PROSPECTUS – BUILDING ACQUISITION
AMERICAN RED CROSS BUILDING PURCHASE
2025 E STREET, NW
WASHINGTON, DC

Prospectus Number: PDC-DCRC-WA16

FY2016 Project Summary

The General Services Administration (GSA) proposes the acquisition of the American Red Cross (ARC) Building located at 2025 E Street NW, Washington, DC in support of current and future operations for the U.S. Department of State (DOS) and potentially other Federal agencies. The American Red Cross facility is located on Federal land under a ground lease agreement. GSA currently leases nine floors, or 347,000 rsf of the building on behalf of the DOS under a lease that expires on June 30, 2020. The ARC occupies the balance of the building and ARC has indicated that they are planning to move and convey the building for a fair market value price of $315,500,000. The DOS is interested in occupying the balance of the building and has agreed to contribute approximately one-half of the purchase price or $155,500,000.

FY2016 Committee Approval Requested

(Building Acquisition).....$315,500,000

FY2016 Committee Appropriation Requested

(Building Acquisition).....$160,000,000*

* The DOS has agreed to provide the balance of the funds needed to purchase the building.

Building

The ARC Building is situated on approximately two acres of federal land under the administrative control and jurisdiction of GSA and provides 808,000 gross square feet/540,000 rentable square feet of Class A office space. The building has a total of 12 stories of office space, 2 of which are located below grade and approximately 400 parking spaces on two below-grade levels.

Built in 2002, the building, which serves as the national headquarters for ARC, is located in the west end of downtown Washington, DC on the north side of Constitution Avenue facing the National Mall, amidst many prominent federal properties including the Stewart Lee Udall (Interior), Harry S. Truman (State), Theodore Roosevelt (OPM), U.S. General Services Administration buildings. The building is in Foggy Bottom sub-market and is in close proximity to DOS' Main Headquarters Building

PROSPECTUS – BUILDING ACQUISITION
AMERICAN RED CROSS BUILDING PURCHASE
2025 E STREET, NW
WASHINGTON, DC

Prospectus Number: PDC-DCRC-WA16

Project Budget

Building Acquisition.....$315,500,000
Estimated Total Project Cost (ETPC)*.....$315,500,000

*Tenant agencies may fund an additional amount for tenant improvements above the standard normally provided by GSA.

Schedule	Start	End
Building Acquisition	FY2016	FY2016

Overview of Project

This project consists of the acquisition of the 12 story 808,500 gross-square-foot building and excludes acquisition of the building's site as it is already government-owned. The building will continue to house DOS functions currently in the building and provides the opportunity to consolidate other State functions that are currently housed in leased locations. The building is in good condition with well-maintained systems that are in good operating order with no major operating issues or concerns. The agreed upon acquisition cost of $315,500,000 will be split funded by GSA and DOS.

Tenant Agencies

U.S. Department of State (DOS)

Justification

DOS portfolio is currently facing a series of challenges as a result of recent world events that have impacted their mission and real estate and economic conditions, including a shortage of space near the Main State Building. DOS needs a long term plan in which high rental rate costs can be controlled with long term real estate strategies. DOS' organizational structure and required adjacencies – Key offices and personnel require close proximity to the Secretariat, Regional and Functional bureaus.

GSA has the opportunity to execute the purchase of a quality Class A property located in a highly desirable area, at a very competitive market price. The building is ideally located for DOS given its proximity to DOS headquarters and DOS's desire to locate in the area and consolidate its operations. GSA currently leases 1,843,038 square feet of space in the Foggy Bottom submarket, of which 824,000 square feet of space has been leased for the occupancy and use of the State Department. If the purchase is executed as proposed, the Federal government would eliminate $12 million in annual private sector lease costs. Purchase at this juncture would allow for GSA and DOS to avoid lease re-competitions for subject space with expiration of the current lease term in June 2020.

PROSPECTUS – BUILDING ACQUISITION
AMERICAN RED CROSS BUILDING PURCHASE
2025 E STREET, NW
WASHINGTON, DC

Prospectus Number: PDC-DCRC-WA16

Prior Appropriations

None

Prior Committee Approvals

None

Alternatives Considered (30-year Present Value Costs)

Lease	$607,806,000
New Construction	$653,892,000
Purchase	$485,031,000

The 30-year, present value cost of purchase is $122,776,000 less than the cost of leasing with an equivalent annual cost advantage of $7,014,000.

Recommendation

ACQUISITION

PROSPECTUS – BUILDING ACQUISITION
AMERICAN RED CROSS BUILDING PURCHASE
2025 E STREET, NW
WASHINGTON, DC

Prospectus Number: PDC-DCRC-WA16

Certification of Need

The proposed project is the best solution to meet a validated Government need.

Submitted at Washington, DC, on February 2, 2015

Recommended: _____
Commissioner, Public Buildings Service

Approved: _____
Administrator, General Services Administration