

2008 SUMMARY SECTION 3 REPORT

CENTER FOR HISTORIC BUILDINGS OFFICE OF THE CHIEF ARCHITECT U.S. GENERAL SERVICES ADMINISTRATION

SUBMITTED TO THE ADVISORY COUNCIL ON HISTORIC PRESERVATION
IN COMPLIANCE WITH EXECUTIVE ORDER 13287 PRESERVE AMERICA
SECTION 3: IMPROVING FEDERAL AGENCY PLANNING AND ACCOUNTABILITY
SEPTEMBER 30, 2008

IDENTIFICATION

1. **How many historic properties have been identified and evaluated by the agency in the past three years. Has your inventory improved?**
2. **Describe agency policies that promote or influence the identification and evaluation of historic properties.**
3. **How has your agency established goals for the identification and evaluation of historic properties? Have they have been met?**
4. **Describe any internal reporting requirements your agency may have for the identification and evaluation of historic properties, including collections (museum and archaeological).**
5. **Explain how your agency has employed the use of partnerships to assist in the identification and evaluation of historic properties.**
6. **Provide specific examples of major challenges, successes, or opportunities your agency has experienced in identifying historic properties over the past three years.**

Although Historic Building Preservation Plans or Historic Structure Reports have been prepared for most of GSA's monumental and architecturally significant historic buildings, until recently, just over half of GSA's eligible historic properties were listed in the National Register of Historic Places. In 2003, GSA initiated an ambitious program to accelerate formal nomination of approximately 183 properties that remained to be listed.

GSA's strategy for accomplishing this has been to bundle contracts for geographically proximate (e.g. National Capital Region) or thematically related properties (border stations), prioritizing other listings on the basis of building significance, uniqueness, and urgency (e.g., targeted for major modernization or other reinvestment). Bundling all 41 border stations into one multi-property thematic nomination, for example, has saved thousands of dollars in research, writing and travel costs that would have otherwise been incurred undertaking separate research and trips to geographically remote locations across the nation's northern and southern land borders.

Our general goal was to initiate nominations for buildings meeting National Register age and other criteria in within five to seven years using bundled nomination contracts administered by GSA's national preservation program while regional preservation staff provided technical review and examined potentially eligible buildings under 50 years of age using GSA's Modern Era eligibility tool.

GSA is proud to report that we have well exceeded our goal, with nominations for 24 buildings completed, an additional 62 buildings nearing completion, and approximately 100 nominations under contract for completion by 2010. We accomplished this by communicating the benefits of listing to GSA regional programs and leadership and making National Register nominations a national and budgeting priority.

THEMATIC STUDIES AND FEDERAL PARTNERSHIPS

A collateral benefit of the nomination effort is that it directly supports 106 compliance at properties where major changes are anticipated, such as the dozens of historic border inspection stations, where major alterations are underway nationwide to meet new security requirements. Equally valuable, from a property management perspective, was the broader perspective GSA gained by examining the facilities as a group. The national context study tells the story of a unique American building type responding to nationwide concern over control of U.S. borders after Congress placed controls on immigration by sea in the early twentieth century.

To aid GSA in setting national preservation priorities and handling ongoing Section 106 compliance for this subset of the historic building inventory, the nomination project also produced an illustrated matrix of historic and descriptive information comparing properties in relation to the larger group. The compact matrix has proven such a valuable project planning tool that the Customs and Border Protection agency (CBP), who operates the facilities and is responsible for a number of stations not controlled by GSA, quickly adopted the format as a reference guide to historic border properties it controls. GSA and CBP have been collaborating, since the start of the project, to share research with the intent of submitting complementary National Register eligibility findings in a joint effort to meet the Government's 110 compliance requirements.

GSA is also collaborating with the National Park Service on a National Historic Landmark theme study focused on the nation's historic custom houses, many of which GSA controls. Many of GSA's finest monumental buildings were constructed as custom houses for processing tariffs on imported goods, the primary source of revenue for the early republic. GSA is also supporting two additional thematic NHL nominations focused on the Civil Rights movement and the Home Front activity of World War II. The civil rights movement study is examining the significance of GSA's Elbert P. Tuttle Courthouse in Atlanta, Georgia, the John Minor Wisdom Courthouse in New Orleans, Louisiana, and the Frank M. Johnson, Jr. Federal Building and U.S. Courthouse in Montgomery, Alabama, as sites of important civil rights cases for listing as NHLs under the theme study. GSA's 1940 Lafayette Building in Washington, D.C., was recently designated an NHL through the Home Front NHL theme study.

MODERN-ERA BUILDINGS 1950s-70s

For buildings less than 50 years old GSA's first step has been assessing these buildings in progressive detail according to their significance. The effort began with general cataloging to establish a database of Modern-era building information, followed by individual building assessments using the GSA Eligibility Assessment Tool and, when appropriate, National Register nominations. Three nominations received State Historic Preservation Officer concurrence on qualifying as exceptional significant works of architecture. Two have been listed, the U.S. Tax Court and HUD Headquarters in Washington, DC and the third, the Chicago Federal Center, is in final review for listing by the Keeper of the National Register. To integrate building assessment findings into GSA's process for funding repair and alteration projects, GSA

capital project requests now include completed eligibility assessments prepared by qualified preservation staff or consultants.

For a detailed description and statistics on GSA's historic building inventory, see GSA's comprehensive stewardship report for 2008, entitled *Extending the Legacy: GSA Historic Building Stewardship*, Chapter 3. The bound report provides detailed data, case studies and examples on all stewardship activities discussed in GSA's summary report.

PROTECTION

1. **Explain how your agency has protected historic properties.**
2. **Describe your agency policies that promote or influence the protection of historic properties.**
3. **Explain how your agency has employed the use of partnerships to assist in the protection of historic properties.**
4. **Provide specific examples of major challenges, successes, or opportunities your agency has encountered in protecting historic properties over the past three years.**

GSA encourages its project teams and decision makers to exceed rote compliance with the prescriptive provisions of the NHPA to embrace the spirit of the law and related directives by creating internal tools, training, recognition programs, and procedures that promote good stewardship. Since 2005, GSA has achieved several major successes toward that end:

- An accelerated program to complete all outstanding National Register nominations is well underway;
- Completion of GSA's first guidance publication for disposal of historic property;
- Expanded online support for GSA associates and project teams;
- Improved 106 compliance with the increased professionalism of GSA's preservation program staff, continuation of the ACHP GSA Liaison position providing an ACHP staff member dedicated to GSA project review and GSA-focused 106 compliance training; and
- Completion of most major milestones in GSA's ten year Modern Era buildings initiative

Continuing compliance challenges include tenant driven space requirements that preclude or discourage use of historic buildings and financial constraints of smaller historic buildings in real estate markets that do not generate sufficient revenue for needed reinvestment. GSA Compliance improvement priorities include:

- Promoting historic building viability by continuing to work with regions to achieve full building occupancies, maximize revenue, and reduce operating costs;
- Achieving consistently successful repair and alteration project outcomes by assisting regions in procuring preservation services and using the model preservation design scope of work for historic building projects;
- Promoting site selection and lease acquisition approaches that actively support the E.O. 13006 locational hierarchy giving priority to historic areas, reusing historic buildings where possible, and avoid acquiring sites with historic buildings that cannot be reused;

- Consistently initiating early, meaningful consultation for new construction potentially affecting historic buildings;
- Increasing the online availability of information on archeological study findings and collections.

ONLINE TOOLS SUPPORTING NHPA GOALS

The Internet remains GSA's most cost-effective means to widely distribute model contract documents and answers to commonly asked questions.

In December 2001, the Center for Historic Buildings released a six-volume *Preservation Desk Guide* to familiarize associates and contract Architectural and Engineering (A/E) teams with the wide range of preservation responsibilities tied to GSA's business activities. In addition to direct guidance on innovative approaches and troubleshooting techniques for solving a variety of design, construction, and real estate challenges involving historic buildings, the guide contains information on useful preservation resources and model documents developed by GSA's regions. GSA launched the online *Preservation Desk Guide* in 2006, allowing document searches as well as browsing by document type—GSA preservation guidance, GSA sample documents, and non-GSA preservation guidance documents.

The Center has continued developing GSA's preservation Web page to include additional technical, regulatory, and advocacy-related resources developed by the Center and links to other public agencies and private organizations. The pages include GSA's historic building database, Center policy and technical guides, GSA's vast technical preservation procedures database, and links to a variety of relevant sites. New pages on E.O. 13287, Preserve America, and Section 106 provide additional information.

PROGRAMMATIC AGREEMENTS

As of the 2004 reporting period, GSA's Southeast Sunbelt, National Capital and Rocky Mountain Regions had Programmatic Agreements (PAs) in place to streamline Section 106 review of recurring, low-preservation impact, repairs and alterations. A new Programmatic Agreement for GSA's Pacific Rim region was developed and signed in 2008. In addition to streamlined review for projects adhering to GSA's best preservation practice standards, this PA delineates GSA stewardship roles and procedures for a broader range of historic property decisions and activities, including a standard compliance approach for lease acquisitions that may affect historic properties.

DISPOSAL GUIDANCE

GSA's first in-depth disposal compliance policy and guidance document, jointly prepared by the Center, Office of Disposal, and GSA General Counsel, provides up-to-date guidance on each step of the disposal process, including innovative transfer provisions and mitigation measures that GSA has developed to reduce these and other stewardship risks associated with historic property conveyance. Now available online and as a spiral bound handbook, to be released in October 2008, the guidance addresses a variety of historic property circumstances and goals, with sample documents illustrating each approach described in the guide.

GSA's transfer of the Middle River, MD depot, for example demonstrates how effective marketing can maximize value for fair and competitive sale while reinforcing preservation goals.

Constructed in 1941 as the Glenn L. Martin Company Plant No. 2, the building features an innovative roof truss system creating extensive open spans for the manufacture of B-26 bomber planes. GSA's preservation easement for the Middle River Depot included a question and answer appendix to help developer-bidders anticipate what kinds of alterations would be permissible in adapting the building to serve new uses. By giving prospective bidders realistic expectations about what is expected of them, along with positive publicity emphasizing the property's historic significance and promising location, led to its sale at a substantially higher price than originally anticipated, in spite of easement restrictions.

DESIGN DEVELOPMENT TOOLS: SIMULATION

When support for an important preservation outcome is uncertain, GSA has used computer-generated simulations to underscore the importance and positive effects of a preservation approach. This can be an effective way to help customers visualize a space after restoration or promote GSA stewardship goals. To interest non-profit educational organizations in a partnership with GSA to interpret and provide public access to GSA easement space containing Clara Barton's historic Office of Missing Soldiers, GSA has created an animated walk through showing how the historic spaces will look restored and furnished as they were during Miss Barton's occupancy. The animation has been incorporated into an educational video detailing the history and significance of the 1850s building and GSA's role in its preservation, beginning with a GSA employee's discovery of artifacts revealing the building to be the location of Clara Barton's Civil War era office and quarters. The goal of the animation is to inform internal and external stakeholders on GSA's intent for the site, promote GSA's stewardship accomplishments, and serve as a core component of the building's interpretation program.

TECHNICAL PRESERVATION GUIDELINES

Given the dynamic nature of codes, standards, and systems, GSA will always need to be on the cutting edge of preservation technology, actively broadening its institutional knowledge of model design solutions to common problems and new challenges raised by changing requirements.

In 2007, GSA launched a design study to document successful approaches for integrating security processing into historic building lobbies. An illustrated design guide showing model solutions for historic lobbies of different sizes and configurations will be available in early 2009. Designed to complete GSA's general Lobby Security Design Guide for courthouses, the historic lobby design guide provides images and narrative guidance for layout, equipment placement and detailing to minimize the architectural impact of security processing activities on a variety historic building entry configurations and materials.

TRAINING

GSA has undertaken both broad and focused training programs to improve the stewardship skills of project teams and facilities staff. Training venues such as project management workshops, courthouse program workshops, and facilities management conferences have provided opportunities to educate project managers, building managers, and realty specialists about the importance of early and meaningful Section 106 consultation in the context of their program responsibilities and goals.

The Center also sponsors periodic nationwide compliance training. Regional training recently developed through an interagency agreement with the Advisory Council on Historic Preservation

focuses on NHPA compliance challenges commonly encountered in GSA projects and exemplary GSA project solutions that exceeded minimum compliance requirements to meet the intent of the NHPA. Most regional preservation programs also provide general and technical training for portfolio management, project development, and building management associates.

Center-sponsored annual training for Regional Historic Preservation Officers has a participatory emphasis with regional case study presentations, briefings from business-line leadership, interactive discussion on critical issues and solutions exchange.

ADVOCACY AND EDUCATION

Agency-wide commitment to historic building stewardship begins with broad-based staff and tenant recognition that historic buildings are among our best assets. Toward that end, GSA launched the Public Buildings Heritage Program in 1998, encouraging regions to develop exhibits and brochures promoting GSA's historic buildings. In 2001, the Center established graphic standards and a structure for building a body of visual documentation and quality interpretive material for GSA historic buildings.

Top architectural photographers are commissioned annually to provide quality images for posters and brochures. Each year, the Center produces a set of 11 posters and brochures, one per region, for a current total of almost one hundred. Regional offices use the posters and brochures to promote GSA's historic building legacy to customers, compliance organizations, preservation advocacy groups, and program staff. The Center has entered into an agreement with the Library of Congress to make photographs of GSA buildings available through its online image library. These materials are available through Regional Historic Preservation Officers, managers of featured buildings, and the Center. The posters and brochures are available digitally on the Center's Web page.

In cooperation with the regions, the Center has undertaken a series of films profiling architecturally exceptional historic buildings in places of national preservation events, including the Howard M. Metzenbaum U.S. Courthouse in Cleveland, Ohio; Byron R. White U.S. Courthouse in Denver, Colorado; Pioneer U.S. Courthouse in Portland, Oregon; Gene Snyder U.S. Courthouse and Custom House in Louisville, Kentucky; U.S. Post Office and Courthouse in Pittsburgh, Pennsylvania; and Alexander Hamilton U.S. Custom House in New York, New York. Films currently in production include the adaptive use of Memorial Hall as a federal courthouse in Natchez, Mississippi; the repair and rehabilitation of the U.S. Custom House, New Orleans, Louisiana, following Katrina; the McCormack U.S. Post Office and Courthouse, Boston, Massachusetts; and Victor Lundy's masterpiece, the U.S. Tax Court in Washington, DC.

Between 2005 and 2008, GSA also collaborated with a number of public and private non-profit organizations to increase public benefit from GSA's compliance activities:

African Burial Ground, New York, New York

Artifacts and human remains recovered from the site of the African Burial Ground, discovered during construction of the Ted Weiss Federal Building at 290 Broadway in lower Manhattan, redefined the nation's understanding of slavery and African culture in Colonial America. GSA

cooperated with Howard University and the Schomburg Center for Research in Black Culture to curate the artifacts, create an educational film about the discovery and, with the National Park Service, to develop a memorial and interpretive center on the site, winning GSA and the Schomburg Center a Preserve America Presidential Award in 2008.

Clara Barton Missing Soldiers Office Discovery, Washington, DC

In 2007 GSA's Center for Historic Buildings began a collaboration with the American Red Cross and National Park Service to interpret Clara Barton's Civil War apartment and Missing Soldiers Office in a nineteenth-century commercial building and boarding house previously owned by GSA at 437 Seventh Street, NW in Washington, DC. GSA holds a preservation easement on the building's significant spaces, with direct responsibility for their long-term stewardship and interpretation.

To assist GSA in determining the likely style and layout of historic furnishings used by Barton, the National Park Service provided period photos showing how Clara Barton furnished her Red Cross disaster relief quarters and workspaces in the years immediately following her occupancy on Seventh Street. The photographs provide a wealth of detail on Clara Barton's tastes and how she lived and worked, enabling an authentic recreation of the historic appearance of the Missing Soldiers Office. Additional documents provided by the National Park Service include excerpts from Barton's diaries pertaining to the space, copies of Civil War era newspaper articles describing her Seventh Street rooms, along with digitized images of Barton's requests for President Lincoln's support and her Congressional appropriation document and final report. Red Cross staff provided extensive information on Barton's early work establishing the American Red Cross, along with historic Red Cross posters and photographs evidencing Barton's worldwide impact as an originator of global disaster relief.

Amy Biehl School, Albuquerque, New Mexico

In 2005 the Amy Biehl Charter School collaborated with GSA to outlease GSA's U.S. Courthouse in Albuquerque, New Mexico, as a model for sustainable reuse of public buildings. Presented at the 2005 National Preservation Conference, the program detailed how a charter school in a public building offering limited school related amenities was cooperating with nearby institutions and businesses to meet educational requirements. GSA's regional asset manager discussed how GSA tailored its outlease and school leaders outlined the benefits of providing daily opportunities for students to venture out from the historic federal building to meet educational requirements, conducting research at the nearby downtown library, attending art classes at a downtown cultural center and meeting physical education standards at the local community center. The school's preservation and urban advocacy message was well received, prompting the National Trust to recognize GSA and the school in a national award for Federal Partnerships in Historic Preservation in 2006.

RECOGNITION

GSA actively encourages GSA regions and project teams to pursue awards recognizing GSA stewardship accomplishments. The increasing number of award winning projects, partnerships and interpretive efforts is an encouraging indication of the positive effect GSA's internal training

and advocacy efforts are having on how GSA associates approach day to day activities and decisions affecting historic property.

GSA Design Awards

In 2005, GSA's Public Buildings Heritage Awards program was incorporated into the biennial GSA Design Awards program under new categories recognizing exemplary preservation, conservation, modernization and lease construction projects involving historic buildings. Printed materials supporting GSA stewardship efforts may also compete in the graphic design category. 2006 preservation project award winners include:

Howard M. Metzenbaum United States Courthouse (Preservation)

Sustainable modernization project that restored historic materials and captured underutilized courtyard space to meet new security cueing and circulation needs.

Internal Revenue Service Center, Kansas City, Missouri (Lease Construction)

Restoration and redevelopment of the city's Main Post Office property in the city's historic central business .

GSA Stewardship Reports *Held in Public Trust* and *Extending the Legacy* (Graphic Design)
Compelling design commands attention for important educational messages.

External Awards

GSA actively encourages GSA regions and project teams to pursue awards recognizing GSA stewardship accomplishments. The Center for Historic Buildings coordinates award submissions for major national awards. During the 2005-2008 reporting period, GSA was recognized in the following awards:

Roy Rowland U.S. Courthouse, Dublin, GA

BOMA Office Building of the Year (TOBY) award for exceptional property management, Historic Building category (2006)

Howard W. Metzenbaum U.S. Courthouse, Cleveland, Ohio

Cleveland Restoration Society Preservation Award, AIA Cleveland Honor Award (2006)

Ohio State Historic Preservation Office Preservation Merit Award (2005)

Builders Exchange Award for Craftsmanship (2005)

Amy Biehl High School, Albuquerque, New Mexico

ACHP/National Trust Award for Federal Partnerships in Preservation (2007)

U.S. Courthouse, Santa Fe, New Mexico

New Mexico Heritage Preservation Award in Tribal Heritage for exceptional sensitivity to the cultural heritage issues and the sanctity of ancestral remains in the courthouse project tribal consultation (2007)

Pioneer Courthouse, Portland, Oregon

John Wesley Powell Prize for Historic Preservation, Society for History in the Federal Government (2007)

U.S. Courthouse, Davenport, Iowa
AIA Justice Facilities Review Citation Award (2007)

African Burial Ground Memorial and Interpretive Center, New York, New York
Preserve America Presidential Award (2008)

James A. Walsh Federal Building and Courthouse Rehabilitation, Tucson, Arizona
Governor's Heritage Preservation Honor Awards, Arizona Preservation Foundation (2008)

Hamilton Custom House, New York, New York
LUMEN Award for exterior lighting (2008)

100 Years of Grandeur: Alexander Hamilton Custom House
Blue Pencil and Gold Screen Film award (2008)

General Post Office, Brooklyn, New York
Lucy B. Moses Preservation Award, New York City Landmarks Conservancy (2008)
Preservation League of NY State, Excellence in Historic Preservation Award (2008)

1. **Explain how your agency has used historic properties.**
2. **Explain the overall condition of the historic properties within your agency's control.**
3. **Describe your agency policies that promote or influence the use of its historic properties.**
4. **Explain how your agency has used Section 111 of the NHPA in the protection of historic properties.**
5. **Explain how your agency has employed the use of partnerships to assist in the use of historic properties.**
6. **Provide specific examples of major challenges, successes, or opportunities your agency has encountered in using historic properties over the past three years.**

GSA national and regional preservation programs have been quite successful in building appreciation for our historic buildings and a relatively sophisticated understanding among GSA staff and project teams of their particular needs. Continuing challenges center on the need to balance stewardship goals with other Federal goals: the need to support tenant agency customer requirements and financial constraints while maintaining high preservation standards; the need to ensure the safety of Federal employees and visitors to Federal facilities in buildings that remain welcoming; the need maintain a sustainable Federal inventory while stewarding and making the best possible use of the nation's public building legacy.

All but a few of our historic buildings are occupied and in active use as Federal office space. Building envelopes and interiors are maintained to ensure that workspace is safe, functional, and weather tight. Many of these buildings contain aging systems and materials that need or will soon need repair or upgrading to remain functional and to maintain the value of the asset as rentable workspace. Some of these buildings requiring reinvestment are not fully occupied and do not generate sufficient Federal rent to cover the cost of the required work. GSA's strategy

for these properties is cost containment – limited investment to maintain asset value and prevent deterioration as the regional asset management team investigates alternative solutions, including the possibility of disposal, to remedy the building’s financial and functional shortcomings.

REINVESTMENT

GSA’s capital investment prioritizing methodology continues to give additional weight to historic buildings in ranking projects requiring congressional approval (funding over \$2.7 million). We also continue to provide a 10 percent leasing price preference to make historic buildings that have been rehabilitated to Secretary of the Interior Standards competitive with non-historic buildings. With implementation of GSA’s 2001 portfolio strategy now complete, a substantial number of poorly performing properties were transferred or are in the process of disposal, as GSA continues to move forward with plans to maintain and invest in its core assets.

The Center for Historic Buildings continues to flag financially troubled historic buildings having high architectural significance and work with regions to explore alternative financial remedies and divestment options for underutilized properties facing sustained vacancy or that are no longer viable for other reasons. Profitable properties will continue to merit greater investment, and extra care is being taken to control costs where cash flow is limited by low market rent rates, small floor plates and other constraints. For less profitable historic buildings, GSA will continue to maintain each building’s basic usefulness, asset value, and integrity. In a fiscally constrained environment, GSA’s goal is to preserve the qualities that contribute to historic significance through low intervention repair approaches and selective restoration, focusing on highly visible historic spaces and situations in which work can be accomplished as part of other necessary repairs and alterations (e.g., fire safety or mechanical work).

Given the small proportion of historic buildings able to rely on prospectus-level capital investment, however, most of GSA’s historic building inventory will continue to depend upon annual recurring repair and alterations appropriations from the Federal Buildings Fund.ⁱ Traditionally, these funds were transferred as annual allowances to GSA’s eleven regions, which had discretionary authority over project funding and modifications up to the \$2.7 million prospectus limit. In recent years as the importance of discretionary repair and alterations funding has become ever more critical as the principal means of sustaining the owned inventory, central oversight of the fund by GSA has increased, with a continuing trend toward managing reinvestment strategically.

Recurring repair and alterations funding has remained flat over the decade, in an environment of declining purchasing power since 2005. With the exception of a funding dip to \$72.5 million in 2001 and a one-time increase to \$109 million in 2006, annual funding for recurring repairs and alterations at GSA historic buildings has remained consistently close to the \$88 million 10-year average.ⁱⁱ While the general economic downturn has contained construction costs increases, the nationwide spike in urban real estate and energy prices will continue to affect costs for construction materials and services for years to come. Amid construction costs rising at 5 to 7 percent annually, continued repair and rehabilitation funding limits may increase the challenge of balancing GSA’s financial and stewardship goals. Toward this end, the Center for Historic Buildings continues working with GSA’s regional preservation staff to develop strategies for approaching building needs as cost effectively as possible and assisting in setting major and minor repair and alteration investment priorities to keep legacy buildings occupied and viable.

Without funding increases and greater reinvestment financing flexibility, we anticipate that continued declining purchasing power, increased construction costs, and current authority limitations will prevent GSA from effectively addressing its repair and alteration backlog of \$3.6 billion.

Examples of GSA monumental buildings requiring major reinvestment for continued federal ownership and use include:

Federal Building at 50 United Nations Plaza, San Francisco, California

- 290,000 RSF monumental building in San Francisco's Civic Center district
- Significant exterior and interior spaces in excellent condition
- Could earn \$5 million rent annually at market lease rates
- Currently vacant
- Region plans to relocate GSA offices from 450 Golden Gate to 50 UN Plaza
- Needs \$106 million in reinvestment for systems, fire protection, and other modernization work, including \$15 million for seismic upgrades

U.S. Custom House, Portland, Oregon (in disposal)

- 84,000 RSF monumental building
- Currently vacant
- Could relocate tenants from leased space
- At downtown Class B rent rates, could earn \$1.4 million annually
- Needs \$17 -32 million reinvestment (in 2012 dollars) for basic to full modernization that will upgrade systems and meet current fire safety, accessibility, and other code requirements, including \$7 million in seismic work

Gus Solomon U.S. Courthouse, Portland, Oregon

- 162,000 RSF monumental building
- 15% vacant pending reinvestment needed to house Bankruptcy Courts
- Without reinvestment, GSA will lease space for Bankruptcy Courts
- 20% outleased as an interim measure
- At downtown Class B rent rates, could earn \$2.6 million annually
- Needs \$60 million to replace systems, upgrade life safety and meet current court and code requirements, including \$12 million for seismic work

INTEGRATING GSA'S PORTFOLIO AND STEWARDSHIP STRATEGIES

GSA began working toward its portfolio strategy in the early 1990s with the National Performance Review. Initial efforts to improve PBS's fiscal performance concentrated on eliminating non-revenue producing space and giving preference to use of government-owned space over leased space. GSA overhauled its rent-pricing policy to pass above-standard costs, such as those required to meet the specialized needs of federal courts and border stations, to the tenant agencies requesting them. These pricing changes enabled GSA to recoup leasing and new construction costs, but not necessarily to recoup all GSA costs for investing in government-owned space.

GSA regions will continue to struggle with contradictory customer desires, design directives, and policy goals. In the face of these challenges, GSA's commitment to giving preference to occupancy in historic buildings, as required by the National Historic Preservation Act and

Executive Orders 13006 and 13287, offers the best hope for keeping treasured public buildings public. GSA 106 training and intra-divisional advocacy efforts focus on planning well in advance of prospectus project development to ensure that new construction supplements, rather than replaces, important historic buildings.

Often it is assumed that historic buildings are more expensive to own and operate than non-historic buildings. Yet recent data on operating costs and targeted reinvestment successes suggests that smaller historic buildings can offer certain financial advantages over economically constructed contemporary buildings. To start with, historic buildings operate at a notably lower cost than non-historic buildings. In 2008 historic buildings represented one third of the owned inventory and generated one third of GSA's Federal Building Fund revenue, while operating at a cost of only \$4.08 per square foot, 16 percent lower than the inventory's average of \$4.87 per square foot. Smaller buildings require much less in rehabilitation funds, as well. An investment of \$1 million can be sufficient in a small monumental building to undertake critical systems, code compliance, or space improvements needed to retain or secure a tenant. For example, \$4.5 million, matched by \$2.2 million in state and local funding, bought a top to bottom rehabilitation for the U.S. Courts at the antebellum Natchez Memorial Hall. In examining the financial health and viability of the monumental inventory, it is important to consider absolute costs as well as commercial performance benchmarks

A continued challenge facing GSA-owned historic buildings is the market-based pricing system that provides the revenue for the Federal Buildings Fund. It is difficult to recover repair and alteration costs for small monumental buildings located in depressed markets, since these buildings cost essentially the same to maintain in a poor market as they do in a strong market. There are, fortunately, precedents and limited authorities for charging above-market rent rates for rehabilitation in which agency-specific requirements demand a higher than standard investment level.

Security requirements prompting tenant demands for increased setbacks or sites in a less vulnerable locations are another challenge. Sometimes these concerns can be addressed by placing vulnerable activities in protected locations within the building, such as office space adjoining enclosed courtyards. In some instances, security setback requirements can be met through adaptive use solutions that bring new life to functionally obsolete historic properties in campus settings, such as St. Elizabeth's Hospital in Washington, D.C., a National Historic Landmark that offers a secure, consolidated headquarters for the Department of Homeland Security.

Reconciling the NHPA mandate giving historic buildings preference to the financial performance challenges of historic buildings remains an obstacle that may be met only by tailoring our performance analysis to factor in tangible values not currently captured, such as construction quality, architectural richness and landmark recognition value. In striving to maintain government space by commercial real estate standards, GSA needs to develop mechanisms that take into consideration important distinctions between government and private business. A sixty-year investment analysis, for instance, which requires pursuing an Office of Management and Budget (OMB) rule revision, would allow GSA to take into account differences in building quality not evident in a standard thirty-year payback analysis. Incorporating such qualitative factors into return on GSA's investment analysis will also help to ensure against the government accepting, in depressed or remote locations, an image that simply reflects surrounding market conditions, in favor of the more permanent, monumental presence already created for the government at substantial public expense. OMB rule modifications may also help to address the

challenges of financially troubled historic buildings in weak markets that are fully occupied but unable to charge rents sufficient to support the costs of necessary reinvestment.

OUTLEASING (OWNED INVENTORY)

Using the authority provided by Section 111 of the National Historic Preservation Act, GSA leases space in underutilized historic federal buildings to non-federal tenants. Section 111 allows federal agencies to retain this rental revenue and reinvest it in historic buildings. These “outleases” relieve GSA of the financial liability for maintaining currently unneeded or underutilized historic property while ensuring long-term stewardship and public access to important public buildings. Although a small sum compared to the Federal Buildings Fund, strategically invested outlease revenue makes a critical difference in GSA’s ability to meet stewardship priorities.

Continuing regional marketing efforts have helped to sustain sufficient revenues to support brick and mortar reinvestment projects that have contributed meaningfully to the viability and integrity of the historic building inventory. Rents from retail tenants in newly acquired historic properties adjacent to the Chicago Federal Center, the Audubon Insectarium in the New Orleans Custom House and scheduled Hotel Monaco escalations for the General Post Office outlease (Tariff Commission) in Washington will continue building the fund.

Legacy buildings using outlease funds for targeted reinvestment to support continued federal occupancy or attract new federal tenants include the 1810 Robert McEwan Custom House in Ogdensburg, New York; the U.S. Custom House in New Bedford, Massachusetts; and the U.S. Custom House in New Orleans, Louisiana. At the Ogdensburg U.S. Custom House, a building too small to compete successfully for recurring repair and alterations (Budget Activity 54) funding, \$425,000 in outlease revenue will fund a standing seam roof replacement and interior upgrades sufficient to enable the Customs and Border Protection Service to expand and fully occupy the building, raising it from underperforming to performing status. At the 1836 National Historic Landmark U.S. Custom House in New Bedford, Massachusetts, a focal point of the historic port city, \$300,000 in outlease revenues will fund a comprehensive interior and exterior design study for the building’s long term rehabilitation and reuse to secure a stable long-term tenant following the departure of the National Park Service for rent-free quarters in another historic building. At the New Orleans U.S. Custom House, another National Historic Landmark and one the most significant buildings in GSA’s inventory, \$2.5 million in emergency funding will enable fire safety access from the 4th floor while undergoing repair of damage from Hurricane Katrina. The Customs and Border Protection Service has an immediate need for the additional space which will help ensure the buildings long-term occupancy and viability through increased rental income.

Outlease funds also upgraded interior systems and reclaimed the integrity of an unrecognizably altered entrance lobby-corridor at Port Huron, Michigan, completed in 2008, to secure a long-term tenant. Similarly, an investment of \$2.3 million at the 1878 Century Postal Station in Raleigh, North Carolina, funded roof repairs to halt infiltration, courtroom lighting restoration, creation of a badly needed additional courtroom and exterior conservation, completed in 2007, to retain GSA’s court tenants in a troubled legacy building that was becoming untenable.

Historic building outleases remain the principal funding source for the care of historic artwork in GSA’s legacy buildings as well, most recently funding conservation of Daniel Chester French sculptures at the Alexander Hamilton U.S. Custom House in New York, New York, and the

Howard M. Metzenbaum Courthouse in Cleveland, Ohio, as well as conserving historic murals in the Byron White U.S. Courthouse in Denver, Colorado and the John W. McCormack U.S. Post Office and Courthouse in Boston, Massachusetts.

To place these ostensibly modest investments in perspective, it is important to gauge what outleasing funds accomplish not by the amount of funding directed to a project, but in terms of their impact in the eyes of the communities within which they are located. Rehabilitations completed for just few million dollars each at the Century Postal Station building in Raleigh, North Carolina, and at the Natchez, Mississippi, Memorial Hall to house relocated U.S. Courts generated enthusiastic local press at every stage. To secure a stable new public use and stewardship support for their local landmark, the City of Natchez donated a site, a monumental building and helped round up \$1.8 million in county and city bonds, as well as a \$400,000 state Archives and History grant.

Outleasing vacant space within underutilized historic buildings and ground leases could have a major impact on GSA's ability to sustain the historic inventory in the long-term and serve as a source of revenue to fund badly needed reinvestment. It has already served both as a temporary solution, in the absence of an immediate federal use, and as a longer-term solution to ensure continued public access to important public landmarks and where retention of centrally located, high quality property is in the government's interest.

LEASING

GSA leases roughly 175 million square feet in 7,106 buildings. Of these, approximately 190 are historic buildings, providing GSA tenants about 5.6 million square feet of space. Over a third of these buildings are owned by the U.S. Postal Service; a few are controlled by the National Park Service. The remaining 100 or so are privately owned.ⁱⁱⁱ

In an effort to better identify, preserve, and market historic leased properties, GSA now requires its space tracking and administration database, STAR, to make building construction dates a mandatory data field for new or renewing leases. Standard solicitation templates for fast track "e-leases" and general lease acquisitions include clauses outlining the E.O.13006 hierarchy and National Historic Preservation Act goals. GSA's Real Estate Acquisition Division is also working with the Center for Historic Buildings to develop a historic building occupancy profile outlining the extent to which specific regions and agencies are leasing historic buildings, what the key tenant drivers are, how the E.O. 13006 tiered location hierarchy works, and how GSA can promote leasing historic buildings.

The Internal Revenue Service has continued setting an example by seeking out opportunities to reinvigorate historic downtown business areas by consolidating functions scattered in multiple suburban facilities to underutilized downtown post office properties. IRS regional service center lease redevelopment consolidation in Kansas City's historic main post office, completed in 2006, is powering a badly needed economic boost for historic Kansas City while returning another city landmark to public use. The historic building had been under-utilized since 1999, when sixteen hundred employees were relocated to new postal facilities in Kansas City. Availability of adjacent land previously acquired by the U.S. Postal Service for future expansion enabled IRS to expand beyond the 373,000 square foot historic building into three sensitively designed new wings to create a one million square foot facility housing between four and six thousand workers for year round and seasonal work. Postal retail functions employing more than two hundred workers were relocated to the nearby historic Union Station to help boost foot traffic there.

A year after completing the Kansas City project, IRS reached agreement with GSA and the Postal Service on a plan to consolidate IRS operations in and around Philadelphia in a similar campus centered on redevelopment of the city's historic main post office building at Thirtieth and Market Streets in a public-private effort facilitated by Pennsylvania State University as part of a larger redevelopment plan. An urban planning goal of the new IRS campus is to strengthen the gateway between downtown Philadelphia and the University City area along the Schuylkill River. The expanded historic building will provide workspace for over five thousand employees in approximately 900,000 square feet of space.

PROMOTING URBAN LOCATION AND REUSE

Recent 13006 successes include the 2005 acquisition of historic commercial buildings adjoining GSA's Elbert P. Tuttle U.S. Court of Appeals Building in Atlanta, Georgia to house expanding federal courts, the 2007 Internal Revenue Service consolidation at the historic Main Post Office in downtown Kansas City, Missouri, and GSA's 2008 acquisition of the nineteenth-century Hannah Houses in Mobile, Alabama, as part of the city's new federal courthouse complex.

General Services Acquisition Regulation (GSAR) clause 552.270-2, published in September 2004, revised GSA's historic leased building price preference clause to reflect the E.O. 13006 tiered hierarchy of consideration. The new clause continues the 10 percent preference for historic buildings, but also gives a price preference of 2.5 percent for undeveloped sites within historic districts, which are given second consideration after historic properties within historic areas. Historic properties outside of historic districts are given third consideration and a 10 percent price preference.

Further refinement of GSA's space acquisition policy under consideration will reconcile the goals of E.O. 13006, promoting historic buildings and districts; E.O. 12072, promoting urban central business area location; and the Rural Development Act, promoting relocation to rural areas to encourage economic development in depopulating regions. GSA's 2004 GSAR update eliminated the historic building price preference in space acquisitions within towns and cities below the Office of Management and Budget metropolitan population threshold of 50,000. This apparent conflict between urban and rural economic development goals may be resolved by supporting the broader National Historic Preservation Act (NHPA) mandate to give first consideration to historic property by applying the historic building preference to any space acquisition in which locating in historic property is an option. Taking application of the 13006 locational hierarchy a step further to support reuse of historic buildings *and* town *or* city center infrastructure reconciles the economic development and preservation goals of E.O. 12072, the Rural Development Act and E.O. 13006 which supports National Environmental Policy Act and Energy Policy Act conservation goals.

TURN AROUND SUCCESSES

By focusing on GSA's most significant assets and regular progress tracking, the *Legacy Vision* is helping to put valuable heritage property back in the black while supporting GSA's restructuring and core assets initiatives to achieve a financially sustainable inventory.

Targeted turnaround efforts have enabled GSA to keep important historic buildings occupied and viable. Icon buildings on the road to financial recovery include three exceptionally significant legacy buildings. Egress improvements in New Orleans, Louisiana, will enable vacant space on the building's fourth floor to be occupied. Accessibility improvements in Portland, Maine, will enable current tenants to remain in the building. Lobby restoration in Port Huron, Michigan, enabled the region to secure a long-term occupancy agreement from the courts while restoring inappropriately altered historic spaces.

Security and functional needs threatening continued occupancy of the James A. Walsh U.S. Courthouse in Tucson, Arizona, have been addressed through a series of modest investments combining outlease and Federal Building Fund revenues to secure a stable tenant in the bankruptcy courts. Recognized in a 2008 Governor's Heritage Preservation Honor award, the project restored the building's inappropriately altered courtroom and exterior during the course of rehabilitation, uncovering skylights and replacing 1950s aluminum windows with replicas of the 1928 originals, engineered to meet current blast resistance requirements.

Three architecturally exceptional buildings facing occupancy-related performance challenges are the subject of focused reuse studies and intensive marketing efforts. GSA's Pacific Rim regional office has undertaken a series studies to explore reuse options for the architecturally distinguished Federal Building at 50 United Nations Plaza in San Francisco's National Historic Landmark Civic Center District. One option under consideration is relocation of GSA's regional headquarters office to the classical revival icon. GSA's New England regional office is exploring rehabilitation options to assist in making the 1836 National Historic Landmark U.S. Custom House in New Bedford, Massachusetts, occupiable as quickly and affordably as possible. At the Alexander Hamilton U.S. Custom House in New York City, aggressive marketing efforts will substantially reduced the building's non-revenue producing space and hold promise for full occupancy in the near future.

INTEGRATING IDENTIFICATION, REINVESTMENT AND DESIGN: GSA'S MODERNISM INITIATIVE

Over a nearly 10 year period, GSA has substantially completed its work to identify and generate a greater understanding and appreciation of its Modern Era assets. The effort included the publication of "Growth Efficiency and Modernism: GSA Buildings of the 1950s, 60s and 70s," which includes a National Register Eligibility Assessment tool. This led to the development of a three-tiered approach and refinement of the reinvestment process for buildings undergoing major modernization to ensure that changes to potentially eligible properties are sympathetic with each building's original design intent and do no harm to character-defining features. GSA also developed a Modern Era Building Database and produced a set of posters and brochures in 2007 featuring some of our best Modern Era buildings. GSA continues to present on the topic at major preservation and architecture conferences and has posted all materials online. GSA continues to assess building eligibility and with strong support and commendation of the DC Historic Preservation Review Board, nominated the U.S. Tax Court and the HUD Headquarters to the National Register of Historic Places. The buildings were listed in September 2008 for exceptional significance as outstanding examples of the "Guiding Principles for Federal

Architecture” and for their architectural design merit. A nomination for the Chicago Federal Center is pending review by The Keeper of the National Register.

ⁱ GSA has discretionary authority over repairs costing under \$2.7 million dollars. Repairs and alterations costing over \$2.7 million dollars require Congressional approval and line item approval of each project’s major components. Projects are funded through the Federal Building Fund, a revolving fund established in 1959 using newly mandated market-based rents, making Federal agencies accountable for the costs of all workspace they occupy.

ⁱⁱ Appropriated funding for recurring repairs and alterations below the prospectus threshold (BA 54), multiplied by a factor of 25%, representing the proportion of the national inventory that historic buildings make up in gross floor area

ⁱⁱⁱ Leases identified by available STAR data and a survey of Regional Realty Specialists, reported in “GSA Historic Building Leasing,” GSA Historic Buildings and the Arts, June 2000; updated in 2007 using current STAR data.