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PUBLIC BUILDINGS REFORM BOARD, :

PUBLIC HEARING :

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PUBLIC HEARING

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Pursuant to agreement, before Jasmine Pearson, Notary Public in and for the State of District of Columbia.

A P P E A R A N C E S

ON BEHALF OF THE OTHER, PUBLIC BUILDINGS REFORM BOARD:

SIRI COLLINS
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ALSO PRESENT:

Paul Walden
Dan Mathews
Mike Capuano
David Winstead
Nick Rahall
Talmage Hocker
Rich Butterworth
Matt Draper
Priya Jain
Katrina Newtson
Grant Welker

A P P E A R A N C E S

(continued)

Jonathan Lehrfeld
Emily Wishingrad
Mikayla Hart
Rhian Evans Allvin
Sean Salai
Ali Kelly
Kimberly Horn
Lu Hou

C O N T E N T S

E X H I B I T S

(None marked)

P R O C E E D I N G S

MR. WALDEN: Well, good morning, everyone. Welcome to the 13th public hearing of the Public Buildings Reform Board. We appreciate your time and interest in attending virtually and in person.

I am Paul Walden, the Executive Director of the Public Buildings Reform Board. And today, we're going to talk a bit about the history of the board, our mission going forward, some of our accomplishments, and the legislation that created us.

We will also talk about some of our initial observations of the recent public release of the USE IT Act data, and along with highlights of some of the properties the board has identified for potential recommendation in our third round, and also discuss some ones that have garnered agency support for disposal.

Just some administrative notes. We have a very strict timeline, so I will try to keep us on target with time. And as a reminder, this is being recorded, and we're having a written transcript prepared, so there will be a formal transcript posted on our website in a couple of weeks. And again, we will open it up for questions and answers at the end of the session. And again, we also have a large virtual audience as well.

So before I introduce our board, I just -- I've introduced myself, of course, but I want to give a shout-out to the great support I have from the Jones Lang LaSalle team -- a couple of them are here, Archie and Will and Martine. They've been very invaluable. And David, I see you, David. Very invaluable with their real estate expertise in helping to identify these opportunities.

And also to Adam Oliver, who's been on detail to us from the GSA. He's brought a wealth of knowledge to our -- to our work. And of course, my Aleto support team in the back, Siri and Gail. They've been very invaluable in making sure I keep -- keep us on track with everything. So thank you to my contract support team and detailed support team.

So with that, I'd like to introduce our

board members. We have a board of six White House appointees, bipartisan. FASTA was set up that we would always have a bipartisan board. And they also represent a very diverse background. So -- and I'm -- when I call your names, if you would just sort of hold up your hand, because I'm not going to introduce you in order by seating.

But we have two former congressmen, Mike Capuano from Massachusetts, and Nick Rahall from West Virginia, so they bring a wealth of legislative experience to the table. We have two former General Services Administration, Public Building Service Commissioners on the board -- David Winstead and Dan Matthews, and they bring a wealth of expertise in the government administration role.

And then, very importantly, we have two private sector, very well-known and respected real estate developers, Talmage Hocker, who is the president and CEO of the Hocker Group from Louisville, Kentucky, and the one board member who is not with us today but is very well known in the New York development world, Jeffrey Gural, chairman of the GFP Real Estate.

So with that, I would like to turn it over to Mr. Rahall to talk about a little bit about our background.

MR. RAHALL: Thank you, Paul.

Throughout our work on the PBRB, we've noticed the same issues cropping up time and time and time and time again. The lights are on, but nobody's home. The federal inventory of office space is open for employees, but the vast majority of federal office space remains vastly underutilized.

This means that taxpayers are paying enormous sums to provide for the few who do come to work. Our board found that a nearly 70 percent decrease in occupancy in a study of selected properties in the Washington, D.C., area in 2023. American taxpayers are paying a premium market rate rent for agencies to be housed in spaces that are definitely not premium spaces.

The federal buildings that the PBRB has toured are in poor repair or in need of extensive capital investment, and cannot possibly be serving the best interests of the agencies they house. The capital liability of all the deferred maintenance is enormous. I repeat, the deferred maintenance is enormous.

Capital liabilities accrue to the taxpayer. This means that although taxpayers are paying market prices -- excuse me -- market rates for -- rates for space, the market rates are not being spent to maintain and adequately maintain the spaces. The bottom line is that the system is working against the American taxpayer.

The maintenance backlog translates into unhealthy and sometimes unsafe work environments for our federal employees. The board learned about antiquated air handling systems from the 1940s still being pressed into service. We found leaking roofs, unsafe elevators, and flooded basements.

Congress cannot appropriate its way out of this maintenance backlog. This means that the inventory needs to be shrunk, so that tax dollars can be invested in properties where employees are actually coming to work. Our recommendations of property divestment will realize tangible gains in federal portfolio efficiencies and make sale proceeds available to land holding agencies for additional space consolidations and dispositions.

Furthermore, these transactions add to local municipality tax rolls and oftentimes serve as an activation catalyst for the surrounding submarket. The Public -- the Public Buildings Reform Board is not -- not a part of DOGE, nor a part of the General Service Administration. We are an independent agency created by Congress because Congress saw the problem, and they were not confident that the normal system actually put underutilized properties into a disposal pipeline.

So they wanted an outside set of eyes to look at the federal inventory, and make sound financial assessments and judgments about those properties, and then recommend to the highest level of the government, who could then decide in an up or down way whether or not to accept the recommendations.

The PBRB has a very unique role. We are a body that recommends actions -- and I stress actions. Our recommendations go to the director of OMB, which is part of the White House, obviously. And if they say yes, then the law says these properties shall be disposed. Once our recommendations are approved, then the agency that has control over these properties actually has to implement those recommendations.

So in practice, most of the properties that Congress has asked us to look at are controlled by the GSA. So they're the entity in most cases that will actually be running the disposal and relocating the tenants to some other buildings based upon our recommendations.

There are two key criteria that we're using to screen federal properties. One is occupancy, and the other is capital liabilities for deferred maintenance. If they have low occupancies and they take a lot of money to bring back up to functional Class A space, it's on our radar screen, and we're looking to recommend that the government get rid of it.

The government does not appropriate enough money to renovate all the buildings that the government owns. The GSA inventory averages over 50 years in age. There are 180,000,000 square feet of owned space, and the recent release of utilization data tells us that in most markets, federal employees fill somewhere between a quarter to a half of those buildings.

But those buildings require billions of dollars of congressional appropriations to renovate, which probably is never going to happen, and so that's why we're recommending that many of these properties for disposal. So I'm now going to ask Rick Butterworth, Senior Director of GSA Office of Real Property Disposal, to give us an update on the high-value in round two recommendations.

Rick, please come up.

MR. BUTTERWORTH: To clap or not to clap? Oh, what a beautiful morning. Oh, what a beautiful day. I've got a beautiful feeling everything could go our way.

It's hard for me to miss this opportunity to sing in this beautiful space. It's one of the shows I saw here, and I thought it would be slightly more appropriate than whatever Lola wants, Lola gets.

So just briefly, I want to just briefly go over where we are with the -- the properties that were on the Round Two recommendation list. You'll see from the slide, most of them are still in work. We've done two dispositions, one of River Road, which was a federal-to-federal transfer to the Coast Guard, who had a mission need for that, which provided $14 million to the federal -- to the asset proceeds account, and then public sale of the 7th and D, which is the GSA Regional Office building, which brought in $24.26 million.

The rest on the list are all in various stages due to the need to move tenants out of those spaces. So you'll see the proposed relocation dates for most of the remainder. And they're out -- their earliest is '28. The rest are in '29. And as our administrator has testified several times, that is due to the need for funding for those tenant relocations and build out in order to move them, whether that's into the private sector space or into renovated public building space.

The last one that you'll see, that's just listed as under review, is an interesting case, the Cohen Building. You know that that has all been part of legislation for the disposition, as well as on the board's recommendation list. The reason that that particular building is under review is because it is tied. All of its systems are tied to the Switzer building, which is a long-term hold, and it's extremely expensive to replicate or sever those utilities.

So while a lot of people would like to see this building disposed of, and given its under-utilization rate, we understand why, our thought is, unless we can solve that problem, that might be a building that's better re-invested in and get back to a utilization rate that would make sense and justify the level of investment.

So other than that, that is the update. I don't know if there's anything else that you'd like, but I'm here, so I guess I will be responding to questions as well.

And -- but I'm just in agreement. Our -- our administrator has been very clear that, no, we cannot appropriate our way out of problems, but if we had full access to the federal building fund, which is there in order to do some of these renovations, we would be able to reinvest in buildings that should be retained and reduce the footprint that we have, and more quickly disposed of those which are underutilized by creating those vacancies. So thank you.

MR. WALDEN: Thank you, Rich. And I think that deserves a round of applause for the solo.

All right. Mr. Matthews.

MR. MATTHEWS: Well, thank you, Rich. I serve on a couple other boards, and I think we're going to have to have you come and open each one of our other board sessions with a -- with a song or two. I had no idea you did that, but congratulations. That's a great talent.

I also would just like to say that I think, you know, we as a board agree 100 percent with Administrator Forst position that the Federal Buildings Fund, GSA should have full access to it. I know I pleaded on Capitol Hill for that for four years. Good luck. I hope he gets it. It certainly will be -- be really important for the future of the inventory, although that doesn't really change the need for radical dispositions, but it will allow you to maintain those that you keep, hopefully. Hopefully, it'll be enough to do that because the gap is so great.

And that's one thing that we addressed most recently in a report that we put out earlier to Congress, that our estimate is -- the true cost of the repair and deferred maintenance liabilities in just GSA's portfolio is over $50 billion. And that is such a large number.

It has a kind of rational consequence as to what you have to do with the portfolio. As many people have said, you can't renovate your way out of this, even with full access to the Federal Buildings Fund. Even if Congress gave you tens of billions of dollars of extra money on top of full access to the Federal Buildings Fund, you still can't come close to the scale of the problem.

The only way out of this -- this downward spiral -- spiral of these -- these buildings where, you know, you all talked about the problems with them, is through really significant disposals. And I think our report was the first one that really put its finger on just how large this problem is.

And I think $50 billion, if anything, is a conservative number. It's probably more when you consider renovating one of these buildings here in Washington, D.C. If it's a mid-century building, it's somewhere between $800 and $900 per foot. And if it's historic, you're well over $1,000 a foot. Just do the math. You get over 50 billion pretty quickly.

Let's see. And also, the fund only generates a certain amount of net operating income every year. And when you look at what any kind of reasonable asset manager would reinvest into the properties, somewhere between 2 to 4 percent annually of the replacement value, when you do the math on the replacement value of this portfolio, the net operating income for the Federal Buildings Fund doesn't even keep you -- doesn't even meet that. It falls a little bit short.

So every year, with full access to the fund, if you keep 180,000,000 square feet, it's going to get worse every year. I think the -- the future really is -- is -- it's going to require a significant amount of disposals.

If you go to the next slide, I think this is a really interesting slide that our JLL team put together. What this shows is where the bulk of the deferred liabilities in the portfolio reside when you categorize the portfolio by age. And these buildings, where that really tall column there, they're 31 to 75 years of age, so they're from 1951 to 1995.

I call these the mid-century money pits.

They are not worth another dime. I'm sure there's some exceptions, but for the most part, it's just throwing good money after bad. And when you consider the fact that they're, what, 30, 40 percent occupied, disposal is the -- really the only financially sensible path forward.

Let's see. Yeah, we covered the part about the appropriations aren't coming. If we go to the next one, so utilization, this is really important. In Congress, they've been fighting for this data for a long time. When I was Commissioner, I fought for this data for a long time because there really -- you need two pieces of information to make a rational choice. How is the building necessary? Like, do you need it? Are you using it? And what are the costs involved? What's the deferred liability? What are the operating costs?

Those are the two fundamental pieces of information you need to make rational financial decisions about it. And so the USE IT Act, which Congress passed in 2024, required the collection of utilization data and the report of it. There are some issues with the data, but it's, you know, it's a good first step, and Congress is interested in trying to fix some of the data quality problems that they have, and make some exceptions for special space that a lot of buildings have, which probably don't make sense to be incorporated into the 60 percent figure.

So there are some, you know, details that are going to be improved, but this is absolutely critical to make good decisions. There's an example here on the page. It's the Addabbo Federal Building in Jamaica, Queens. 800,000 square feet. So when you're looking at that, and you're thinking, okay, well, it's also one of those mid-century money pits. Maybe we should go get another one.

But if you think you need 800,000 square feet to replace that building, number one, the cost goes through the roof to do that. And the available space in Jamaica, Queens, of 800,000 square foot block of space, you can't find it, so you're kind of trapped into this building. But when you look at the utilization data, that's not the issue. That's not what you need at all.

It was 13.5 percent utilized. You probably only need 100- to 200,000 square feet of space. That's much more achievable in that market. And you put a 20-year firm term lease on the table, they'll probably cover 100 percent of your move costs, so you don't even need any money up front. You can get out. It's an invaluable location. It can be repurposed to something else. That's really a path forward all over the place.

If you go to the next -- oh, great. Thank you. So it began -- in March 2026, GSA made the utilization data available to the public, and we really do applaud GSA for doing that, and the participating agencies. But again, the data is really a starting point. There are some issues with it, and they need to work on it.

Our first observation really is that no agency met the 60 percent utilization target. Again, I think there's some data errors there, but still, it's a pretty strong indication that there is far tremendous excess capacity.

Then we observed there were 270,000 unique average daily building occupants reported. There are over 2 million federal employees. So again, I think that kind of points out we might have a data problem here, too.

And then finally, GSA reported that the annual cost of underutilized space is 1.34 billion. This metric only addresses bringing the space up to the minimum 60 percent utilization target and not the cost associated with the additional 40 percent of capacity. So I think the bottom line is that's a really low-ball estimate. The costs are much higher than 1.5 -- $1.34 billion per year.

If you go to the next page, so the USE IT Act has a pretty hard timeline to it as well, which I think has a lot of attention from landlords all across this town and across the country. If it's reported below 60 percent utilization target, the agency has 12 months to recover and bring that up to the 60 percent standard. If after the 12-month recovery period, they're supposed to either bring more people into the space or they're supposed to get rid of the space.

I think that's where we're going to probably see. That timeline, while it's a strong enforcement, I think the reality is there are a lot of exceptions that are going to have to be made. I don't think there's an FBI field office in the country that will come anywhere close to meeting this requirement, right? They've got holding cells, evidence rooms, armories, you name it, all sorts of things. And most of their -- their staff are out on the field during the day.

So I think that's one of the things I think the committee is looking at, how to -- how to adjust for those operational issues and those special space requirements that are in these buildings that just can't really be easily captured by a 60 percent figure.

But the basic trend in the information that's telling us is -- is really sound. There is just far more space than the government needs. That is crystal clear. And we're here to help identify that and make the good financial decisions about what to dispose of.

At this point, let me turn it over to our chairman, Talmage Hocker.

MR. HOCKER: Thanks, Dan.

Let's take a look at some of the board's work on round three properties. While assessing the federal portfolio, the board discovered a handful of properties that attracted immediate interest and would maximize their sale proceeds potential through timely disposition.

To date, we have received eight letters of interest on Round Three properties. The board partnered with respective landholding agencies to gain their immediate support. Now, some of these landholding agencies are, like the Department of Interior, the VA, NOAA, Ag, so there's a number of these land-holding agencies that we do work with.

So NOAA is National Weather Service in Sterling. Did you all change the -- yeah, you did. And the Sterling Field Support Center is an extremely high-valued opportunity. The board identified the surplus land at the site and reached out to NOAA to discuss the opportunity. It was determined, through collaboration with NOAA, that their mission functions could remain unimpacted with the disposal of a portion of their vacant land.

As of round three recommendation, the sales proceeds would return to NOAA, or NOAA could get in-kind services from the buyer to repair and upgrade facilities in other locations. NOAA could also capitalize on this to reduce their footprint in some of their office locations to comply with the use of Ag requirements.

We're still working with the attorneys to explore this, and please keep in mind this is something we're just working on. It's not like we're ready to make a proposal. It's not -- we're not ready to send this to Congress, but it is a property that we have identified that would be a real nice money maker for NOAA.

So next slide, underutilized property sale. The Paul Wellstone Federal Building in Minneapolis is 38 percent unoccupied, vacant. The property is inefficient for modern office needs, given its significant amount of common area and circulation, a lot of open space. It's just totally inefficient.

And we have received a letter of intent on this property seeking -- seeking it because of its unique space, the openness, and the historical character. Disposition will eliminate operating and maintenance expenses, vacate space carrying costs, generate sales proceeds, and add a new property to the local tax rolls, which is also one of our goals, and that is to put a lot of this property into the private hands, private sector so that the communities that we're in can -- can receive ad valorem tax.

Now, here's a couple of examples of redevelopment potential. Both of Franconia Building B Warehouse in Colonial -- in Columbia Plaza are in the process of being vacated. They provide desirable redevelopment potential. The Franconia presents advantageous industrial zoning and has proximity to power infrastructure for data center redevelopment. That would be amazing, significantly driving up the transactable value.

I mean, if we could do a data center there, it'd be amazing. Columbia Plaza is located in a desirable residential area and close to GW Campus, making it a candidate for multi-family redevelopment.

So you can see that, you know, we have just an enormous amount of property, all of which can -- can find a higher and better use than what the government's currently using them for. And now, I'd like to turn it over to David.

Thank you so much. Thank you.

MR. WINSTEAD: So the other side of this is obviously evaluating the board. And its consultants have looked at these properties and are very much of a private sector approach that a REIT would look at properties. What are the market locations? What are the conversion potential of these various properties? What are -- what is the market for various uses? Residential, you know, development, office development, which is obviously down, retail, et cetera.

So these are two examples of valuable locations with conversion potential. The first is in both the Bozeman Federal Building and the Philadelphia Custom House carries significant deferred maintenance and are vastly underutilized. They both, we feel, present very clear opportunities for conversion to achieve highest and best use, while offering potential to serve as economic catalysts for the surrounding area.

I happen to get to Bozeman every once in a while, and it's a very vibrant community in the downtown. Obviously, Bozeman, Montana is centrally located in a high-value real estate market, where there is considerable housing demand, and the board has received letters of interest on the property, as well as a congressional letter of support to include the property in our round three report.

I would mention that when we get -- when we get solicitations from the public, from the potential investors, in the case of Bozeman, you know, we provide that immediately to GSA because they are the ones that are, in fact, the agency that will dispose of these assets and negotiate their sale.

The board -- letters of support to the Philadelphia Customs House has obviously very historic character. However, the deferred maintenance backlog, combined with high vacancy and underutilization, renders the property impractical for reinvestment given the limited availability of capital repair. Appropriations has been chatted about before. So the property attracts significant interest as a mixed-use museum and hotel.

I would mention that GSA and the administrator is very much interested in preserving these courthouses, and there are mechanisms to deal with potential reuse and values created there, as well as not necessarily for the courthouses having title transfer. And we have several cases of that.

Additional properties -- is -- is this the right one? No. Okay. Apologize. Did you do the additional -- did you do -- yeah, I got it. Okay. I thought -- I thought you had this slide up. Don't worry. I got it. Thanks. Oh, he did that one. I apologize.

So we've talked about this before, but obviously, accessing deferred maintenance of these -- some of these assets is a win. And the three Columbia South Carolina properties seen here carries significant deferred maintenance liability in underutilization challenges. Pictures above you have the Strom Thurmond Federal Complex, consisting of a multi-demand federal building tower and two-story courthouses, and the buildings sit on the same parcel and share mechanical systems, which Rich Butterworth mentioned, the difficulty that that creates, in looking at, certainly, these assets because they're tied together in terms of utility.

But the courthouse is 100 percent vacant and is still maintained in condition to prevent future deterioration, all at a cost, obviously, to the federal taxpayer. So the federal tower carries about a 38 percent vacancy rate and only 18.5 percent utilization within the reported agencies across 43, 42 percent of the building's square footage.

And the Matthew Perry parking deck located across the street, it rents only about 15 percent of its spaces to federal tenants. So combining these properties carry over $78 million in deferred maintenance liability, and Congress appropriations are not coming to modernize these facilities. So net present value savings are achieved through the elimination of operating costs and capital liabilities, while leveraging the competitive commercial market and also lease market to -- to relocate and to provide optimum federal housing for employees.

So the next one is -- okay. This is just a continued for underutilized properties, right? Got it. So I did this backwards. Apologize. So this is a listing also. But Paul, we're not going to go through all of these, right?

MR. WALDEN: No, we don't really have time to go through each one. We're just trying to give -- really, the purpose of these public hearings is to tell the public this is the universe of properties we are considering. Here's your chance to provide any feedback or concerns about these.

MR. WINSTEAD: Great. So this is a listing. And then potential taxpayer saving, the board has assessed -- hold on here. I've got this. Oh, that's you, Mike. I'm transferring this to Mike. Take over. Thanks.

MR. CAPUANO: All right. There we go. I think it works.

As you can see, in total, we continue our work on these 26 assets, which represent potential reduction of 7.3 million gross square feet, $706 million in deferred maintenance capabilities -- capital liabilities, $50 million in annual operating expenses eliminated, and $1.2 billion in 30-year NPV savings.

As the board continues its work on round three, it has become clear that the properties requiring review are becoming more complex. This includes campuses such as the Beltsville Agricultural Research Center, the BARC, and the

Denver Federal Center, the DFC, along with the densely populated Federal District of Southwest D.C.

Expertise in planning is needed in identifying surplus non-mission critical land for parcelization and sale, even the separation of federal facilities connected via tunnels and/or shared mechanical systems. We don't have to sell every square inch of every piece of property we own. We can cut some of these up.

The Denver Federal Center is a 561-acre campus with immense operational expenses. At a minimum, through additional disposal planning, developable surplus land parcels can be identified for sale. Physical site improvements, such as selective demolition or environmental cleanup, would increase potential sales proceeds. Further work on entitlement improvements, such as changing zoning, increasing density limits, or securing municipal development approvals, would remove regulatory uncertainty and enhance potential sales proceeds.

The bottom line is you will enhance the marketable value of presenting developers by presenting developers with clear investment opportunities instead of a collection of risks and unknowns. The board has assessed D.C. opportunities through its various rounds of recommendations, identifying the Forrestal Building, the Cohen Building, the 7th, the D, as you've heard, for disposition on round two. To date, only the 7th and D property is sold, while the other two have yet to move forward in any real sense of the word.

The board has continued assessing Southwest D.C. properties over the past year. However, we have thus far refrained from making any additional disposal recommendations. Our analysis shows that absent an identified anchor tenant for Southwest, the market is not ready to absorb all of this additional square footage.

GSA continues announcing planned disposals, including Agriculture South and the Weaver Building, and the Hoover Building, and the Roosevelt Buildings. However, the board believes proceedings with these -- proceeding with these additional disposal actions, absent an -- an entity that can lead Southwest disposal planning and development, will not maximize -- maximize taxpayer returns.

As it stands, without a comprehensive district development plan, underwriters are not willing to assume the risk in the unknowns for these properties, which is why selling the properties piecemeal won't work. An entity can lead disposition and redevelopment planning, helping to attract an anchor tenant and ensuring the proper phasing occurs to bring the right properties to the market at the right time.

Both the neighboring Navy Yard District and the Pennsylvania Ave Development Corporation represent local examples of where a master plan helped to catalyze private investments, and their successes bear repeating.

The PBRB is currently set to sunset at the end of 2026. We continue working towards submission of our full list of round three property disposal recommendations. We continue our outreach -- outreach and notice to local stakeholders and municipalities in accordance with faster mandates, the unique role of the PBRB to bring private sector expertise and market-driven principles to the world of public portfolio management will continue reaping benefits and bottom-line savings of the taxpayers.

Our round three work alone has already produced, as you've heard, eight unsolicited letters of interest from parties interested in acquiring federal assets. I want to underline the word unsolicited. This proves we're digging in the right spots and knocking on the right doors.

Our analysis of utilization data has only just begun, and can be immensely impactful in providing recommendations for additional consolidations and dispositions to help federal agencies meet the 60 percent USE IT mandate. If you feel the job is done and you're comfortable with the state and federal portfolio, then let the PBRB expire as planned.

However, if you believe, as we do, that more work remains, and taxpayer savings can still be reaped, we're happy to continue serving the American people.

MR. WALDEN: Thank you, Mike. Thank you, board. And I'll make a little off-script comment. The list that we flashed before you a little while ago, this will all be on our website when we upload the slide deck and the transcript, but I want to sort of bring it to your attention.

It's a unique set of properties in that they were not all identified just on high market value, but also because of the high deferred maintenance. And some of these very historic buildings, where you think there's really not much market value, in many cases, that is the case, but in some unique circumstances, there is a unique demand for them, that if these assets could be repurposed, they would be a great economic catalyst and cultural asset for the community.

And anyhow, that's all my comments. Again, the list will be posted online very shortly.

Now, it's time to take questions from our live audience and those virtual. And those who are virtual, you can submit your questions via the Teams chat, and Adam is going to post them on my Google chat before me.

But I'm -- again, since this is being recorded and a transcript is being prepared, when you do come forward -- and we'll start with the in-person audience first -- when you come up to the mic, please state your full name and what agency or organization you represent so we can capture that for the record.

So with that said, do we have any questions from the live audience? Yes, sir. Come on up to the mic, please. And give us your name and office.

MR. HALL: My name is Lou Hall. I'm representing a group of urban planners with the average about 40 years of experience from local. We work in Arlington, and we -- we have studied this for a month since last December.

MR. WALDEN: You have to hold it right up to your head.

MR. HALL: And we studied this situation, and we found instead of selling all the properties, and maybe there's another better ways to use 100 years ground lease or 150 years ground lease, Mr. David -- David Winstead knows, we have sent the information to you and all the board members last night -- last week, actually.

And we filled through calculation of how much ground lease might generate the benefit for the communities. So we advise or suggest to the board to consider rather than, well, just the -- how much American taxpayers are saved, but also we can consider how much the American taxpayer can gain from these properties, especially in a -- in a -- in a central area like in D.C. Because this area, the property is worth so much.

And as our team members, Jim Schneider always say, you know, we, you know, as -- you know, great developers won't never sell properties around, and they lease it. So if we can use leasing, 100-year long-term lease, either 100 years or 150 years, and that can generate a lot of benefits to the taxpayers.

And this can be a good model, not for D.C., but also for nationwide, all the federal properties, you know, integrated with community development process. I think we will get a lot more benefits. Thank you very much. And we have extensive information that, you know, I suggest the board members can take a look at it.

MR. WINSTEAD: Thank you. You and Jim have done a remarkable job of looking at this 230-acre Southwest part of D.C. And I know there are people here with a bid in Southwest that are aware of the work you've done.

The board has received -- we've received some updates recently, and it -- the concept of looking at 230 and the various utilizations is very important. I think, as you know, and Jim knows, it largely falls with NCPC, who is closely with GSA, and the new administrator now is working with the city and looking at what kind of master plan is appropriate.

Leasing, ground leases, and leasing of buildings are an option, legal option GSA can pursue and has, so that, you know, they will evaluate that as well. I think yesterday -- I think it was yesterday, yeah -- ULI had a -- one of their councils, Urban Land Institute, got together, their transit-oriented development council, to look at Nina Albert, who's the deputy mayor for economic development with the city, was speaking, and various other people.

But it does provide an extremely unique idea, and it should be looked at as you -- you and Jim have suggested, in a large context. You know, what are the potentials? How can you bring -- you know, you've mentioned universities and -- and the Hall of States, where you would actually have the states represented. A lot of it is very good ideas, and we -- we appreciate that.

One thing that came out of the conversation at ULI, which was very interesting, you know, the L'Enfant Metro Station is the only station, the 120 miles of the Metro system, where every branch of Metro arrives. Think about that. You're sitting there with 230 acres. Right in the middle of it is the most mobile Metro station in the National Capital Region.

So you can go from, you know, from north of Rockville to L'Enfant. You can go from southern Virginia to L'Enfant. You can go from Prince George's County to L'Enfant. So the fact -- and it also has commuter rail. It has VRE and the MARC commuter rail from Maryland. Amtrak goes through there. It's a remarkable opportunity.

So thank you for the work you've done. I mean, your background, and Jim's with Arlington County, Arlington County has been one of the best counties in the country in terms of aggressive and good planning, balancing transit-oriented development. And so we appreciate what you've done. And we -- as you know, the district has it, the planning department, the district has it, NCP has it, so everybody is aware of your concept. Thanks.

MR. WALDEN: Thank you. Any other questions from -- yes, yes, ma'am. Please, again, state your name and your organization, please.

MS. ALLVIN: Good morning. My name is Rhian Allvin, and I'm the CEO of Bryn Mawr Early Education and Preschool, and we run Diplotots for the Department of State, and we are situated in the Columbia Plaza Building.

We have a really strong working relationship, obviously, with the State Department and other federal agencies. We have a lot of Department of Defense families who attend at Diplotots, and appreciative of this work. I just wanted to raise this in the context of the sale of Columbia Plaza.

We have -- the State Department and GSA just finished a doubling of the center, so we just opened that space. We now are in close to 18,000 square feet within Columbia Center, Columbia Plaza. We serve -- we've served -- we're serving the highest number of children we've ever served, close to 100 children, birth to five and through school age. And it's been a really important component of the back-to-work initiatives, where federal employees can get back in the office.

And so with the rumors going around, we obviously have a lot of parents who are agitating and concerned. We have employees. And so we will continue to work closely with the State Department and the GSA, but I wanted to put that on the record and raise it.

MR. WALDEN: And I realize many of these buildings we looked at have daycare centers, so I realize it's a concern. Any comments from the board? Thank you.

MR. MATTHEWS: I want to say I don't believe the State Department is thinking of relocating employees very far from there. I don't think they're looking at moving them to another location. So if -- if that does go through, hopefully they won't -- wouldn't disrupt the -- the proximity to Columbia Plaza.

MR. WALDEN: All Right. Any other questions from the live audience? None. All right.

Well, let me turn to the virtual questions here. The first question is from Sean

Salai from The Washington Times. So what would you say, in summary, is your recommendation for addressing the fact that no federal agency currently meets the 60 percent occupancy requirement of the USE IT Act? Do we just start shedding these buildings, as the law suggests, or does there need to be a more comprehensive plan and more consolidation first?

MR. WINSTEAD: Just a quick comment. I'll turn it over to Dan.

Obviously, GSA is all over this issue, right? They're looking at the tenant needs in every building they control. They're trying to figure out and -- and doing it with their client, the agency, where the location opportunities are, whether they're -- whether they're moving into other federal buildings or into leased space.

So I think it's a work in progress in terms of what the ultimate moves will be and where the densities of -- of employees will end up. They've certainly announced HUDs moving to Virginia and other announcements, but there's still a lot of work being done.

MR. MATTHEWS: I'd say it clearly shows there is more supply of space than is needed, and so there has to be a pretty significant reduction in the square footage the government controls. So then, you know, as a former PBS commissioner, you've got to ask yourself, well, how do you actually execute a plan like that? How do you consolidate?

You need funding to do that. And by far the simplest, fastest way to accomplish a consolidation is to move into a lease and have the landlord cover all or a significant portion of those relocation costs and amortize them over the life of the lease. That is an executable strategy that you can do at scale starting tomorrow.

And I will say GSA is doing that in some locations. Look at Cleveland, Ohio. They've identified the Celebrezze Federal Building for disposal. They have gone out to the market with expressions of interest for several hundred thousand square feet of leases, which is going to be a tremendous economic boom to the commercial office market in Cleveland, Ohio.

And it will be something they can execute, because they won't have to come up with all of the upfront costs necessary to execute a move, because I'm quite confident they will find landlords that will be willing to cover much of those costs, if not all of them, in the amortized portion of the rent, and they can actually implement a strategy like that.

So that's how you actually go about addressing the findings in the USE IT Act, that nobody's hitting 60 percent, and you guys shrink the footprint, you've got to consolidate somewhere, and if you've got an existing lease somewhere, you probably ought to be consolidating into that lease because that's -- that's a strategy you can actually implement quickly.

MR. WALDEN: I think everything that's been said shows that our work is far from over. There's a lot more complex and a lot more facility -- facilities out there in the federal portfolio that we need to examine. And we certainly can't, as the question started out, willy-nilly start shedding these properties. That does not do the American taxpayer any benefit whatsoever. So we need to keep doing our work.

All right. The second question, it's really more of a comment than a question we need to answer, per se. But from Ali Kelly, IAG Capital Partners, the Customs House in Charleston would be great for the city and needs a lot of work. We have a zero lot line and would like to buy the property or buy some property or lease so that it can be maintained and we can maintain our building. Our city is well set and funded to take the Custom House on. Thank you for that input.

The third question from Silky Kopple with Kiberly Horn, for the current round of property reviews, is the board recommending additional due diligence evaluation than prior rounds in order to determine whether improvements should be completed prior to disposal?

MR. MATTHEWS: Can you read that last part again?

MR. WALDEN: Are we recommending additional due diligence evaluation than in prior rounds in order to determine whether improvements should be completed prior to disposal?

I don't think we're really recommending any improvements to be made to the properties we're disposing of.

MR. HOCKER: We're following the exact same protocol.

MR. MATTHEWS: Yeah, same protocol. I think one thing -- I don't know if I'm getting at this or not, but there may be situations where it makes sense for the federal government to take some steps, like demolition, for example. And I think that's something that we have had some discussions as to whether or not, as a strategy of taking it to market, for example, and if the best solution is for demolition.

There are tools that the government has to work out a transaction where the property can be demolished when it's still under federal ownership, and then convey after the demolition. And there can be some real advantages to that. And the buyer can pay for the demolition.

But that particularly, some of these mid-century buildings, that may make a lot of sense. And the government, GSA has tools. They can do a lease in furtherance of conveyance initially, while the -- the buyer is paying for the demolition, but the government is doing it while it's under government control. It can make it easier and then close after -- after the fact.

So I think those are absolutely some things that -- that government should be looking at, if that's what they're getting at or not. I don't know.

MR. WINSTEAD: And the -- the under FASTA, the authority was given of the federal government, GSA, to be able to sell a building and lease it back for up to three years. So that gives the flexibility, if there's still federal tenants in that building, enough time to figure out where they should go.

So FASTA gave the administrator that authority. They also gave the administrator the ability to basically convey assets if he determines it's in the best interest of the taxpayer at no cost. So he does have additional authorities under FASTA, which helps him and public building servers to convey these properties.

And as Dan mentioned, GSA has utilized as much as they can without violating the scoring rules, you know, other -- other conveyance authorities, such as a ground lease, the Waldorf Astoria Hotel, former Trump, was done through a ground lease. So they have that authority.

They have exchange authority in the Denver Federal Center. There was surplus property that GSA basically sold for a hospital to come in. OMB would not allow them to take money for that, but there was an exchange for infrastructure improvement on the Denver Federal Center.

So there are other -- there's P3 authorities that have not been as used as much by GSA, as they have with the VA and -- and DoD. But there are other authorities about conveyance that GSA can use if it's -- if it's justified.

MR. MATTHEWS: I'll just follow up on what David said. I think it's really important, if you look at this slide, Rich, I just want to call it the slide that you had, Rich Butterworth. The -- the dates that were listed on that slide for tenant relocation, I don't know if the -- the suggestion was, well, we have to relocate the tenants before we can bring a property to sale.

That's what we've been seeing, largely, this sort of linear process of disposal. First, you've got to empty the building. Then you dispose. There's nothing like time to kill a real estate deal. And that is -- it's absolutely not necessary because of the sale-leaseback authority and the other tools that the government has to structure these dispositions.

We don't have to wait until, say, for the Peachtree Summit Building in Atlanta, until October of 2029 to put the property up for market. Or Brickell Plaza in Miami, we don't have to wait until September 30, 2028. Who knows what the market will look like now, but I think down in Brickell, the market's really good right now. They should be going to market now to sell this thing. They shouldn't be waiting three years or two years to do that.

MR. WALDEN: Okay. Thank you. Question four, I think this is a question we may need to defer to GSA on, but Angela Woolsley from Fairfax, now, you mentioned that the Franconia Complex B Warehouse will soon be vacant. Which agency was occupying that building, and where are the workers or operations that are being moved to?

I think that's really a GSA question.

MR. MATTHEWS: I'd say it's a warehouse. There's almost nobody there. And if they're getting it, some of the other occupants that were there, which was in the news, I believe those have all been relocated already.

MR. WALDEN: Question five, Matt Draper, JM Zell Partners out of D.C. In the Washington Business Journal article on 6/23, it mentioned there is immediate interest in purchasing Columbia Plaza. Will this be an open bid process, or do you have the authority to strike a deal with an unsolicited offer without a public bid process? If so, to whom should we direct the offer to? Thank you.

Who wants to take that?

MR. HOCKER: Yeah, we don't have --

MR. WALDEN: Yeah, that's -- that's the bottom line, is --

MR. HOCKER: PBRB is not the disposal agent. Goes straight to GSA. GSA will handle the disposal.

MR. WALDEN: Question six, Priya Jain, architect. Many of the buildings identified are historic, either listed on the National Register or for the mid-century modern ones have the potential to be eligible-listed. This means that due diligence should be done by the federal government before a sale and disposal, such as Section 106, and the use of preservation covenants to ensure future private owners preserve the historic components. How -- how does the PBRB consider the stewardship of historic buildings in their deliberations? Thank you.

And I think we have a couple of examples from the high-value round where those historic covenants were put in place. The Pacific Grove was an example. The Ziggurat Building went through a very extensive 106 process.

MR. MATTHEWS: I would just say, just because it's eligible or listed doesn't mean the property cannot be demolished. In Laguna Niguel, they went out to market with a covenant. No bidders. They removed the covenant. $175 million. And -- and the hope -- we'll find out what ultimately it closed for, but just because it's listed doesn't mean you can't demolish a building.

And I would also say simply because it's historic, the notion that it has to be in federal ownership to protect it is absurd. You look at the properties, the old post office building, the federal government was a terrible steward of that property. The fact that it's now privately redeveloped, the historic character of it is much, much better cared for now.

I think that's -- that's probably the case for a lot of these buildings. The federal government is not a good steward of these properties. And if it has -- when it goes through the 106 process, if it's going to be preserved, covenants will be put on it. I think the sale of the old post office just recently, for example, the clock tower and the Benjamin Franklin statue, those have special covenants around them about the ownership and -- and the protection.

And that happens all the time. It is not a showstopper. I think that's a bit of a misnomer.

MR. WINSTEAD: Also, GSA has excellent examples of dealing with federal historic buildings and doing remarkable renovation of them. St. Elizabeth's is perhaps the best case. And after 9/11, with the creation of DHS, it was determined they had 40 locations around Washington, D.C. They had an empty former mental hospital in south -- over at St. Elizabeth's, and they have now totally renovated the St. Elizabeth Building.

And they've also built a very modern glass office building for another subsidiary of DHS right on the campus. So there are great examples of GSA dealing with historic properties, preserving. And St. Elizabeth's, literally, the facade was preserved. The entire inside of the building was rebuilt. So you had basically a Class A interior office building with an historic facade.

So there, they have great experience dealing with the 106 process on the local level, given the asset and where it's located. They're also -- the commissioner of GSA sits on the Federal Advisory Council for Historic Preservation, and that's a federal agency that has historic preservation experts, lawyers, and others that GSA sits on, and so they can get a lot of ideas through them.

Lastly, Section 111 of the Historic Preservation Act gives GSA the authority to lease out an historic building. So you could lease out an historic building and renovate it in the way they did with St. Elizabeth. Private sector person or entity could do that.

MR. WALDEN: Thank you. Question seven, Katrina Newtson, Fairfax County, Virginia. What additional opportunities will there be to provide comments on the proposed properties and remarks made during the presentation? Although, is there a specific person we can talk to about the Franconia Building?

The first part, you can -- if you have any comments, you can send them to me. What's our email? Fastainfo@pbrb.gov, or paul.walden@pbrb.gov, and we'll gladly look at your comments on the properties.

The second part of the -- answer to the second part, Katrin, I assume Adam has your email address from the chat. We can put you in touch with the right people at GSA. Thanks for the question.

Question eight, this is Grant Welker at the Boston Business Journal. Is it possible to hear more about occupancy and utilization rates at the McCormack Federal Building in Boston? And are there notable tenants in addition to the EPA? Thank you.

Grant, I'd have to get back to you. I don't recall the stats offhand. I don't have the -- the quad chart in front of me, so if I could, Grant, let me get back to you on that question. I just -- my memory, I -- we've looked at 40-plus buildings. I can't remember the exact stats on each of them.

I think that's all we have for the virtual questions, right? Adam and Eve, anyone else come in? And you've got their email addresses through the Google Meets, don't you?

Okay. Yes, sir. You had a question? Please come to the mic.

MR. LEHRFELD: Hi, there. Thanks for doing this. I'm Jonathan with CoStar News. Two questions for you. First, do you mind clarifying, if possible, if the eight properties that you've received, the unsolicited inquiries on, are being considered to be added to the consideration list of the other 26 properties that could be on the -- the third round report? And if so, what the potential savings or -- or cost liabilities would be with each of those or collectively? Thank you.

MR. WALDEN: Well, those eight, those are part of the properties we're considering. We're just highlighting those of this universe of potential recommendations, we have received letters of interest on eight of them.

MR. LEHRFELD: Okay. Got it. So the savings total that was shared was inclusive of all 32?

MR. WALDEN: Correct.

MR. LEHRFELD: Okay. Thank you. Second question. Obviously, your group is set to sunset at the end of this year. If it were to be continued, is it fair to say there are other properties across the nation that your group would consider -- consider in sharing for -- for the government, for GSA to dispose of?

MR. HOCKER: We have a significant amount of property that we'd be researching, yes. I think the correct answer would be hell yes.

MR. WALDEN: Yeah. Really, just USE IT Act is just sort of the tip of the iceberg in identifying more potential properties.

MR. WINSTEAD: Under the USE IT Act annually, they're going to have to report each agency what their use of space, both owned, GSA-owned, as well as leased, and be accountable for 60 percent overall utilization. So it's going to generate consolidation, more consolidation, and potentially more properties for sale or recommended for sale.

MR. LEHRFELD: Thank you.

MR. WALDEN: Yes, sir.

MR. PETERS: Hey, Ben Peters with the Washington Business Journal. The Congress had ordered GSA to sell the Cohen Building a few years back in a piece of legislation. If GSA is considering now reinvesting in that property, maybe not selling it, taking it off the market, are they going to have to get approval from Congress to do that?

MR. HOCKER: I think that's up to GSA.

MR. MATTHEWS: I would say if they want to invest money in it, Congress will have to approve the investments because you can't do anything of substance at Cohen without hundreds and hundreds of millions of dollars, because that's how bad a shape it's in. So that absolutely would require appropriations and authorization. So effectively, Congress would have to reverse itself.

MR. PETERS: Got it. Thank you.

MR. WINSTEAD: Ben, I do think that some of the -- a couple of properties that Cohen, you know, you probably know this, but I think there's also interest in terms of the constraint on Capitol Hill in terms of space. So that's something that could develop. I don't know whether GSA is considering that, but I do know the architect of the Capitol has looked at the Cohen and other buildings.

MS. WISHINGRAD: Hi. I'm Emily Wishingrad, D.C. reporter for Bisnow. We've already seen --

MR. WALDEN: If you could speak directly to the mic, please? Thank you.

MS. WISHINGRAD: Emily Wishingrad, D.C.

reporter for Bisnow. Over the past few months, we've seen two pretty prominent building sales in Southwest D.C., the Regional Office Building and the Liberty Loan Building. Is -- is the PBRB of the opinion that it would have been beneficial to enact some kind of oversight body or master plan prior to those individual sales of those properties?

MR. MATTHEWS: I think I would say that's a good thing. I think that's absolutely a good thing. And there's clearly a market for it. They had multiple bidders for both those properties. So in my opinion, I think that's an absolutely a good thing that they went out, and they went out quickly.

MR. WINSTEAD: You know, and they were -- the sale, the board, through all of its reports and rounds, has really stressed the importance of moving properties quicker and -- and engaging with the private sector through the brokerage function. So I think that -- I think the administrator did the right thing in pushing those.

I will say that there is currently, and

obviously, GSA is involved, D.C. is involved, NCPC is involved. To your point, a lot of work being -- going into the concept of looking at the 230 acres in a master planning vision for the reasons of what are the uses? Should their sectors -- I -- she talked about this the other day.

Nina Albert talked about Southwest and how there are certain quadrants of it that are more receptive for certain uses. You know, federal footprint on one, mixed-use, residential. In the case of those two assets, 7th and D is going to be converted into an apartment building. It's going to be challenging. But that, you know, the city's looking for housing in Southwest. There is very little. So that's potentially a benefit. This developer that purchased it from -- through GSA is now going to be developing it for housing.

In the case of Liberty Loan, it's got one of the best views in town, right? It could either be a commercial hotel or it could be residential. So there's current demand for those assets, which do distinguish them a little bit from some of the larger buildings that have to be dealt with, for example, Department of Agriculture. But a master plan, I know that GSA is very involved in those discussions right now with NCPC and the district.

MS. WISHINGRAD: Thank you.

MR. WALDEN: Any other questions from the live or virtual audience? Okay. Who's asking, for the record, please?

Mikayla Hart asks, do you know when you expect to submit your recommendations to OMB for the properties that were discussed in the January 29, 2026 PBRB meeting?

Yeah. Well, that -- that public hearing we had in Charleston, that's part of the universe of properties we discussed today. So the plan is to get it -- for the legislation, it has to be approved by OMB before we sunset in December. So there's sort of like a 90-day review period with us and OMB. So, you know, we're hoping to get the formal recommendations over to OMB early September time frame.

Anything you all want to add to that?

Okay. No one else from the -- anyone else from the audience?

All right. Well, this will conclude our public hearing. Thank you again for your time and attendance and interest. And again, please contact us if you have any questions. Please visit our website, pbrb.gov, and we'll be happy to answer any questions or concerns you have. Thank you.

(Off the record at 12:10 p.m.)

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JULY 02, 2026

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