making rational economic decisions for  
8 the mission and the money when it comes to federal  
9 real estate.

10           And that's really why an independent  
11 board was so important that somebody had to have  
12 access to the information, so that they could point  
13 out the obvious and say, this is crazy, stop doing  
14 this; do something else instead. And we literally  
15 see that every time when we go to another city. It  
16 just makes you want to scream sometimes when you  
17 see money being invested in buildings. Millions of  
18 dollars being invested in the buildings where  
19 there's nobody in them. And there's nobody to fill

20 them, yet, that's what's happening all across the  
21 country right now.

22           In a lot of ways, GSA is economically

31

1 conflicted. And I think this is a point that's  
2 starting to sink into other people as well. They  
3 pay for their operations with the rent they collect  
4 on their own buildings. And agencies pay rent on  
5 buildings, even if they're empty, if it's assigned  
6 to them. And -- and that's a lot of the reason why  
7 GSA is not putting buildings forward for disposal,  
8 because it's going to hit their bottom line as soon  
9 as they do that. And OMB -- I think OMB is also  
10 hesitant to have that happen because then they've  
11 got a financial problem. What do they do with GSA?  
12 How are they going to cover their operating costs?  
13 So there's other issues going on here that -- that  
14 it creates friction and -- and -- and an obstacle  
15 for doing the right thing.

16           In -- in a lot of ways, I think I'm  
17 very encouraged by -- by the new commissioner at  
18 GSA. He was on the Hill when we wrote this



19 legislation. He gets this problem, but it's  
20 difficult to do it just from that position because,  
21 at the end of the day, it's decision-making. How  
22 do you get an agency out of a building? GSA all by

32

1 themselves, that's challenging, even though they  
2 have the authority to do it. So a Board like this,  
3 outside support, particularly from the communities,  
4 because when you have properties that are sitting,  
5 proposed -- let's use DC as an example. There are  
6 so many properties north and south of the Mall that  
7 are basically empty. They don't get any money.  
8 There's no economic benefit to the community and it  
9 encumbers property that could be so much more in  
10 terms of the economic development of this town, and  
11 lower the cost for federal employees or for  
12 taxpayers.

13           And if the tax -- if the employees  
14 move somewhere else -- and we heard a lot of  
15 suggestions yesterday about, you know, you could do  
16 this quickly without a lot of upfront expenditure  
17 if you just go into a lease and, all of a sudden

18 half, you know, Class A properties for employees as  
19 opposed to a Class C building, which is where  
20 they're sitting now and spending \$150,000 per year,  
21 per person. It makes no economic rational sense.

22           There is a path forward through it;

33

1 it just has to -- people have to pay attention to  
2 it. We need a higher level of decision-making and  
3 that's what the Board is trying to do, and this  
4 public hearing, I think, is part of that. A lot of  
5 people care deeply about this city and other  
6 cities, and I think if they -- if they -- if they  
7 have a path forward presented to them, which this  
8 Board is intending to do, I think we'll see some  
9 real change.

10           MR. CAPUANO: Mike Capuano, member of  
11 the Board. I don't have much to add to that, but I  
12 do warn people that the mandate of this board is  
13 relatively narrow. The only authority we have is  
14 to make recommendations. If those recommendations  
15 are accepted, great. If they're not, there's still  
16 recommendations. They're still there, they're

17 still on the table, and I will guarantee you that  
18 Congress will still see them, as will the  
19 Administration.

20           Personally, I've been seeking out  
21 people's opinions, yes, on individual properties,  
22 and that's all well and good, but we -- we have a

34

1 long list of properties we are looking at. And the  
2 truth is we can't look at every single building in  
3 this country with only five people and one staff  
4 and a couple of support staff that we've hired out.  
5 So we are limited in what -- in what we can do, but  
6 it's the -- this is more about policy than anything  
7 else. I would -- I -- I am looking for people's  
8 opinions as to what this Board might be able to say  
9 to Congress or what they should do moving forward.

10           It's one thing to say, yeah, we  
11 should sell this building and move these people  
12 into this building. And that's great. That's --  
13 that is our mandate. But as a former member of  
14 Congress, I would tell you, I would like somebody  
15 to say, Mike, by the way, you know, this law

16 doesn't work and here's why. I think one of the  
17 things Dan just mentioned, that the GSA has  
18 conflicted reason, something, honestly, most  
19 members of Congress won't think about until  
20 somebody says -- and once you say it -- it's like,  
21 oh yeah, that makes sense. It's not that  
22 difficult, but it's not -- you know, members of

35

1 Congress, like everybody else, they've got 10,000  
2 things on their plate, and this is only one of  
3 many. And to be perfectly honest, the amounts of  
4 money, though, individually, are huge. In the  
5 greater scheme of things, they're not much. I  
6 mean, the \$7 billion here at the total 30-year  
7 savings, that doesn't even buy you one aircraft  
8 carrier.

9           And, you know, it's -- it's a lot  
10 of money clearly, but to be perfectly honest, it is  
11 not the kind of money that will just stop Congress  
12 in -- in -- in its tracks and say, oh my God, we've  
13 got to fix this today, but it -- it will -- it is  
14 also something that no member of Congress will just

15 walk away from. It's got to be made simple and  
16 plain, and clear. And, personally, I'm looking for  
17 ideas on the laws we need to change, not -- we need  
18 to change -- we need to suggest Congress should  
19 change moving forward for the GSA to make their  
20 jobs easier and make -- make their job more  
21 efficient.

22           There is a debate right now as to

36

1 whether GSA has the legal authority to require  
2 agencies to move. Some people say they do; GSA  
3 says it doesn't. Here's my answer, Congress --  
4 that's one thing. Congress should clarify whether  
5 they do or they don't. And so, if they wanted to  
6 walk into the secretary of the ABC department, say  
7 this building is no longer valid; you must move; we  
8 can help you do it; you don't have to move  
9 tomorrow, but that's it. That's the end of the  
10 discussion, because we've made a thoughtful  
11 consideration.

12           And again, we can argue all day  
13 long, whether they have the authority now, but,

14 right now, GSA says, it doesn't. Whether they're  
15 right or wrong is really not relevant. What's  
16 relevant is okay, in my opinion, Congress needs to  
17 clarify that. And if they don't want to give it to  
18 them, don't give it to them. I think people have  
19 to understand that it costs money to save money.  
20 You don't just take an agency and say, move; you  
21 know, you have to prep the new place, you have to  
22 prepay some of the new place, you have to move the

37

1 agency, you have to help everybody get settled.  
2 All kind -- and then you might have to deal with  
3 the property that you're leaving behind for  
4 environmental issues or other issues that might be  
5 involved.

6           So that -- again, I -- I think  
7 people understand all that, but I think all those  
8 things have to be made clear to Congress, in  
9 addition to us recommending specific properties for  
10 certain actions; otherwise, I think -- you know,  
11 again, the Board, it won't be a failure because we  
12 are going to do what we can do within the

13 parameters of the law that we're created under. As  
14 a former member who voted for this, now that I sit  
15 here, I think -- I -- I -- I wish I added a few  
16 things that weren't there and maybe change a few  
17 things. The analogy has been made to the -- to the  
18 BRAC Commission. Well, many people forget that  
19 there was a BRAC 1 that didn't accomplish much. It  
20 came up with a lot of recommendations, but they  
21 didn't have the authority to actually do anything  
22 except to make recommendations.

38

1           Congress did come back with a BRAC  
2 2 and gave them the authority to actually do it.  
3 Now, they -- you know, you could argue about how  
4 that got done, but nothing would've been -- not --  
5 pretty much nothing was done under the BRAC 1  
6 because of the political ramifications of closing  
7 down a military base in my district or your  
8 district, or like, no, no, no, I don't mind if we  
9 close it in your district, but you can't close it  
10 in mine. And this is not much different. And you  
11 add to that federal employees, you add to that

12 typical bureaucratic jealousies of, you know, this  
13 is my turf, this is my fiefdom and not yours, you  
14 stay out of it.

15           It's -- it really shouldn't come as  
16 a surprise to anybody. This is a difficult  
17 situation to resolve, and personally, I'm looking  
18 for specific suggestions on how the Board can  
19 recommend to Congress that they make various  
20 changes in the law to address the problems that  
21 we're now facing. And I will tell you,  
22 unequivocally, that as one member of Congress, I

39

1 didn't think it that way when I -- when I voted for  
2 this law. I thought, okay, great idea; let's get  
3 some outsiders to -- to look at this and, you know,  
4 maybe make some recommendations, and -- and of  
5 course, people will listen to thoughtful  
6 recommendations. Well, I -- I guess, I plead a  
7 little naivety, but, you know, my eyes have been  
8 opened.

9           So for me, that's -- that's what I'm  
10 -- I'm looking for. I'm looking for specific



11 -- buildings are important. I'm not saying they're  
12 not, but in order to be a real success, I would  
13 like to be able to tell Congress, here are 10  
14 things that we suggest you do moving forward, so  
15 that this kind of a Board is not necessary in the  
16 future.

17 MR. ZEHR: Back to Paul.

18 Exec Dir: Thank you. Thank you. And  
19 I -- although I recognized Jones Lang LaSalle, I  
20 would also be remiss if I didn't -- so this is a --  
21 a unique situation for me in my federal career --  
22 it's -- because I'm now basically in the agency of

40

1 one. I'm the sole full-time fed, in addition to  
2 the -- the Board -- the Board members, but I  
3 wouldn't be able to accomplish all the things we  
4 have accomplished, if it wasn't for Gail Fisher and  
5 Siri Collins, the two contractors from Aleto in the  
6 back. So I wanted to recognize them too.

7 So with that said, I'd like to open  
8 the floor to questions, and again, if you would --  
9 David is going to be kind enough to take you the

10 mic. State your name and the company that you're  
11 with, please.

12 MR. ZEHR: Any question there? Jory?

13 MR. HECKMAN: Hi, I'm Jory Heckman with  
14 Federal News Network. I'm the media they warned  
15 you about in the opening here. I've heard you say  
16 today and in previous meetings, the lack of agency  
17 cooperation, the lack of them coming forward with  
18 good reliable data about what is underutilized,  
19 what isn't, and what they want to keep, what they  
20 don't want to keep. Are there agencies that are  
21 participating or cooperating with the board in  
22 terms of, you know -- are -- are -- are they

41

1 offering up the data that you guys are so

2 desperately asking for?

3 Exec Dir: I -- I will say -- yes,

4 I'll have to give a special recognition to the

5 Department of Agriculture. They've been very

6 forthcoming in -- I addressed the Federal Property

7 Council last summer and said, you know, the Board

8 is back in business; we had this asset proceeds

9 fund; we are here to help you identify  
10 consolidations; come and talk to us. And USDA came  
11 and talked to us, and we're working with them on a  
12 -- it's a big lease consolidation out in one of  
13 their regional locations, but they have actively  
14 sought our help, and which I greatly appreciate.  
15 So that -- I will say that USDA has been very  
16 forthcoming in getting our clients.

17 MR. WINSTEAD: Is this on?

18 Exec Dir: Just press the button.  
19 There's a lever on the side.

20 MR. WINSTEAD: We are -- you know, we  
21 are getting engagement from the agencies that we  
22 are trying to get to. There is reluctance, but not

42

1 to the extent that we -- we don't see, obviously,  
2 the opportunities they're going to report or  
3 significant ideas that would substantially achieve  
4 our objective of finding the billions in savings  
5 because of the surplus real estate.

6 We had a meeting yesterday that was  
7 very successful. That, candidly, would not have

8 happened had it not been for the independence of  
9 the Board asking that particular agency to meet  
10 with us. And for -- very timely -- part of our  
11 argument right now is -- is, clearly, the timing.  
12 There's space -- lease space with 30 percent  
13 vacancy, at least -- average in DC. There are  
14 opportunities for lease opportunities at very --  
15 very historically low costs that are an option for  
16 federal agency. In -- in terms of being able for  
17 an agency to relocate in a more competent upgraded  
18 building, there's not better time to be looking at  
19 buildings because their values and their sales that  
20 are hitting the markets have never been as low as  
21 they are currently.

22           So to answer your question, we are

43

1 getting engagement. I will tell you that, earlier  
2 this week -- and a function of the Board, we -- we  
3 had some tours of some of the buildings, some of  
4 the buildings that we've identified that are just  
5 not utilized anymore and are not necessary to  
6 retain. And I did pick up, again, from GSA that

7 there -- what we saw as two opportunities; that at  
8 a very low level in that agency, they're still a  
9 little bit nervous about making a move, even though  
10 it's costing the federal taxpayers, Dan said,  
11 \$150,000 a day to house -- or no, annually --

12 MR. MATHEWS: Per person, per year.

13 MR. WINSTEAD: Per -- per -- per person,  
14 per year. So I -- I think we are getting the  
15 engagement we need, but, candidly, I'm disappointed  
16 that we're hearing from GSA that they can't get the  
17 attention of some of these opportunities we've  
18 identified or they're getting resistance at a level  
19 in the agency. This isn't the secretary; this is  
20 maybe an, you know, an SCS in charge of facilities  
21 or administration. So anyway --

22 MR. MATHEWS: If I could, I would just

44

1 say, the Board had to go seek its own method of  
2 getting occupancy data because agencies would not  
3 turn it over. Agencies are hiding that  
4 information. They don't want that information  
5 because it shows that the utilization is -- is --

6 is just indivisible, and that is largely across the  
7 Board. There are a handful of exceptions to it and  
8 then there are I would say, there are other  
9 agencies where -- some here in DC, where I think  
10 there are just completely obvious moves that should  
11 happen. It won't cost a lot of money -- there are  
12 some agencies that literally could just get up and  
13 walk down the street to their main department  
14 building, and sit down, and that would free up  
15 buildings on Independence Avenue.

16           It's -- literally when I was a  
17 commissioner of GSA, we shut down our regional  
18 office building. We had, like -- I don't know --  
19 13, 1,400 employees over there, and it was clear,  
20 because we tracked utilization data in our  
21 building, that we had enough seats empty every day  
22 for them to come. We didn't spend \$200 million to

45

1 bring it over; we just said, you know, come Monday,  
2 everyone is sitting in this building, and that's  
3 what we did. And that building wasn't empty and --  
4 and, you know, that building could easily be

5 disposed of today.

6           So we -- we do hear a lot of obstacles  
7 from agencies, oh, it's going to cost all this  
8 money; first week, we need billions of dollars to  
9 renovate this or that. Some cases maybe that's  
10 true. Those will be longer term transitions, but  
11 there are very actionable moves that could happen  
12 in the very, very near term without requiring a ton  
13 of money, if -- if -- if the decision makers were  
14 just a little more open-minded about making a -- an  
15 economically rational decision.

16           As David said, you can go into a  
17 lease space and get two years free rent, \$150 a  
18 foot in tenant improvement allowance, and -- and be  
19 in a building, in a location, in a quality space  
20 that's twice as good as what you are in now, and  
21 you'll be spending a third of the cost or probably  
22 quarter of the cost per person that you're spending

46

1 now, if you actually right-size it.

2           All that could -- that could happen  
3 in every city so quickly, and that would help you,

4 frankly, buy time to get appropriations to renovate  
5 some other federal buildings perhaps, and then do  
6 those consolidations over time. It is very  
7 effective choices that could happen, but we're  
8 getting a lot of resistance, quite frankly, from,  
9 you know, when you go out to a region and there may  
10 be four buildings -- owned federal buildings in a  
11 region, maybe they have enough occupancy to fill  
12 one and, you know, there's capital investments  
13 going on in three of the buildings. It's crazy.

14           Exec Dir: Anyone else? Questions?  
15 Don't be shy; we're seeking your input.

16           MR. FREER: Hi, my name is Justin Freer  
17 with Turner Strategic Technologies. My question  
18 is, when -- when these submissions, the first three  
19 submissions, are being done, how -- how are you  
20 breaking that information down, as far as the cost  
21 of the building to upkeep? Is it a -- is it a  
22 massive number, or are we kind of breaking it down

47

1 from the construction aspect of, this is actually  
2 what it's costing for, again, electrical, et



3 cetera? Are we -- are -- are those numbers being  
4 broken down to a fire level, or are they general  
5 numbers? Because that's one of the things that  
6 make people listen, when they actually see the  
7 costs of the various aspects of each building, and  
8 -- and -- and the -- and the dollar amount being  
9 placed in. Second to that, does it make sense to  
10 maybe start breaking these numbers down to show  
11 taxpayers in these areas what they're losing,  
12 paying for these buildings that aren't being  
13 utilized?

14 MR. MATHEWS: I -- I -- I could --  
15 again, this is Dan Mathews with the Board. I'd say  
16 data is a real problem. It became apparent to me  
17 when I was a commissioner, probably about two years  
18 in, that the, you know -- and the GSA probably has  
19 better data than almost any other agency, because  
20 they charge rent for their assets, so they've got a  
21 good inventory and they know what revenues they're  
22 bringing in, they keep track of their net operating

1 income for each asset, but -- so they've got good

2 numbers for the types of maintenance projects that  
3 are necessary for the next couple years to keep the  
4 building functioning, but what they don't have in  
5 their systems, for the most part, are the long --  
6 the -- the capital reinvestment needs to reposition  
7 the building or to keep it operable for 15, 20, 30  
8 years.

9           So you'll -- you'll have a building  
10 where GSA's data will say, maybe there, you know,  
11 is 10, \$15 million worth of -- of -- of capital  
12 requirements, but the building is 70 years old.  
13 The last time it had a major systems upgrade was 40  
14 years ago, and the reality is, over the next 30  
15 years, or even 15 years, they really need to spend  
16 \$150 million. And that's not in there. So  
17 Congress gets a really distorted picture of what  
18 the capital liabilities are. I think the latest  
19 GSA report that goes up to -- to the Hill, said it  
20 was around \$4 billion of capital liability. You  
21 can't walk down Independence Avenue -- If we walked  
22 down Independence Avenue together, I'd point out

1 over \$4 billion worth of liabilities in their own  
2 buildings before we get to the end of the street.  
3 That's just in one street, one city, right? It's  
4 -- the real liabilities are -- are -- are probably  
5 over 30 billion, 40 -- \$40 billion, and there's  
6 nowhere to be found.

7           So data is -- is a real issue, and  
8 I think, frankly, the -- GSA kind of gave up on  
9 keeping current engineering reports and studies for  
10 the -- for the really bigger asset -- asset needs  
11 because they just they don't have access to the  
12 capital, so they really just kind of track, you  
13 know, what are the maintenance needs that you need,  
14 but that distorts the financial analysis  
15 tremendously. And so, when you look at a building,  
16 you actually have to get a better sense of, well,  
17 what's real here, right? Why are we -- why are we  
18 replacing that chiller when every other mechanical  
19 system is past its useful life? The building  
20 envelope needs replacement and we've got 10 percent  
21 occupancy. Like, that's -- those are some of the  
22 problems.

1                   MR. WINSTEAD: Just -- what a great  
2 question. Just one comment. David Winstead,  
3 again. Our analysis -- and -- and Martine, correct  
4 me if I'm wrong here, but we are looking at the  
5 alternative options for you've got a building that  
6 is no longer sustainable, given the Federal  
7 Building Fund, where Congress is giving GSA, but  
8 then we are looking at what are the costs to the  
9 other options? In almost every regard, we are  
10 looking at a rebuild option, correct?

11                   I mean, if you stay in place option,  
12 what it would take to make, you know, to upgrade  
13 that building. As you can imagine they're so  
14 old and so much deferred maintenance, they don't  
15 look like the right option, right?, the values.  
16 But we are looking at that. We're looking at what  
17 would it take to stay in place and house those  
18 people there versus moving into a lease or moving  
19 to a new location, or moving into another federal  
20 building with co-tenancy and consolidation. So we  
21 are doing that kind of analysis at Jones Lang  
22 LaSalle.

1           Exec Dir: Other questions?

2           MR. JOHNSON: Matt Johnson of Colliers.

3 I'm curious how much visibility you all have into  
4 some of the decision making at GSA? It seems like  
5 they've probably done some of the analysis you were  
6 just saying hasn't been done in situations where  
7 they've been thinking about moving into a  
8 federally-owned building from a leased location,  
9 and then decided not to. And there's been some  
10 relatively prominent examples of that rumored in  
11 the market. I don't know for sure what's happening  
12 behind the scenes, but you do hear about agency X  
13 moving into some building. They're going to be  
14 leaving the lease market, going into  
15 federally-owned space, and then they don't because  
16 they can't justify the cost.

17           And it seems like someone at GSA  
18 has probably gone -- walked through some of these  
19 capital expenditures and thought, really, leasing  
20 makes more sense. And if you could get your hands  
21 on that information, it may turn out that GSA has  
22 already done some of this work for you, which I

1 don't know how much visibility you have into that,  
2 though.

3           MR. MATHEWS: I'd say on a macro level,  
4 not any specific project level, but at -- GSA is  
5 experiencing cost overruns on capital projects all  
6 over the place. And it is not unique to GSA,  
7 right? I mean, there's been construction  
8 inflation, that's been really high. Interest rates  
9 are really high. Labor is really high. So they've  
10 got a lot of projects that they're managing. I  
11 think of border projects, they got a lot of money  
12 in the recent COVID-related bills to spend billions  
13 of dollars modernizing and expanding land, ports of  
14 entry. They're having cost overruns there.  
15 They're having cost overruns at Saint Elizabeth's.  
16 Pretty much every major construction project,  
17 they're experiencing that.

18           So they're -- to keep those projects  
19 going, they either have to cut scope or they got to  
20 find other resources, so I think that's -- that's  
21 making capital very tight. They -- they probably  
22 can't do all the projects they were planning on

1 doing as a result. And that's probably driving, to  
2 some extent, pivots with -- with individual  
3 projects because they're having to put money to  
4 keep a -- a project, you know, one project going,  
5 so they can finish it, and then that makes another  
6 project where they were planning on putting money  
7 no longer viable, and that's a -- that's a real --  
8 real challenge in this market. And I don't envy  
9 GSA, given the company had large economic  
10 situations that they've got, that they're dealing  
11 with. I think that's probably a lot of what's  
12 going on, and it's going to impact, I think,  
13 probably planned projects here in the District for  
14 that reason as well.

15           Exec Dir: Other questions?

16           MR. RAHALL: Well, I'm -- I'm going to  
17 ask Mike Capuano's question again. Are there any  
18 messages or input you'd like for us to relay to  
19 Congresses? We certainly would like your input on  
20 that, you know?

21           MR. CAPUANO: I -- I thought you were

22 asking me a question.

54

1 MR. RAHALL: No, no, no, no; I'm just  
2 repeating what you had -- had discussed together.

3 MR. CAPUANO: You don't have to ask me  
4 questions.

5 MR. WINSTEAD: Well, I'd like to ask --  
6 we have NCPC in here, we have, obviously, real  
7 estate firms in here, engineering firms,  
8 construction companies. One question I'd love to  
9 -- if anybody has a comment -- I assume NCPC does.  
10 But what role does the planning aspects of this  
11 play? I'd love to -- in terms of the footprint of  
12 these classic federal landmark buildings and the  
13 Federal Triangle, and along the Mall, and along  
14 Independence, Constitution, you know, we're looking  
15 at numbers and we're looking at occupancy, and  
16 grossly underutilized buildings that are causing  
17 the taxpayers billions per year. What -- what are  
18 kind of some of the considerations at NCPC that is  
19 -- advises on federal buildings and protecting them  
20 all? I'd love to hear that, if you had a few



21 comments.

22 MS. DUPONT: I will take that one then.

55

1 My name is Angela DuPont. I'm from the National  
2 Capital Planning Commission. This is everything  
3 that we think about. NCPC has a large role in our  
4 comprehensive planning policies, thinking the  
5 future development looking into 20 years, what will  
6 happen? I think, right now, at a time, we see that  
7 there's this opportunity that exists. A lot of  
8 federal buildings are underutilized. So looking at  
9 Federal Triangle, looking at Independence Avenue,  
10 and all these areas where there are large federal  
11 enclaves, we see that there's this opportunity. So  
12 how do we create a great Nation's Capital, yet,  
13 also a place in the District that's great for  
14 residents to also live in? So we have to consider  
15 all these -- factor all these considerations.

16 So I think this is, like, a -- a  
17 wonderful time right now to, like, work with our  
18 District partners or other stakeholders, federal  
19 agencies, to figure out where those opportunities

20 may exist. We've done a lot of planning work,  
21 especially with future museums, so we see that  
22 there is also a demand along Independence Avenue,

56

1 areas along the National Mall. So, you know,  
2 beyond just how it could go from federal to local,  
3 there's also this demand for federal to federal.  
4 So these are all things that we're factoring in --  
5 in -- in our policy work as well as a lot of the  
6 initiatives that we're working on today.

7 MR. WINSTEAD: And that would -- that  
8 includes, like, the DC Office of Planning as a  
9 partner in this. I know that --

10 MS. DUPONT: Absolutely.

11 MR. WINSTEAD: -- Mike and Nick went to  
12 see their former colleague, Delegate Worton, and  
13 she seemed -- you guys could comment -- she seemed  
14 very supportive of what we were doing. I mean, she  
15 understands that buildings that are not needed and  
16 federal land which is not paying taxes would be  
17 converted to mixed use with residential, hopefully  
18 some affordable, that generates tax revenue to the

19 District. So she seemed very supportive as well,  
20 which is -- was good news.

21 MR. WADE: Okay. I -- sorry. I just  
22 have a -- who is not supportive of solving this

57

1 problem? Like, who are your biggest obstacles?

2 CHAIRMAN: If I can ask you to state  
3 your name and --

4 MR. WADE: My name is Zach Wade, I'm  
5 with MRP, but I'm not really here on MRPs behalf  
6 because I don't think this -- there's necessarily a  
7 -- this isn't like developers on how do we get our  
8 hands on that land; this is more of a -- this is  
9 just an obvious issue for our district and our  
10 city, so I'm kind of really here on my own behalf  
11 and understanding -- really impressed and  
12 appreciative of the work you guys are doing and  
13 would love to understand where your impediments  
14 are, who -- how can we help kind of as a just  
15 constituency, and where can we kind of poke and  
16 prod and stuff like that or -- or provide our  
17 insight, understanding where this is not what's in

18 it for us? This is more what's in it for the city,  
19 if that -- and I mean that genuinely. But this  
20 seems to be -- I -- I -- I have not -- I've been  
21 reading all of your information and have --  
22 completely very eye-opening, and I can't find

58

1 anyone on the other side of the argument. So,  
2 like, if there's anybody -- I'd really like to know  
3 who's on the other side of the argument, who's  
4 against.

5 MR. WINSTEAD: Well, let me --  
6 unfortunately, I -- I talked earlier about --

7 MR. WADE: Yeah. I apologize --

8 MR. WINSTEAD: -- about a -- a tour that  
9 we had on Tuesday with GSA, and, you know, as Dan  
10 or others commented, we have great support from  
11 Elliot Doomes, who's the current commissioner, but  
12 they are not getting the response from agencies  
13 that are in buildings, that are grossly  
14 underutilized and, candidly, you know, those  
15 administrative people, real estate people that, you  
16 know, do not have the standing to oppose a rational

17 decision to save the taxpayer money.

18           So, unfortunately, we're dealing  
19 with federal agencies that the building is 20  
20 percent occupied daily and they like their commute,  
21 or -- or maybe the high ups live in the  
22 neighborhood, but that's no longer possible. I

59

1 think part of our problem is what we're hearing  
2 from the in -- in -- inside, not -- GSA is hearing  
3 it firsthand, but we're picking it up, but we're  
4 hearing from federal agencies that don't want to  
5 move. And, you know, again, you -- you have some  
6 great buildings in the District of Columbia. You  
7 know, you have mixed use and office, correct? You  
8 were with MRP?

9           MR. WADE: Yep. Yeah.

10           MR. WINSTEAD: Is this your building  
11 here?

12           MR. WADE: No, no, no.

13           MR. WINSTEAD: But, you know, everybody  
14 in the private sector, you leading the way, is  
15 making rational timely decisions, you know, to save

16 their bottom line. They have investors or they  
17 have, you know -- they're (indiscernible) and have  
18 to be accountable to Wall Street and SEC. We are  
19 not getting that. Basically, on what I heard  
20 yesterday with two very rational options that we're  
21 going to recommend, GSA is still getting resistance  
22 from those agencies, and you know, whether their

60

1 name is on the building or not, it is not  
2 defensible for them to take a position like that  
3 now. But everybody in this market, in the private  
4 sector, is making part -- the equity is gone in  
5 most of these buildings. You all are having to  
6 have to figure it out; how do you keep this  
7 building going; what do we do with it; is it  
8 convertible to apartments? That's the kind of  
9 decision that we hope we can get on the federal  
10 level, candidly.

11 MR. CAPUANO: No one is opposed.

12 MR. WADE: No one is opposed?

13 MR. CAPUANO: No one is opposed.

14 MR. WADE: It's more --

15 MR. CAPUANO: It's how are they for it?  
16 MR. WADE: Yeah.  
17 MR. CAPUANO: I'm for your agency  
18 moving, not mine. I'm for saving money, but in the  
19 ways that I decide to save money, not the way you  
20 decide. If I'm in Congress or OMB, I'm interested,  
21 but your \$7 billion problem, I've got a \$20 billion  
22 problem here, I've got a \$50 billion problem here,

61

1 I've got this, that; I'll get to it.

2 MR. WADE: Yeah.

3 MR. CAPUANO: It's Item Number 42.

4 We'll get to it, but not just yet. So the interest  
5 -- no one is opposed. Everybody supports the  
6 concept, but like every other good idea, we try to  
7 get a little bit more attention for this particular  
8 idea, knowing full well -- I mean, look, I'm a  
9 former member. This is not the most burning issue  
10 that most -- that any member of Congress is dealing  
11 with; it's just not. And honestly, I represent  
12 Boston. Though I'm very interested in what happens  
13 in Washington DC, I don't -- I mean, it's really a

14 -- that's almost 77 on my list. I've got 75 more  
15 things in my own district that I'm much more  
16 interested in. And by the way, in my district, you  
17 better not close down my building because I think  
18 you've got to close down the building in Nick's  
19 District, not mine --

20 MR. RAHALL: Yeah.

21 MR. CAPUANO: -- you know, and -- and on  
22 and on and on. So it's -- it is really -- I'm not

62

1 aware of anybody who is opposed to it. When it  
2 comes to the bureaucracy in a typical -- nothing  
3 unusual, bureaucratic way, therefore -- but we've  
4 never done it that way; we've done it this way for  
5 a thousand years, and it works fine for us; I don't  
6 know what your problem is. So it's really -- no  
7 one is oppose; it's simply trying to get this thing  
8 moving, maybe get a little attention to it, and --  
9 and to prove how relatively obvious and easy  
10 actions could result in the significant savings,  
11 more efficiency, a happier workforce, on and on and  
12 on.



13                   And by the way, I want to be real clear,  
14 I've been in government most -- almost in my entire  
15 adult life in one capacity or another. Government  
16 is never going to be first. Private enterprise is  
17 always going to be faster because you save money  
18 means you make money --

19                   MR. RAHALL: Yeah.

20                   MR. CAPUANO: -- in any of these  
21 agencies -- any of these agencies, and Dan pointed  
22 out one problem. But even in the agency who's

63

1 moving, if I save the government a -- a billion  
2 dollars, my agency gets none of that, none of it.  
3 So it -- it is great. I'm all for it. I love the  
4 taxpayer too, but I'm trying to solve world peace,  
5 so I'll get to that later. And -- and -- and  
6 that's -- it's -- to me, none of this should be  
7 surprising. It -- it -- it's just -- it is the --  
8 the ordinary way that large entities, particularly  
9 government, works. And I think part of our job is  
10 to try to break through that and to bring a little  
11 attention to an issue that, I think if you could

12 get 10 people to pay attention to it, you could get  
13 10 people to agree on a solution. But that's -- it  
14 is a problem because of what we're dealing with.

15 MR. WADE: Have -- have you guys had any  
16 luck with journalism and kind of like -- like  
17 proposed a -- a --

18 MR. CAPUANO: The answer is yes. That's  
19 one of the reasons we did the interim report. By  
20 doing the interim report, we did bring some  
21 attention to the issue. And I won't speak for the  
22 others, but that's one of the reasons I wanted an

64

1 interim report is -- yeah, the interim report is  
2 important, but -- it is an interim report, but it  
3 did create a small degree of -- of -- of attention,  
4 particularly by people in the business of real  
5 estate in one capacity or another, and it did bring  
6 some attention on -- on Capitol Hill into the  
7 Administration to -- and I'll be perfectly honest.  
8 Since we did our interim report, I think we've  
9 gotten better cooperation out of many of the  
10 agencies that we had before the interim report.

11 And -- and that -- that report, in and of itself,  
12 didn't reach any conclusions; it just kind of laid  
13 out some of the things we've been talking about.

14           Exec Dir: Maybe you mentioned that  
15 was --

16           MR. CAPUANO: I -- I think it helped.  
17 Now, did he -- did we get the final result that we  
18 want? No. Which is one of the reasons we're  
19 thinking about doing another interim report, but  
20 that's a different issue.

21           MR. RAHALL: But you, in the private  
22 sector, have a tremendous ability to coalesce,

65

1 build a coalition, come together, and express a  
2 viewpoint of unanimity to your friends on the Hill  
3 and in other agencies around town. I mean, you  
4 have clout. Each of you in this room have your  
5 clout in various ways, and then sit here on Capitol  
6 Hill. Excuse me, but that needs to be combined --

7           MR. WADE: Yeah.

8           MR. RAHALL: -- and you need to go in  
9 one voice and unanimity on what you all agree upon

10 that needs to be done and light a fire under your  
11 friends on the Hill, find a cheerleader that will  
12 take up this banner, and move it from number 47 or  
13 52, whatever, up to number one and two, on people's  
14 radar screens on the Hill. It's possible when you  
15 use all the tools available and all the information  
16 available. And we have done a tremendous job of  
17 collecting our press and everything else and making  
18 it available to members of Congress, but until you  
19 find that one member or a group of members, that's  
20 willing to take up this cause, it's going to remain  
21 down low on the totem pole.

22 MR. MATHEWS: I just have -- I think --

66

1 so the last couple -- yesterday, we -- we had a --  
2 a number of meetings here, and we had very -- very  
3 good feedback from the market, from the District,  
4 government, from local planning organizations, with  
5 respect to the -- the District. Because I think  
6 the problem is so acute here. It's very different  
7 than any other market. Federal government has such  
8 a overwhelming presence here. It really moves the

9 market and it encumbers so much land and -- and --  
10 and buildings that could have a much better future  
11 not housing federal employees, that could really  
12 help with the next 20 years of economic development  
13 in the District, help deal with housing issues,  
14 create new sites for museums, and cultural  
15 opportunities. I mean, it's -- it's really like a  
16 once in a century opportunity for -- particularly,  
17 south of Independence Avenue, but some -- some  
18 areas north of Constitution as well, truly  
19 transform -- transformational potential, because  
20 just the way, you know, work is being done in the  
21 -- in the federal government has -- has changed.  
22           So just a massive opportunity, and

67

1 it's really just decision making. This -- this  
2 isn't that difficult of a problem to solve.  
3 There's going to be one person who has to make the  
4 decision when we make the report; it's the director  
5 of OMB. And I think if the director of OMB is just  
6 listening to -- only hearing from people kind of  
7 way down in the bowels of -- of OMB, it's a lot

8 easier just to say no. If they're hearing from all  
9 sorts of other entities at the White House and --  
10 and in -- through Congress that, no, this is  
11 actually -- this is -- this is a good idea; why  
12 would you say no, then they'll say, yes. I think  
13 it really is that simple. It's one -- it's going  
14 to come down to one person's decision, and then the  
15 law says it has to be executed.

16           So I think there's a real opportunity  
17 to be successful. It's not that heavy of a  
18 lift. If -- if people pay attention and get  
19 involved, and -- and then, you know, everyone else  
20 in the government can figure out how to execute it.  
21 Like, you don't have to figure out every problem  
22 and every solution now, before the recommendations

68

1 are made. I mean, the lower you -- down you get in  
2 the organization of OMB or GSA, that's what they  
3 think they have to do; every -- every decision,  
4 every aspect about every potential disposal has to  
5 be figured out in advance. Well, that's absurd.

6           Now, I mean, you've -- you have an

7 objective, you set a -- set a goal, you -- you task  
8 your -- your -- your people, and you align their  
9 resources, and you -- you figure out how to get it  
10 done. And that's the way the high value round  
11 worked. Those projects weren't all figured out  
12 beforehand, and it didn't need to be. If you make  
13 a decision, there's plenty of smart people in -- in  
14 GSA and the other -- in OMB, and they'll figure it  
15 out. And that's exactly what -- what's going on  
16 and the property is getting sold, and that could  
17 happen at a much -- much larger scale if there is a  
18 more of a can-do approach and attitude about  
19 addressing this, just, you know, in terms of  
20 federal real estate, a giant problem. It's  
21 entirely achievable. This is not an impossible  
22 thing at all. I mean, this is not, you know,

69

1 putting shuttles up into space; this is -- this is  
2 a lot easier.

3 MS. WEDIN: Thank you. Hello. My name  
4 is Mandi Wedin with Feroce Real Estate Advisors,  
5 and to directly respond to Mr. Capuano's question

6 of what should we -- what should we tell policy  
7 makers over policy, what I hear regularly is lack  
8 of data and info, and then inability to execute,  
9 which, by the way, is not dissimilar from what the  
10 private real estate market is experiencing today,  
11 more data, more information, how do we use that to  
12 execute -- but the -- the need for the full data to  
13 understand the full scale of the capital needs.

14           As you mentioned, Mr. Mathews,  
15 walking down Independence Avenue, your \$4 billion  
16 gets spent in the first half of the walk. So in  
17 order to solve the problem, understand the scale of  
18 it and the need -- get the data of what the actual  
19 capital expenses, so then you know what to attack,  
20 how to resource, and then how to execute. And if  
21 the agencies don't have clarity on who's the  
22 decision maker or GSA doesn't have clarity, there's

70

1 a great opportunity for Congress to provide clarity.

2           MR. CAPUANO: That's a very nice way to  
3 put it.

4           MR. MATHEWS: Just in response to what



5 he said about getting data, there is this, I think,  
6 sense that -- that everything's got to be perfectly  
7 figured out and -- before anyone can act. And when  
8 you have a desire, maybe not to move, you just see  
9 that play out. They'll -- they'll want things that  
10 drag, drive up the costs of moving, when an -- an  
11 alternative can be actually much -- much lower.  
12 And -- and having good data can help, but also  
13 understanding the -- the -- the other  
14 opportunities, what are the other alternatives.  
15 And that's one thing that I think we're -- we're  
16 really relying on JLL to show, that there are  
17 feasible, actionable solutions. Because I think,  
18 at the end of the day, the government cannot  
19 renovate its way out of this problem because it's  
20 so big; they have to dispose their way out of it.  
21           And unlike BRAC which is -- was  
22 usually pulling an economic engine out of a

71

1 community, so there was a lot of opposition to  
2 that, what we're talking about is -- is almost  
3 always the -- the -- the opposite. It's taking an

4 asset that is sort of off the economic productivity  
5 list of the community and it's making it available  
6 for -- for economic redevelopment and productivity,  
7 and it -- in a way that -- BRAC kind of had the  
8 opposite. It was pulling out thousands of  
9 employees, and then, you know, hundreds of millions  
10 or billions of dollars into that economic city.

11           DC is a great example. South of  
12 Independence Avenue, that is not an economic engine  
13 for the District; it is an economic drag on the  
14 District. It's a huge drag. There's no money  
15 coming into the city. There's no taxes that are  
16 coming off that property. There's no foot traffic.  
17 There's no economic activity. It's -- it's an  
18 anchor on the economy, not an asset, and actually  
19 putting it back into productive use, creates the  
20 opportunity for tremendous value creation,  
21 particularly --

22           When I -- I just think of the District,

1 just, you know, south of the Mall, it's -- the  
2 Mall is like Central Park, New York Central Park.

3 There's so much potential there. There'd be so  
4 much capital willing -- private capital to go  
5 into these assets under the right conditions. And  
6 that's how you're going to deal with this capital  
7 liability. It's not going to be federal, just  
8 federal capital. Federal government can help and  
9 enable that and maybe take some of the risk out,  
10 but, ultimately, it's going to be private capital  
11 that's going to have to solve that problem, which  
12 means it's going to have to switch to private uses.  
13 And I think that how -- how -- that's how this is  
14 going to improve.

15           MR. WINSTEAD: And one -- one comment  
16 that came in yesterday that I -- I thought was  
17 remarkable, it was from one of the most renowned  
18 architects in this region; I mean, does it work  
19 elsewhere? But then he's done his own analysis  
20 and, you know, he's very much protecting, sort of,  
21 the heritage of our federal presence here in DC.  
22 Obviously, the Mall, the Federal Triangle are very

1 important to him as an architect, but he says that

2 there are nine million square feet of  
3 federally-owned buildings that are of historic  
4 nature, but that are on a footprint because they're  
5 -- they're not like all these office buildings.  
6 They're not city block pieces of cement; they  
7 actually have the air and light that was designed  
8 in a -- in a pre-construction.

9           And it was a fascinating  
10 discussion. He said there's a -- there are  
11 wonderful opportunities, in my opinion, to figure  
12 out -- the Board could do this through the report;  
13 figure out how these buildings could presented to  
14 the private sector. He said there are many of his  
15 developer clients that have already expressed  
16 interest, and the mayor would support it to the  
17 same point because it would provide housing, you  
18 know, in the District and getting more people back  
19 Downtown when, because of telework, they're only  
20 coming two days a week or three days a week. So I  
21 thought that was an interesting comment from a guy  
22 that really understands these buildings in DC, for

1 example.

2           MR. JOHNSON: You -- you -- if I can  
3 follow up with that. We have a -- we have a  
4 certain number of parameters that a building has to  
5 meet. We're -- we're currently underway with a  
6 conversion in Charlotte. And I have looked at any  
7 number of conversions in DC. I've done two or  
8 three in our history -- in our past, and if you  
9 look at the -- the kind of dividing line seems to  
10 be when air conditioning was prevalent, and  
11 footprints got square (indiscernible) square or  
12 large rectangles. Prior to that, the kind of the  
13 smaller U-shaped air flow was important. And a  
14 good example, if you compare the -- Philadelphia  
15 has had over eight million square feet of  
16 conversions from office to multifamily, and that's  
17 just because they were -- the majority of their  
18 stock was built prior to air conditioning.

19           MR. WINSTEAD: Interesting.

20           MR. JOHNSON: And for -- and there --  
21 you can look at a kind of area, and it's pretty  
22 easy to identify whether it's -- I think it's

1 Department of Agriculture, and there's just  
2 significant opportunities that -- it -- it is still  
3 not -- there's still is -- you're not -- there's  
4 still a lot of work to do in terms of, you know,  
5 economic viability or feasibility, but you're  
6 starting from a much better place than the large  
7 squares. So I -- I completely agree with that.  
8 And there is a lot of that stock in great locations  
9 that could be turned on pretty -- rather quickly  
10 from the private sector.

11 MR. WINSTEAD: Right.

12 Exec Dir: Any more questions or  
13 comments? All right. Well, I -- thank you again  
14 for your participation and -- and attendance this  
15 morning. And as I said, we'll be posting the  
16 transcript and the slide deck on our website, and  
17 it's PBRB.gov, or you're welcome to contact me.  
18 I'll leave my cards here, if you want to get my  
19 e-mail address. I'm happy to talk to you in more  
20 detail, but thank you again.

21 MR. WINSTEAD: But Paul, you might want  
22 to just comment about the -- kind of process ULI

1 and NCPC are going to go through --

2           Exec Dir: Right.

3           MR. WINSTEAD: -- this other opportunity

4 --

5           CHAIRMAN: Right. And I had mentioned  
6 this before, this -- this sort of round table we  
7 had yesterday. Getting input from the commercial  
8 sector is sort of our first step in a future  
9 endeavor. As I said, we even partnered with NCPC  
10 to bring in ULI to further these discussions. So,  
11 I assure you, this is not the last opportunity to  
12 discuss what can be done in DC; that's just the  
13 beginning. So, you know -- you know, check our  
14 website, and we'll be contacting you. If you want  
15 to participate in these listening sessions in the  
16 future, by all means, we will encourage that.  
17 Thank you.

18           MR. WINSTEAD: Okay.

19           (Off the record at 11:22 a.m.)

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