

Greenbelt City Council Work Session

**Update from Garth Beall
Greenbelt Station**

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COMMERCIAL REAL ESTATE

New F.B.I. Headquarters Enters the Bidding Phase

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Square Feet

By EUGENE L. MEYER

WASHINGTON — Small guys need not have applied. And even larger ones may not have been inclined.

But for those big enough and brave enough, the ultimate reward was sufficient for several major developers to submit bids on Tuesday to construct a new 2.1-million-square-foot F.B.I. headquarters for 11,000 employees in return for the right to tear down the aging J. Edgar Hoover Building and redevelop its prime real estate on Pennsylvania Avenue.

And, even then, the deep-pocketed developer selected will not get the downtown site, much less see a return on its investment, for about a decade or more.

Nonetheless, the protracted process generated frenzied activity in recent days and weeks as developers scrambled to assemble teams with the resources and ability to do the job. They hoped their bids would lead to yet another and final round of competition, as the government chooses developers to submit specific proposals late this year.

The steep financial requirements, including a minimum \$1 billion in liquid assets “not committed to other projects” or a similar line of credit, were expected to limit the number of bidders.

The project would consolidate F.B.I. operations now scattered beyond the 41-year-old headquarters building in 20 leased locations throughout the Washington metropolitan area, with total annual rentals of \$150 million. The 2.4-million-square-foot Hoover building houses 52 percent of headquarters staff, according to the General Services Administration, the government’s landlord.

The G.S.A. declined to confirm the number of proposals received, saying the information was “procurement sensitive.” From those who submitted bids on Tuesday, the agency is to select up to five to make detailed cost proposals on one or more of three sites: two in Maryland, in Greenbelt and Landover, and one in Springfield, Va. All three sites fulfill the government’s requirement that the replacement for the Hoover building, home to the F.B.I. since 1974, be close to the Capital Beltway and Metro commuter rail stations.

Final sites were chosen from some three dozen suggested locations and announced last summer. G.S.A. is expected to name the developer and the site in mid-2016.

But not until the new headquarters is finished, perhaps in 2023, will the government hand over the downtown tract. Such a long lead time will require a large upfront outlay before the swap can occur, the old building be torn down and redevelopment occur on its 6.7 acres.

This delayed return on investment makes the enterprise attractive only to developers in no rush to cash in. Even then, by some estimates, the redevelopment will recoup only 30 to 40 percent of the F.B.I. facility investment, probably resulting in the government’s leasing back of the new facility for a while. William Dowd, the General Services Administration’s project executive, said arrangements would be made “to make the developer whole.”

“Little guys need not apply,” noted David S. Iannucci, senior economic development adviser to Rushern L. Baker III, the county executive of Prince George’s County, where the two Maryland sites are. Some “big guys” are also passing up the opportunity to bid.

Donald J. Trump, whose company is undertaking a \$200 million conversion of the Old Post Office into a luxury hotel a block away on Pennsylvania Avenue, had expressed interest but nothing more. “It’s a great location, a fabulous location, as I’ve proven. Whoever does it will be quite successful,” Mr. Trump said. “But our focus is totally on the Old Post Office.”

Among those who submitted bids was a team led by Theodore N. Lerner, owner of the Washington Nationals baseball team and a major shopping center and office developer in the Washington area whose net worth, according to Forbes, is \$4.7 billion. Lerner Enterprises’ primary partner is Silverstein Properties, developer of

the three private towers at the World Trade Center. The Lerner team also includes Tishman Construction and Clark Construction.

Mr. Lerner owns one of the two sites in Maryland. It was Landover Mall, which he built in 1972; its 80 acres are now cleared for new development. However, the G.S.A. said site owners would get no special treatment in the selection process. "There is no assurance" owning one of the sites will get him the F.B.I. contract, Mr. Lerner acknowledged.

The G.S.A. owns the Springfield site, where seven federal agencies are housed in a warehouse building and, it has been widely reported, there is also a secret and highly secure facility of the Central Intelligence Agency. "I can't comment on that," said Mr. Dowd, the G.S.A. executive, except to say, "There are tenants there that will need to be accommodated elsewhere."

Some have estimated relocation costs to the developer to be \$500 million to \$800 million. Garth E. Beall, a development lawyer associated with the Greenbelt site, said the relocation costs made Springfield "completely uneconomical." He said he had spoken with six development teams. "I asked if they are interested in Springfield. They all said there is no site there."

In addition to the \$1 billion minimum financial capability, those "with significantly more resources will be evaluated more favorably," the government's request-for-proposal documents said. Bidders were also required to have completed at least three office buildings of 500,000 square feet each in the last 10 years. "The more the portfolio demonstrates that the developer has the capacity and experience to coordinate and develop the project," the better, the request stated.

The G.S.A.'s process leading to this preliminary point has been long and arduous. In January 2013, the agency held an "industry day" on the project. It was attended by about 450 industry representatives, a record number for such a gathering.

The announcement of the project set off intense lobbying campaigns by the competing states and the District of Columbia to secure the coveted site. After the three final sites were announced, public hearings were held on each. An environmental-impact statement on all three is expected to be released in May, at which time the G.S.A. will also issue its formal request for proposals for what it calls Phase 2, the last leg of the process leading to the ultimate award.

The government says it wants the new facility to “endow the workplace with a unique familiarity, character, image and identity or ‘sense of place’ that will enable and convey a sense of pride, purpose and dedication in both the individual and the workplace community.” It calls for a “progressive workplace environment” that will “promote agility, flexibility, collaboration, communication, well-being and productivity.”

That the government will be asking developers to make detailed proposals on up to three sites instead of just one is part of its “procurement strategy,” Mr. Dowd said. “This is the most cost-effective, economical way to go. There is no benefit to us to reduce the range of options by narrowing down the sites to only one at this point. We will give them clear guidance in the second phase request for proposals on how they’ll be evaluated and what the rules will be.”

Boston Properties, a real estate investment trust with a strong presence in Washington, Boston, San Francisco and New York, confirmed that it had entered the competition, with a team that includes Hensel Phelps Construction; Gensler, an architect and design firm; and Weidlinger Associates, structural engineers.

The Peterson Companies, developers of the \$4 billion National Harbor project on the Potomac River south of Washington, also threw “our hat in for consideration,” said Jon Peterson, senior vice president for development. He declined to name the company’s partners. “We’ve just been trying to put together the best team we can,” Mr. Peterson said.

Akridge, a major Washington developer of commercial real estate, chose not to compete. Matthew J. Klein, Akridge president, said the decision involved a “cost-benefit analysis.”

“These processes are really incredibly labor-intensive,” Mr. Klein added. “The F.B.I. is a complex user that has a lot of unique needs. The best comment I can make is it reflects the complexity of big procurement.”

But Raymond A. Ritchey, executive vice president of Boston Properties, said, “It is a process appropriate for the level of sophistication and challenges associated with the assignment.”

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Digger

Inside the battle for Washington's biggest real estate prize: the Hoover Building

By Jonathan O'Connell February 12 at 7:00 AM

Until now, the public tug-of-war over the FBI and its headquarters has been over where the agency will relocate. Will it go to Prince George's County, giving an economic boost to either Greenbelt or Landover? Or to Springfield, creating a new federal enclave of 11,000 employees?

On Tuesday, the opening bell rang on a related competition, this one for a half-a-billion-dollar prize: the J. Edgar Hoover Building on Pennsylvania Avenue.

The property beneath aging building— nearly 6.7 acres in the booming Penn Quarter neighborhood — represents one of the most valuable development opportunities ever to become available in downtown Washington.

There is a wide spectrum of estimates about how much the Hoover Building may be worth, in part because the property has not yet been re-zoned for buildings to replace it. The D.C. government assesses the complex at \$652 million. Private

sector real estate officials estimate that it could fetch between \$300 million and \$1 billion in a sale.

Strapped for construction money to build new projects, the General Services Administration, which manages real estate for the federal government, proposed trading away the Hoover Building to pay for most or all of a suburban headquarters for the FBI. The GSA has not chosen a site yet, but told interested developers that it hoped to build the new headquarters on one of three properties, in Greenbelt, Landover or Springfield. It asked interested firms to make an offer.

Citing procurement rules, GSA officials say they would not disclose which companies submitted bids by the Tuesday deadline.

But according to developers, investors, architects and general contractors that have joined teams bidding for the work, the competition likely includes about a half dozen teams and will be a largely homegrown affair, with some of Washington's biggest name firms in real estate lining up to take their best shot at the Hoover Building prize.

Members of five development teams confirmed their submissions. One is led by Theodore D. Lerner, owner of the Washington Nationals and founder of Lerner Enterprises, which built much of Tysons Corner. Lerner partnered with Silverstein Properties, of New York, the main private developer behind the newly rebuilt World Trade Center complex.

The bid gives Lerner two potential stakes in the FBI headquarters decision. It could be named developer of the new headquarters, giving the company control of the Hoover Building in return. It also owns one of the three sites being considered, the former Landover Mall property in Prince George's County.

Members of teams led by Boston Properties, the JBG Cos., Hines Interests and the Peterson Cos. also confirmed their bids. Boston Properties and Hines Interests, while not headquartered locally, are two of the biggest developers of offices in Washington. JBG, based in Chevy Chase, has the largest Washington real estate portfolio. Peterson, based in Fairfax, is developer of the Fair Lakes area of Fairfax County and National Harbor, the waterfront complex in Prince George's County.

The process for completing the swap is as complicated as it is competitive. GSA officials have preserved the right to choose whatever combination of site and developer that provides the best return to taxpayers and the best facilities for the agency. Developers, in turn, are free to propose building a new FBI complex on any or all of the three sites.

Lerner and Silverstein, for instance, may propose building a new FBI complex at Greenbelt even though Lerner has been lobbying county and state officials to bring the FBI to Landover. Garth Beall, an attorney that has been preparing the Greenbelt site for the FBI, said he fully expected the Lerner team to submit a Greenbelt proposal.

"There's no question in my mind that they will," he said. An official with Lerner declined to comment.

Even if it takes years for the GSA to make a decision, the competition is already providing a shot in the arm to local architects, engineers and designers who are preparing bids. For instance the architecture firm Gensler, with offices on K Street, is on multiple teams, a company spokeswoman confirmed.

But there are numerous hurdles for the GSA to get the new headquarters built, among them cost concerns and skepticism from some corners of Capitol Hill that a swap should be used to complete such a huge project.

Some of the entrants suggested that the Springfield site, which is still home to a classified CIA facility that may need to be relocated and in need of major transportation improvements, might not receive many bids.

"I think Springfield is there for political optics," said one entrant who spoke anonymously because of agreements with his partners.

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Jonathan O'Connell has covered land use and development in the Washington area for more than five years.