

WHERE
THE FUTURE
IS BUILT

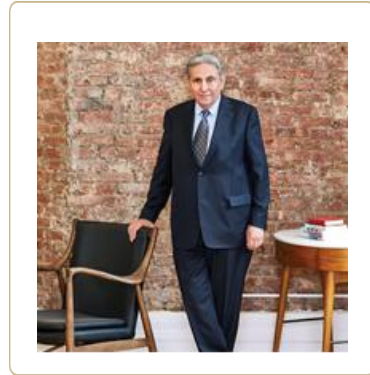


Urban Land Institute: “Unlocking Federal Real Estate for Transit-Oriented
Development”
June 23, 2026

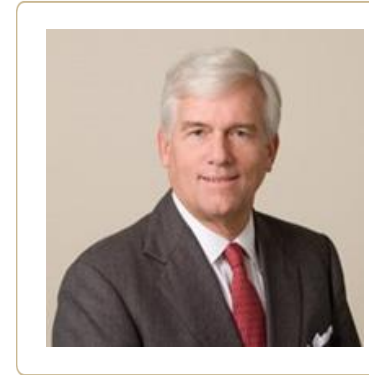
Our Board



Dan Mathews
Board Member,
Former PBS
Commissioner



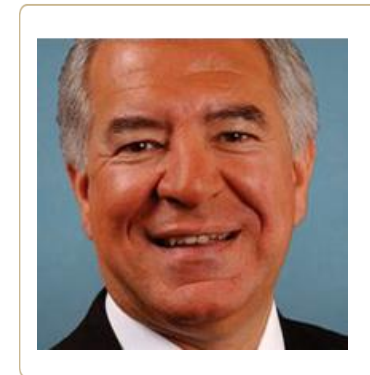
Jeffrey Gural,
Board Member,
Chairman GFP Real
Estate LLC (Former
Newmark Holdings)



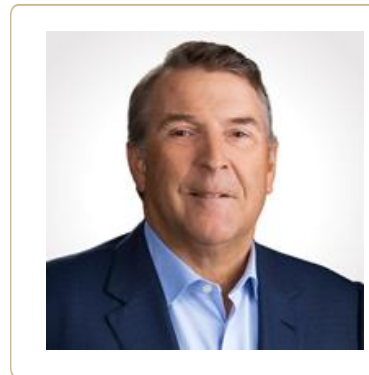
David Winstead
Board Member,
Former PBS
Commissioner



Mike Capuano
Board Member,
Former
Representative,
Boston, MA



Nick Rahall
Board Member,
Former
Representative,
West Virginia



D. Talmage
Hocker
Acting Chairman,
Appointed Board
Member,
CEO The Hocker
Group, LLC

The Problem: Vast oversupply of poorly maintained office space with few Federal users



The Board's independent analysis has found that:

- American taxpayers pay a premium for space, but those spaces are not premium spaces. Federal buildings are aging and in dire need of investment and repair.
- Capital liabilities accruing to the American taxpayer for deferred maintenance is likely to be more than \$100 million across the entire Federal portfolio, and no agency has a handle on what the actual liabilities are.
- The backlog of maintenance translates into unhealthy and sometimes unsafe work environments for Federal employees. Leaking roofs and windows, aging HVAC and air exchanger systems, inoperable elevators and outdated fire and life safety systems are common issues.
- The cost per person for this poorly maintained office space is skyrocketing. Fewer workers are using increasingly expensive properties. The PBRB found a nearly 70% decrease in occupancy in a study of selected properties in Washington D.C. in 2023.
- Congress cannot appropriate its way out of this deficit. The Board believes that GSA and the federal agencies should be doing more to divest from properties that need significant maintenance as a measure to reduce the liabilities.
- Agencies are reluctant to take action, lack resources and political will, and until this month, GSA has lacked authority to make agencies consolidate. Recent legislation has provided GSA with authority to enact consolidations.

Problem solving tools are provided by FASTA

FASTA and the PBRB provide agencies with tools that solve historic problems that have stymied dispositions:

- **FASTA established a fund, the Asset Proceeds and Space Management Fund for the purpose of supporting dispositions.** The fund receives money from the sale of federal properties, and GSA has the authority to seek authorizations and spend those funds in preparation for further consolidations and dispositions under FASTA.
- **Agencies can retain funds from property sales.** Under amendments to the law, agencies divesting from their properties will retain the receipts from the sales. **FASTA establishes that the net proceeds from a disposition (proceeds from a property sale minus the costs for the sale) are retained by the agency owning the property at the time it is declared excess.**
- **FASTA provides the GSA Administrator with increased discretion regarding transactions.** FASTA allows the GSA Administrator exemption from the normal stipulations, allowing the Administrator the ability to enter into a real property conveyance for less than fair market value, for no consideration at all, or into a transaction that mandates the exclusion of other market participants.

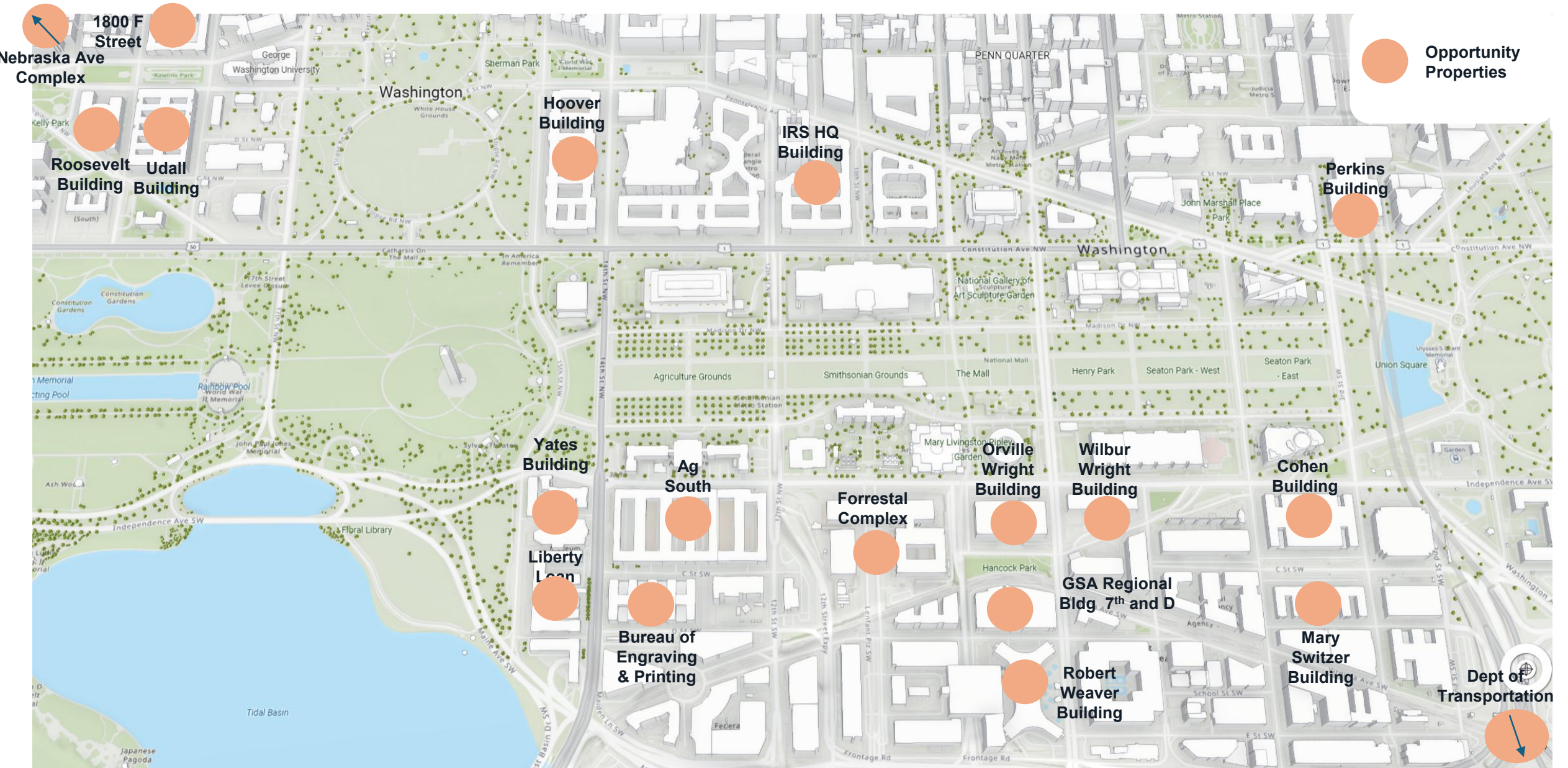
Legislation signed into law January 2025 provides a mandate for reforms



On January 4, 2025, President Biden signed into law a bill that **extends the PBRB until December 2026**. Other provisions of the law:

- The Office of Management and Budget (OMB) will identify methodologies for counting the number of employees using a Federal building at least 40 hours a week over a two-month period. Occupancy data will be reported to the House and Senate oversight committees.
- Agencies will make occupancy data public on a General Services Administration (GSA) website.
- One year after enactment, OMB and GSA will ensure buildings are used 60% on average over each 1-year period, and if occupancy is below 60%, the tenant agency shall be notified along with Congressional oversight committees.
- After the first year of enactment, if agency fails to meet 60% target, GSA will take steps to reduce the space of tenant agencies.
- Capital investments made by GSA shall be in buildings where occupancy is 60% or more.
- One year after enactment, OMB and GSA will submit a plan to the oversight committees and the GAO a plan to consolidate headquarter buildings within the National Capital Region to bring occupancy to 60% or greater.
 - This plan shall be implemented one year after it has been submitted.

PBRB NCR Consolidation Opportunities



Sites being considered by the PBRB in the Washington D.C. metropolitan area:

- ***\$720 million in sales proceeds***
- ***21-year payback period***

Metric	Amount
GSF Remaining	12,093,212
GSF Exited	13,306,965
Year 1 Op. Ex. Savings	\$154,915,052
30 Year Op. Ex. Savings	\$5,425,459,404
Sale Proceeds	\$720,676,000
Deferred Maintenance Avoided	\$1,314,528,558
Modernization Cost	\$3,966,250,894
Payback period (Yrs.)	21
Total Savings 30 years	\$7,460,663,962

Site	City
George Washington Carver Campus	Beltsville, MD
Department of Transportation	Washington DC
Stewart Lee Udall Federal Building	Washington DC
Ronald Reagan Building	Washington DC
New Carrollton Federal Building	New Carrollton, MD
Wilbur Wright	Washington DC
Orville Wright Building	Washington DC
Agriculture South Bldg. & Whitten	Washington DC
Mary E. Switzer	Washington DC
Nebraska Ave Complex	Washington DC
River Road-APHIS	Riverdale, MD
Braddock Place	Centerville, VA
Sidney Yates	Washington DC
Robert C. Weaver	Washington DC
James V Forrestal Complex	Washington DC
Theodore Roosevelt	Washington DC
Bureau of Engraving and Printing Annex	Washington DC
GSA HQ	Washington DC
IRS	Washington DC
Wilbur J. Cohen Building	Washington DC
Hubert Humphrey Building	Washington DC
Herbert C. Hoover Building (DoC)	Washington DC
Frances Perkins	Washington DC
Liberty Loan	Washington DC

To date, one of the Round 2 recommendations
have been sold in SW DC:

Former NCR Regional Office Bldg (7th & D St,
SW) sold to Dalian Development for \$24M in
March 2026

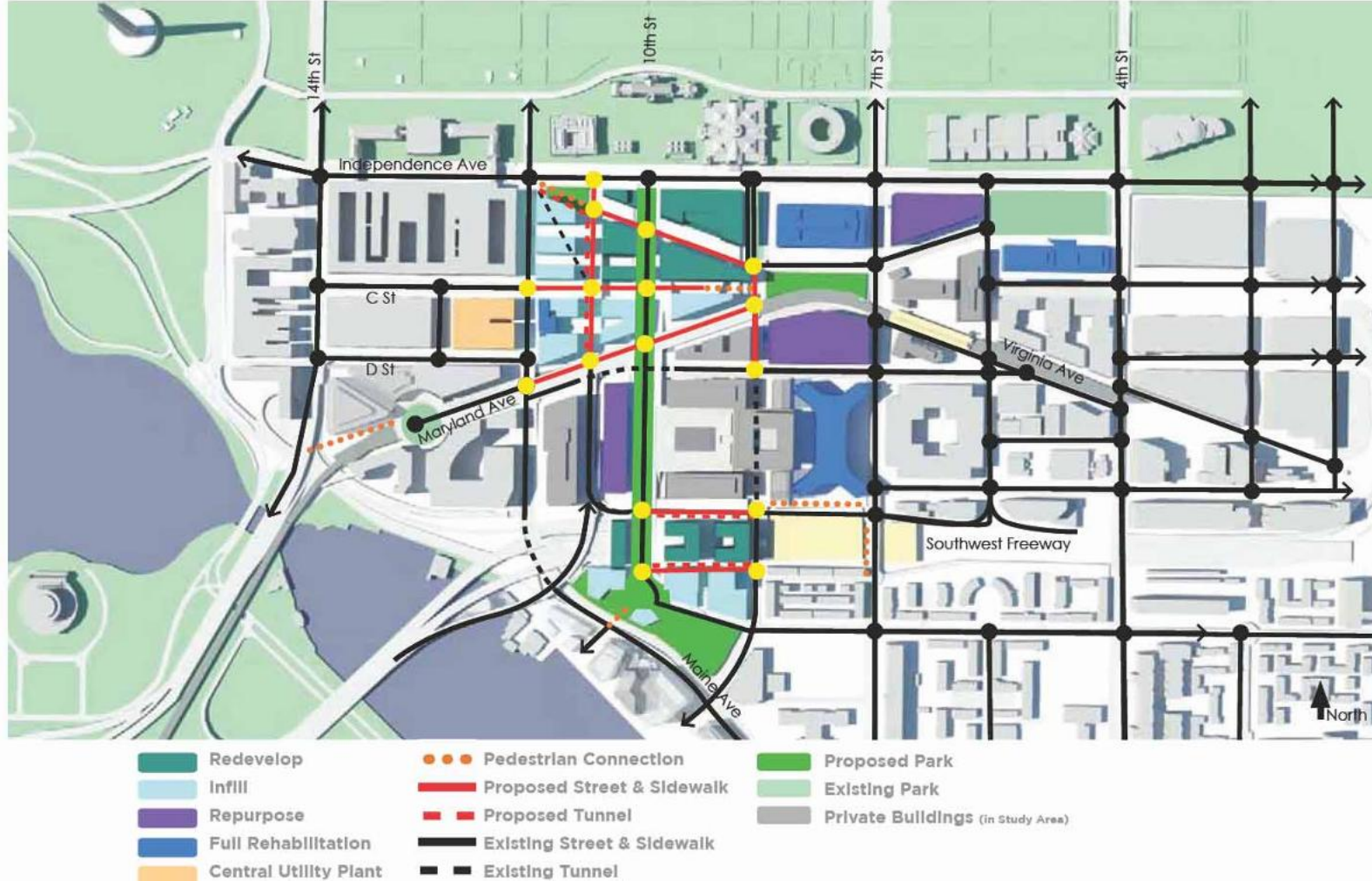
Two other SW DC buildings were in the Round
2 Recommendations (approved in 2025):

Wilbur Cohen FB and Forrestal/DOE Complex



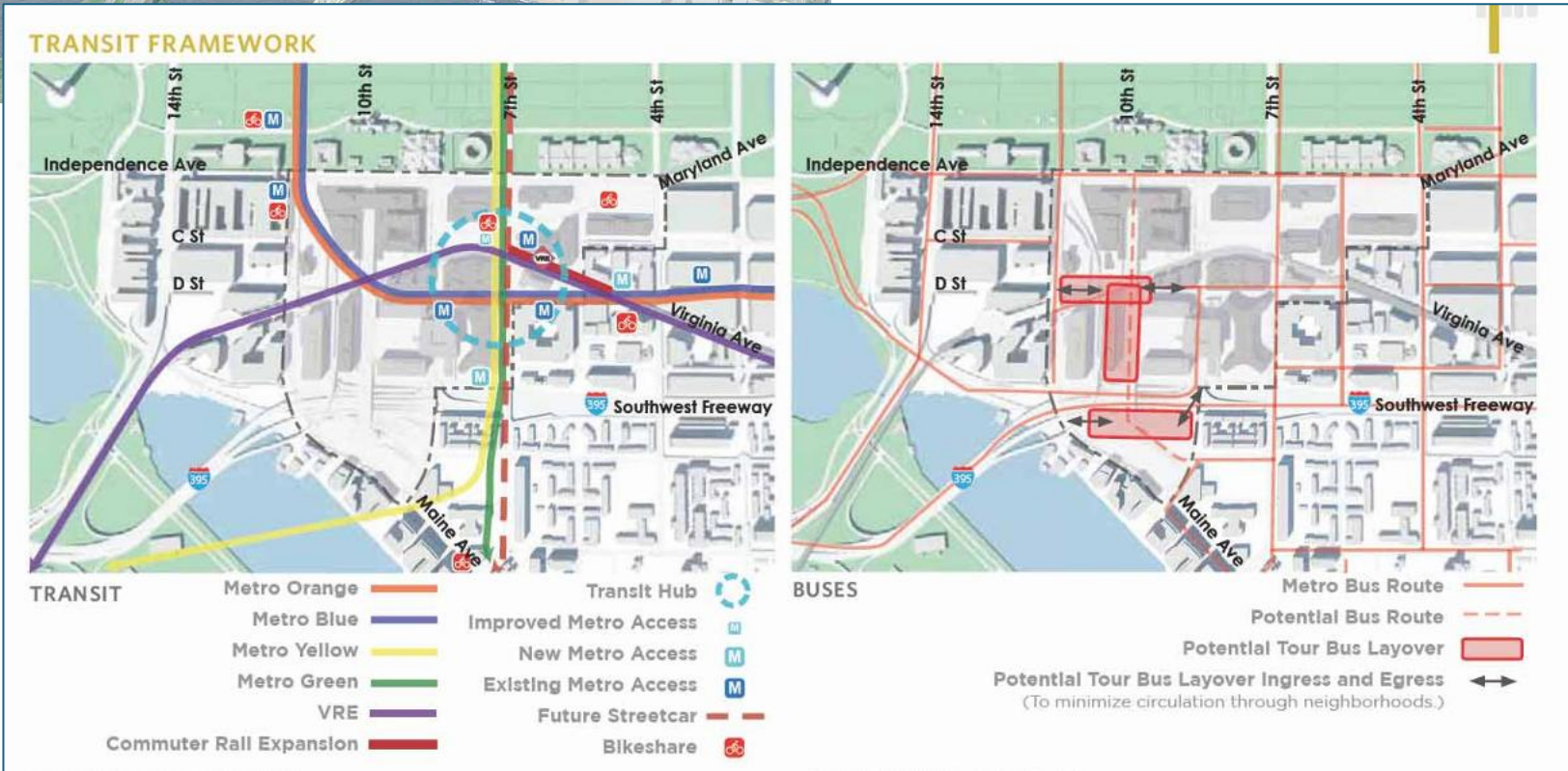
Southwest Ecodistrict Summary

Summary Plan



- Plan was approved in 2013, and covers a smaller area than the total now being considered
- 15-block/110-acre study area: Independence Ave to north, Maine Ave to south, 12th st to west, 4th st to east
- Plan forwarded the idea that planning and operating at a neighborhood or “district” scale would achieve greater financial benefits than individual building-by-building strategies.

Southwest Ecodistrict Summary



- Provides for expanded rail line to maximize freight and commuter rail services
- Increases number and size of passenger platforms at L'Enfant Commuter Rail station, MARC, and Amtrak service
- Designed easy pedestrian transfer between transit modes
- Increase tour bus parking

Of the three federal quarters, Southwest Federal Center offers the greatest potential for transformation.

2 Sources: PBRB Interim Report to Congress, March 21, 2024
<https://www.iolp.gsa.gov/iolp/>



SOM Briefing Summary



SOM Briefing Summary



SOM Briefing Summary



Underutilized Federal Property: Impediments to Consolidation and Disposal, and Creative Tools to Help Surmount Them

January 28, 2025

George Schlossberg, Partner

Seth Kirshenberg, Partner

Lauren V.T. Irish, Associate

in collaboration with

Dr. Dorothy Robyn

&

Jones Lang LaSalle

JLL

KUTAKROCK



Impediments to Federal Property Disposal and Consolidation

GAO highlights four key impediments to federal property disposal*

- Property disposal is costly, and the costs can outweigh the benefits to the agency
 - Federal agencies typically must identify *in advance* the funding needed to cover these costs
- Statutory requirements – historic preservation, environmental remediation, and screening for public benefit conveyance – increase the time (and cost) required to dispose of property
- Federal agencies seeking to downsize may face opposition from local interests and their representatives in Congress
- Lack of data on how federal agencies use their property impedes oversight by GSA and Congress, including identification of disposal opportunities

*See for example, “Federal Real Property: Lessons Learned from Setbacks in New Sale and Transfer Process Could Benefit Future Disposal Efforts,” Statement of David Marroni, GAO-23-106848, June 8, 2023

Impediments to Federal Property Consolidation and Disposal

(continued)

The requirement that federal agencies self-fund the cost of disposal upfront is especially burdensome

- For the most part, federal agencies cannot retain the proceeds from property sales, which reduces agencies' incentive and wherewithal to undertake such sales
 - Proceeds from GSA property sales go into the Treasury Department's Miscellaneous Receipts account
- GSA's Federal Buildings Fund (FBF) is broken, leaving GSA with fewer resources to maintain buildings and dispose of excess ones
 - FBF takes in ~ \$12B a year, largely in rents
 - Since 2011, Congress has diverted ~ \$1B a year of those receipts to fund *non-GSA* activities
 - The shortfall creates a downward spiral, as GSA property generates less rent revenue because it is not adequately maintained
- The federal government's approach to budgeting discourages capital investments that could facilitate consolidation and disposal
 - Federal budget rules require investment in capital to be fully funded up front. A federal agency cannot spread the cost of, say, a major building renovation over time; nor can it take advantage of mechanisms that use private financing to achieve the same end (e.g., lease-purchases and P3s)
 - See below for a short summary of the budgetary treatment ("scoring") of leases and P3s

Budget Scoring of Leases and Public-Private Partnerships: A Short Summary

- Unlike states and corporations, the federal government does not have a capital budget: federal investment in capital (e.g., physical capital and R&D), like spending on consumption, must be fully funded up front, out of annual appropriations.
- Despite that constraint, historically, federal agencies were sometimes allowed to use “lease-purchases” to procure buildings and other costly capital assets. The lease was structured to give the lessee (government) eventual ownership of the asset.
- In 1991, in response to the overuse of lease-purchases, OMB issued a set of technical rules (Appendix B of Circular A-11) governing leases and public-private partnerships, or P3s. (P3s typically entail the outlease of public land or other public asset to the private P3 partner.)
 - OMB’s rules set out six criteria for distinguishing a capital lease from an operating lease; e.g., a lease that results in government ownership of a building is treated as a capital lease
 - The total cost of a capital lease must be recorded (scored) in the first year, whereas the cost of an operating lease can be scored on a year-by-year basis
 - Upshot of the rules: most lease-purchases and P3s involving federal buildings must be scored in the first year, making them unaffordable

Budget Scoring of Leases and Public-Private Partnerships: A Short Summary *(continued)*

- OMB's rationale for the rules:
 - *Transparency*: lease-purchases and P3s obscure the government's long-term cost commitment, leading to suboptimal decisions in the annual budget process
 - *Cost*: because of Treasury's low borrowing cost, it is less expensive for a federal agency to buy a building outright than to use third-party (private) financing to acquire it over time
 - *Fiscal Control*: if a state borrows too much money, capital markets will lower its bond rating; there is no such check on the federal government
- Counterarguments:
 - Treasury's interest-rate advantage is often swamped by other cost factors, such as the longer completion time for federally funded projects
 - The assumption that federal agencies would be able to secure the needed appropriations for major renovations/new construction has proved wrong because of relentless budget pressure
 - Instead, A-11 has led to increased use of short-term leases to cover long-term space needs, more deferred maintenance, and reduced ability to undertake capital-intensive consolidation

Creative Tools: Property Exchanges

Some federal agencies have the authority to exchange land and buildings for other real property or in-kind construction services

- A property exchange is useful because it allows an agency to pay for infrastructure needs without having to secure appropriated funds
- However, features of the process add uncertainty, which can reduce the value of the exchange property
- GSA recently completed a swap of underutilized DOT land in Cambridge, MA, for \$750M in cash and construction services, including a new \$530M transportation research center
 - Contributors to success: the land was extremely valuable and one deep-pocketed bidder, MIT, was highly motivated; thus, no appropriations were required
- GSA failed in its effort to apply the value of the FBI's J. Edgar Hoover site in downtown DC to the (higher) cost of a new suburban HQ campus, canceling the project because it lacked full funding to cover the difference
 - Contributors to failure: FBI add-ons drove up the cost of the proposed HQ even as uncertainty about the process reduced developers' valuation of Hoover, requiring an ever-larger appropriations "ask". FBI nixed a phased approach to the project, which would have reduced the appropriations challenge.
- Other data points:
 - GSA aborted several proposed exchanges when developers' valuations were well below those of GSA
 - DOD (especially the Navy) has made extensive use of exchanges
 - OMB traditionally supported exchanges and felt GSA ignored promising opportunities

Creative Tools: Enhanced Use Leases (Outleases)

Enhanced Use Lease (EUL) authority allows a federal agency to outlease underutilized property for development by private or other public entities in exchange for FMV compensation

- EULs are long-term outleases that allow an agency to monetize the value of land and buildings it does not need in the foreseeable future but does not want to dispose of permanently
 - The agency receives FMV compensation in cash or in-kind services
 - Although the agency cannot lease back developed space for its own use, EULs are a very valuable tool
- DOD and VA have used EULs extensively (DOE, GSA, NASA and Forest Service also have EUL authority)
 - The Air Force signed a 50-year EUL to redevelop 550 acres of underutilized property at Hill Air Force Base, Utah, as an aerospace research park
 - The Navy leased land at Naval Air Station Pensacola for a utility-scale solar project in return for backup power and improvements to the base
 - VA EUL projects have produced office buildings, parking, and housing for veterans and their families
- An EUL has certain advantages over a property sale or a property exchange
 - Cleanup requirements do not apply
 - Agencies can retain the proceeds

Creative Tools: Section 111 Leasing and Exchange

Section 111 of the National Historic Preservation Act allows a federal agency to outlease a historic building (or portions thereof) and use the proceeds to defray the cost of other historic property**

- Historic preservation is a critical responsibility for federal agencies (USMC tagline: “A country worth fighting for is a country worth preserving.”)
 - Section 111 outleasing allows an agency to monetize the value of a historic property that it wants to own long-term
 - Under Section 111, an agency can also exchange a historic federal property for a comparable non-federal historic property
- There are many Section 111 success stories, including the \$200M conversion of the Old Post Office on Pennsylvania Avenue to a luxury hotel (now the Waldorf Astoria) and GSA’s outleasing of space in its renovated HQ building for retail use
- Obstacles to greater use include high transactions costs and an OMB methodology for calculating agency progress in footprint reduction that disallows Sec. 111 outleases and EULs

**A “historic building” is one that is in, or eligible for inclusion in, the National Register of Historic Places

Creative Tools: Public-Private Partnerships (P3s)

Historically, GSA and DOD have been able to make selective use of lease-purchases and other forms of public-private partnership

- A P3 is an approach to procuring public infrastructure in which a private entity assumes significant project risk (including some mix of financing, construction, design and operation) in exchange for performance-based compensation
 - P3s play a major role in transportation infrastructure (e.g., toll roads), and state & local governments increasingly use them to procure public buildings (e.g., Long Beach's municipal courthouse)
- DOD's Military Housing Privatization Initiative (MHPI) is a collection of 50-year P3s (some of which are being extended) with competitively selected housing companies
 - DOD leased the land, conveyed the existing housing, and allowed Service Members to spend their housing allowances on MHPI housing (in addition to off-base housing)
 - The companies invested more than \$30B to create 140,000 units of high-quality housing that is privately owned, operated and maintained

Creative Tools: Public-Private Partnerships (P3s) *(continued)*

- MHPI is the exception, however; OMB scoring rules largely disallow P3s and lease-purchases because they commit the government to paying outyear costs
- GSA, DOD and other federal agencies have pushed hard for relief from OMB scoring of P3s
 - GSA sought repeatedly to procure a new FBI HQ using its ground-lease/leaseback authority
 - GSA calculated that P3s to renovate the USDA and Commerce HQs would pay for themselves by allowing workers in leased space to move to densified HQ space
 - GSA pushed OMB to support a Space Savings Performance Contract (SSPC), modeled after an Energy Savings Performance Contract (ESPC). Under an SSPC, a P3 developer would be paid out of the savings (technically, the cost avoidance) from canceled leases
- As an alternative to P3s, since 2017, the President's budget has requested \$10B to seed a "Federal Capital Revolving Fund," but Congress has yet to fund the initial capitalization

Creative Tools: Special Legislation *(continued)*

Southeast Federal Center (SEFC)

- The SEFC Public-Private Development Act of 2000 gave GSA special authority to develop the SEFC site so as to enhance its value to the federal government
 - SEFC is a large site in Southeast DC that the Navy transferred to GSA beginning in 1963
 - The Act gave GSA broad authority to partner with private entities to transform the SEFC into a dynamic hub of mixed-use development
- GSA sold the first, 11-acre parcel to JBG for the construction of a purpose-built HQ for DOT that opened in 2009. GSA leased the Michael Graves-designed building for a decade before buying it outright (GSA had lacked the funding to pay for the initial construction, and budget scoring rules precluded a lease-purchase)
- In 2005, GSA announced a phased development of the second, 44-acre parcel, known as The Yards. The development agreement with a private party provides for more than 5 million square feet of mixed-use development, as well as a 5-acre waterfront park. The project has successfully generated funds for GSA and for economic development in the District of Columbia.



Creative Tools: Special Legislation *(continued)*

Pennsylvania Avenue Development Corporation

- The Pennsylvania Avenue Development Corporation (PADC) was created by the Pennsylvania Avenue Development Corporation Act of 1972 under President Nixon
- The PADC was established as a federal corporation with the primary goal of revitalizing the stretch of Pennsylvania Avenue between the White House and the U.S. Capitol in Washington, DC
 - The corporation was given the authority to plan and manage the redevelopment of this historic corridor and the adjacent areas
 - The Act provided the PADC with various powers, including the ability to acquire and dispose of property, enter into contracts, and issue bonds to finance its projects
- For more than two decades, the corporation oversaw development projects and improvements to create a more vibrant and cohesive urban environment along this important corridor in the nation's capital
- The corporation was dissolved in 1996, by which time it had amassed a significant (~\$800M) debt. The federal government assumed the liability, and the PADC's remaining functions were transferred to other federal and local agencies

Establishing a Federal Property Disposal Entity: Advancing Productive Reuse of Surplus Federal Properties

January 15, 2026

George Schlossberg, Partner

Seth Kirshenberg, Partner

Lauren V.T. Irish, Associate

&

Jones Lang LaSalle

LL

KUTAKROCK

WHY a Federal Property Disposal Entity is Necessary

There are many reasons, which have been covered in prior materials to the Board. Below are some of the most significant reasons:

- Most remaining federal properties targeted for disposition face major issues: extensive deferred maintenance, historical designations, environmental contamination, and surrounding commercial market vacancies complicate sale and reuse; no longer any low-hanging opportunities.
- Disposal transactions demand significant time, expertise, investment, and often involve complex public-private partnership structures, exchanges, and coordination with local zoning authorities
- A statutorily created, sufficiently empowered, and adequately funded entity dedicated to implementing PBRB recommendations can **overcome existing obstacles, efficiently reposition large federal assets, and dispose of unneeded federal real estate and facilities**

“Tools” Need for Effective Federal Property Disposal Entity



A successful Entity must have:

- Statutory mandate to implement PBRB Recommendations following their review and approval (several “appellate approval” alternatives, exist, including President, Congress, OMB, GAO, etc.)
- Dedicated, focused, and experienced real property (and environmental) staff with the ability to engage in long-term endeavors
- Mandatory (and enforceable) time-lines for agencies to vacate property set for disposition
- Access to required disposal and reuse authorities, whether by delegation or new authorization
- Relief from, or expedited process, to address NEPA, Historic Preservation, and McKinney Act Homeless requirements
- Ability to work with State and local governments to address economic impacts and worker relocations

AND MOST IMPORTANTLY....

Federal Property Disposal Entity Tools Needed (continued)

Entity must have access to adequate and dedicated funding

Creation of “No-Year” Revolving Fund in Treasury necessary:

- To receive initial appropriation to provide seed capital to jump-start entity staffing and planning, required improvements and/or demolition, environmental remediation, and implement early wins
- To capture proceeds from property disposition to fund full-range of follow-on implementation and disposal actions
- To free Redevelopment Entity from need to constantly seek annual appropriations and to implement multi-year projects,
- To provide certainty to operations and to avoid conflicting priorities
- O&M savings will accrue to individual Federal Agencies through streamlining their operations and facility cost-avoidance

Regardless of how its operations are funded, the establishment of the Entity and the “fenced” revolving fund should be prioritized.

“Who” can execute these actions

Options for Implementation



Status Quo Option: GSA using existing FASTA Authorities:

- Pros:
 - Does not require new legislation
 - Avoids conflict between GSA and other Implementation entity
 - Continues ongoing work without delay
- Cons:
 - Prior disappointing history of implementation
 - Conflict between GSA and PBRB on interpretation of recommendations
 - GSA short of staffing with conflicting priorities
 - GSA has insufficient funding to implement complex an/or difficult PBRB recommendations
 - GSA is not able to force Federal agencies to cooperate

Options for Implementation (Continued)



Entity Option: FASTA Amendment Authorizing new Entity to implement PBRB recommendations:
(could be newly empowered PBRB or newly created independent entity):

- Pros:

- Seamless transition from recommendation to implementation (if PBRB)
- Delegated or new statutory Authorities to overcome historical impediments to implementation
- Mission focused on implementing PBRB recommendations
- Staffed with appropriately skilled personnel (real estate development, environmental remediation, property disposal, etc.)
- Facilitates relocation of Federal agencies
- Fenced no-year funding to address vagaries of annual appropriations

- Cons:

- Requires Congressional and Administration support for legislative enactment with uncertainty of success
- Requires lump-sum initial appropriation
- Mitigates but does not eliminate competition with GSA
- Time needed to enact legislation, establish entity, hire staff, initiate, and complete transactions

“How” can this be done

Recommendations:

FASTA amended comprehensively to streamline implementation of PBRB recommendations, as follows:



1. PBRB is extended to refine and make further recommendations:
 - PBRB considers environmental consequences of recommended action, but NEPA is waived.

2. Statutory Review Process established to approve/disapprove/approve in-part PBRB recommendations (suggested option):
 - PBRB recommendations approved by President;
 - President forwards PBRB recommendations to Congress;
 - If not amended or disapproved by Congress within 45 days, PBRB recommendations become binding as a matter of law

Recommendations (Continued):

3. New Entity is established by statute to implement PBRB approved recommendations:
 - GSA required to delegate traditional real property authorities to Entity.
 - Additional lessons-learned disposal authorities authorized in FASTA Amendment
 - Fenced no-year revolving fund (“Fund”) established to address vagaries of annual appropriations:
 - Initial appropriation to jump-start Entity and implementation;
 - All sales, lease, and transaction proceeds deposited in Fund;
 - All transaction costs, environmental remediation costs, etc. come from Fund;
 - Portion of Fund set aside and fenced for GSA/Agencies to relocate Agencies
 - Portion of Fund set aside and fenced for Entity for preparation of, and disposal of property, pursuant to PBRB recommendations
 - Entity staffed with real property, economic development, and environmental experts

AND

Recommendations (Continued):

4. Entity must establish implementation plan (“Entity Plan”) for each approved PBRB recommendation within 90 days of recommendation approval (If PBRB is “Entity”, Implementation Plan could be part of PBRB Recommendation)

Entity Plan includes:

- Working with State and local communities to obtain favorable zoning and entitlements;
- Leveraging abbreviated McKinney Homeless Assistance Act Screening procedures, Historic Preservation, etc.;
- Collaborating with Federal and State environmental regulators to determine suitable uses for property;
- Preparing site for advantageous reuse and disposal (demolition, environmental abatement, etc.)

Recommendations (Continued):



5. Federal agency relocations must commence within two (2) years and must be completed within six (6) years in accordance with PBRB recommendation and Entity Plan

Fenced portion of Fund available only for GSA/Agency relocations

“Teeth” required to mandate movement, so, for example, no Agency funds available for old building after six-year period

6. Entity implements Entity Plan by disposing of unneeded Federal property through use of all available statutory and delegated authorities

Fenced portion of Fund available only for Entity disposal of property