

Public Buildings Reform Board (PBRB)
Public Meeting - Notes
Denver Federal Center, Building 41 - Denver, CO
Date: July 25, 2019
Time: 9AM - 12 PM MDT

9:00 AM MDT
Meeting Start

Kickoff & Introductions

PBRB: Talmage Hocker (TH), Mary Phillips (MP); Nick Rahall (NR); Angela Styles (AS); David Winstead (DW)

- AS: Background on Federal Assets Sale & Transfer Act (FASTA) including deadlines and PBRB deliverables. Focus is on cost savings in federal real property portfolio. Exclusions exist, largely focused on civilian portfolio. PBRB list due to OMB for review on November 1. Others areas of opportunity include consolidation, tech improvements. PBRB is looking to work with state and local officials for win-win scenarios.
 - PBRB will have 3 groups of recommendations
 - Direct to sale - currently conducting public hearings and property visits. GSA analysis/ OMB approval process. Environmental and historic issues considerations for many properties being reviewed
 - 2 additional rounds of recommendations
- DW: Personal background and experience including transit oriented development.
- MP: Experience visiting properties on this trip has been helpful - ability to see issues and surrounding uses. Funding appropriated upfront at \$30M.
- NR: This is a bi-partisan board. Success of government's reduce fed footprint policy is being continued with FASTA. Federal government has a large inventory. This is the third public meetings, first outside of DC.
- TH: Background in private sector development. Noticed GSA has well-managed properties; age of inventory is a concern. Government should upgrade, build new, dispose.

Panel 1: GSA Overview of Denver Federal Center (DFC) Master Plan, 59 Acres Parcel, and VA Denver Hospital

GSA: Melvin Freeman (MF), Director, Real Property Utilization & Disposal; William Morgan (WM), Project Manager; Lisa Wild (LW), Project Manager; Silas Campbell (SC), Business Center Manager

- LW: Overview of DFC master plan history and future (see slides). WW2 manufacturing plant, buildings still utilized from that time. Property overview: 640 acres/4m sf/5500 employees. 2008 master plan. 65 acre land sale in 2008 to City, new hospital

development. Context for 59 acre land that is the focus today. Master plan began in 2005, completed in 2009 along with Environmental Impact Statement. Adopted into City of Lakewood comprehensive plan. DFC vibrant and growing - open space set aside and sustainability initiatives. Aggressive demolition and reinvestment strategy. In-fill development. 59 acres considered for high density transit oriented development opportunity. 59 acres zoned for mixed use core transit. DFC under RCRA consent order - levels of cleanup. Capped landfill, buyer would need to address agreement with State of Colorado. Excited for an opportunity with this site and the opportunity that PBRB presents.

- SC: Synergy of 59 acres with existing DFC. Significant science mission at DFC currently with \$150 Million in funding over the next 5 years. Planned 1800 employees consolidating into DFC. Opportunity and need for consolidation. Age of buildings is an issues - GSA has had some success with renovations. Backfill opportunities to bring surrounding lease into fed campus. Over 1.3 million sqft in leases.. Local rates: \$30 (office) \$38 (lab) lease rates in market. Federal agencies likely paying half that in DFC. \$80 Million in cap ex needs for future including infrastructure and demolition projects. Self sustaining campus. \$20 Million in roof replacement needs.
- WM: Overview of VA property - worked with VA to capture needs of facility (see slide show) Property overview. Mainly support buildings - utilities 8 story parking. New hospital on the west side of Denver. Phased move beginning in late 2018. Heart of Colorado Blvd commercial near cherry creek. Surrounding land use - 26 acre mixed use development. Rose Medical adjacent

Questions from PBRB

- MP: What public transit services the VA property?
 - WM: Bus only
- WM: What challenges exist for an adjacent landowner at VA?
 - Zoning (currently healthcare)
 - Historic - VA working with SHPO on determination
- AS: Has the City of Denver had any thoughts on historic designation at the VA property?
 - WM: Would not want to speak on their behalf but I don't think they'd support. There are signification demolition needs at VA
- DW: There has been recent pressure to get agencies out of DC closer to the communities they serve- BLM is an example of a recent move. How will that impact DFC?
 - SC: A lot changes impact DOI, increase in employee population at DFC
- DW: Have you provided supply info to FRPC for opportunities to relocate to DFC?
 - No, not out of the region but likely happening at HQ level
- AS: Is the DFC 100% fed occupied?
 - SC: Likely within 5 years with funding in place
- AS: Is there a plan for future development?
 - SC: Lease consolidations not funded at this time.

- AS: Board's flexibility with recommendations could assist to push appropriation process for future funding. Could include recommendations for 59 acres.
 - LW: Agencies are giving up space due to tight budgets. Any help is welcome.
- AS: Have there been concerns from the community about moving out of lease space?
 - SC: DFC is significant employer locally but market is robust outside of DFC in the greater-Denver area.
- DW: What is the vacancy rate in Lakewood sub-market?
 - SC: Get back. Rates increasing.
- DW: RTF initiative likely changes vacancy rates due to smaller UR requirements
 - SC: Reiteration of significant market growth
- MP: Describe access at 59 acres and surrounding use
 - LW: 6th Avenue exit, Union BLVD is main corridor. New street created as part of Phase 1 sale to site. Kipling Street interchange on 6 Ave. RTD intermodal Station now operating. Buses run through DFC and check in at the security gates.
- DW: Cost of remediation for 15 acres?
 - LW: New owner would need to factor in cost at sale and work with the state on future uses and/or cleanup

Questions from Audience

- 59 acres would go into jurisdiction of Lakewood?
 - LW: Yes
- Alternative method for development given Lakewood initiative?
 - LW: GSA doesn't know that yet.
 - AS: PBRB can't change zoning
 - City of Lakewood - - the new ordinance will certainly impact residential development
- DW: What drove this initiative?
 - City: Rapid pace of development over the last 10 years and impacts on school crowding/infrastructure demands. Citizen-initiated ordinance. Complicated formula: exemption for senior living. Council review of development with over 40 residential units. Request for council action to request for open space.
- AS: Is there a range of views for use of 59 acres?
 - City: Yes, concerns on level of remediation. Homeless residences interest legal battle. Community awareness high.
- NR: Any congressional involvement to date?
 - City: No, not yet but could reach out for support if needed.
- AS: Did City take an official position?
 - City: No
- AS: PBRB process bypasses McKinney-Vento.
 - City: past plan for exchange, city could still be interested.
 - MF: initial sale was at \$6M but held up by lawsuit. Landfill is construction debris.
- Is the landfill part of of 59 acres?
 - Yes, 15 acres

- Does initiative impact all residential?
 - Yes
- Congressman Perlmutter staffer: Can you talk more about process?
 - AS: Overview of timelines including OMB review and approval. PBRB has flexibility of recommendations. Agencies send Report of Excess to GSA for sale execution. Proceeds go into PBRB account and will fund future rounds subject to appropriation.
 - DW: There is currently a lack of incentive for fed agencies to dispose. This process will incentivize agencies and allow for funding of future projects

Panel 2: Private Sector Perspectives

Gates Family Foundation: Thomas Gougeon (TG), President

Jones, Lang, Lasalle: Paul Washington (PW), Market Director

Trammel Crow: Bill Mosher (BM), Senior Managing Director

- PW: 2 distinct parcels to discuss - DFC and VA. Suggest clarity from community on reuse goals to understand value and entitlement, at both sites, but more important at DFC. Transit-oriented-development opportunity but still early on process in Denver metro. Dense development at DFC will address growth issues - congestion cost. Former City of Denver employee and would be shocked of City supported historic designation. Healthy appetite for development.
- TG: relevant in community context. Redevelopment of hospital sites are difficult. Demo costs and remediation. May not pencil out well for developers. TOD site is ready made for high value. 3 tiers for TOD sites in metro area. Tier 2 potential sites but issues. Tier 3 unlikely. This is tier 2 and great opportunity. Marketplace is shifting this way. location as pro cons. Not dense but connect to union corridor line. Balance of site most relevant
- DW: What is the demand in this sub-market?
 - BM: Industrial unlikely. Low-scale private tech lab would be good fit with DFC use. Good residential market of declared development area. Perhaps a nuanced approach. Office potential but increased lease rates. 3-4 tier office market but not sure why. union blvd connection not 6th. VA is better opportunity but high demo costs given momentum.
 - PW: low density at DFC. Value add could be utilization study and more dense development for feds to open up more land for infill development.
- TH: PBRB looking for flexibility of sale methods, each deal is unique. Currently working on a 1,000 acre P3 development with release purchase price. Development can drive jobs. A developer will need vision for VA - could be large delta for developers, market needs time for exposure.
 - TG: VA would be a complex transaction - auction process may not fit, "person bids most knows least." Would recommend a long-term partner. Process to judge asset and bid accordingly. RFP process.

- PW: P3 makes sense and would encourage partnership with layer of incentives and compound value. Tax credits and others to reduce risk. Exposure time - vision and innovation through competition. Win-win.
- NR: How do we incentivize federal agencies to participate?
 - BM: Retention of proceeds for investment needs is a great incentive
- DW: Explain the issue with link to 6th Ave?
 - BM: West side has lacked demand and activity. What is the sense of place? Connection to Union Blvd and transit center is important.
 - TG: Ability to densify western portion of DFC is large opportunity given influx of feds coming. Take advantage. GSA has done a great job with master plan. Long term vision but this site could be beginning
- AS: Milestone payments based on development success. Example?
 - BM: Controls risk for federal government - politically makes sense. Incentive for feds? In Colorado, employment/population growth has been significant. 50,000 per year in region. Job growth exceeds population growth by 4-5%. More attractive to young educated workers bc of regional planning and infrastructure. GSA should program fed center to attract young workers. Upfront money drives low value. Take down strategy better but will take longer with higher risk for feds. More market risk and entitlement risk at DFC. Infra risk. Environmental risk. Long term development, not sure how gov reacts to that. Board ability to recommends. Examples of takedown strategy. Money now vs P3 takedown strategy.
- DW: What was the structure of the Union Station transaction?
 - TG: 29 acre with \$500m dev needs. How to capture value? Monetize land. Structure = fixed schedule and fixed prices. Bottom of market at time and timing of value capture was perfect, lucky. Performance incentives included. Development deals can take a decade
- DW: What as the public process, any community feedback?
 - TG: Reasonable way to get there in the end. Public got a lot of value.
 - BM: Need context in real estate. Federal Government asked to restructure payments. Risk of time on transactions.
 - PW: Board should look at what is the end objective? Use tools to find best deal structure case by case.
 - Questions from audience?
 - none.
- AS: Closing remarks, comments from other PBRB members?
 - DW: interaction and partnership important. Create more welcome environment. Example of Reagan Fed Building
 - TH: Thank you for attending, very informative process.

12:00 PM MDT
Meeting End