



## CITY OF PORTSMOUTH

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Municipal Complex  
1 Junkins Avenue  
Portsmouth, New Hampshire 03801  
(603) 431-2000

### CITY COUNCIL WORK SESSION

### MCINTYRE FEDERAL BUILDING

MARCH 31, 2014

- **5:30PM: SITE WALK OF EXTERIOR OF THOMAS J. MCINTYRE FEDERAL BUILDING**
- **6:30 PM: WORK SESSION IN CITY HALL-EILEEN DONDERO FOLEY COUNCIL CHAMBERS**

## AGENDA

- I. Introduction of representatives of the offices of Senators Shaheen and Ayotte, and Representative Carol Shea-Porter, General Services Administration (GSA), City Councilors and staff
- II. GSA Response to February 25, 2014 letter from Mayor Lister to Congressional delegation
- III. Discussion of information requested in March 10, 2014 Letter from Congressional Delegation to GSA
- IV. GSA Presentation on Federal Urban Development/Good Neighbor Program
- V. Next Steps



## CITY OF PORTSMOUTH

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Municipal Complex  
1 Junkins Avenue  
Portsmouth, New Hampshire 03801  
(603) 610-7200  
Fax (603) 427-1526

Robert J. Lister  
Mayor

February 25, 2014

The Honorable Jeanne Shaheen  
U.S. Senator  
1589 Elm Street, Suite 3  
Manchester, NH 03101

Dear Senator Shaheen:

As you are aware, on February 18, 2014, the Portsmouth City Council, representatives of the General Services Administration (GSA) and Congressional Delegation met at City Hall to discuss the status of the federal McIntyre Building in downtown Portsmouth.

First, I wish to thank you for the attention your respective staff have paid to this issue and for their participation in the work session. Although the work session served as a starting point to discuss future utilization of the federal building, many City Councilors and others left the meeting frustrated by the inability of the GSA to provide an adequate explanation as to why the federal tenants cannot move to the property secured at Pease International Tradeport as outlined in the 2004 legislation.

Therefore, I am requesting your personal intervention in asking the GSA to provide the City Council with a written explanation clarifying exactly why the GSA is not able to comply with the original legislation mandating the move and the subsequent transfer of the downtown McIntyre property to the City.

Finally, please note that the February 24, 2014 work session is continued to March 31, 2014 at 6:30 PM and it we would very much appreciate having a response to this request prior to that meeting. For your information, I have attached a copy of an editorial that ran in the February 24, 2014 *Portsmouth Herald* on the work session.

Thank you. I look forward to your response.

Sincerely,



Robert J. Lister  
Mayor

c.: Sarah Holmes, Office of Senator Shaheen  
Bud Fitch, Office of Senator Ayotte  
Josh Denton, Office of Representative Shea-Porter  
Portsmouth City Council Members  
John P. Bohenko, City Manager



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Fax (603) 427-1526

Robert J. Lister  
Mayor

February 25, 2014

The Honorable Kelly Ayotte  
U.S. Senator  
41 Hooksett Road, Unit 2  
Manchester, NH 03801

Dear Senator Ayotte:

As you are aware, on February 18, 2014, the Portsmouth City Council, representatives of the General Services Administration (GSA) and Congressional Delegation met at City Hall to discuss the status of the federal McIntyre Building in downtown Portsmouth.

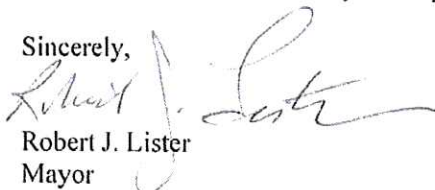
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Robert J. Lister  
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c.: Sarah Holmes, Office of Senator Shaheen  
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Portsmouth City Council Members  
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(603) 610-7200  
Fax (603) 427-1526

Robert J. Lister  
Mayor

February 25, 2014

The Honorable Carol Shea-Porter  
Congresswoman, First Congressional District  
P.O. Box 453  
Rochester, NH 03867

Dear Congresswoman Shea-Porter:

As you are aware, on February 18, 2014, the Portsmouth City Council, representatives of the General Services Administration (GSA) and Congressional Delegation met at City Hall to discuss the status of the federal McIntyre Building in downtown Portsmouth.


First, I wish to thank you for the attention your respective staff have paid to this issue and for their participation in the work session. Although the work session served as a starting point to discuss future utilization of the federal building, many City Councilors and others left the meeting frustrated by the inability of the GSA to provide an adequate explanation as to why the federal tenants cannot move to the property secured at Pease International Tradeport as outlined in the 2004 legislation.

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Thank you. I look forward to your response.

Sincerely,



Robert J. Lister  
Mayor

c.: Sarah Holmes, Office of Senator Shaheen  
Bud Fitch, Office of Senator Ayotte  
Josh Denton, Office of Representative Shea-Porter  
Portsmouth City Council Members  
John P. Bohenko, City Manager





GSA New England Region

Corrected Copy

March 27, 2014

The Honorable Robert J. Lister  
Mayor of Portsmouth, New Hampshire  
Municipal Complex  
1 Junkins Avenue  
Portsmouth, New Hampshire 03801

Dear Mayor Lister:

I am writing in response to your recent letter requesting a written explanation of the General Services Administration's (GSA) decision not to construct a new federal building at the Pease International Tradeport (Pease) and not to vacate the McIntyre Federal Building (McIntyre).

GSA was established pursuant to the Federal Property & Administrative Services Act of 1949, in part, to gain efficiencies in our real estate program. Federal agencies pay GSA rent and those rents go into a fund for the upkeep and maintenance of federal buildings. In most circumstances, GSA charges rent to federal agencies that reflect local market conditions. However, when market rents are insufficient to cover the costs of ownership, federal rents are set at a rate necessary to fully cover these costs. That would be the very circumstance to be addressed if GSA were to undertake new construction at Pease. The projected cost of that new construction is estimated to be in excess of \$20 million. Based on that, rental rates at Pease would be approximately \$35 per rentable square foot (rsf). In contrast, current rents at the McIntyre range from \$15.11 to \$18.75/rsf. This is commensurate with rents for comparable space in the Portsmouth area.

Under law and long established policy, federal agencies determine how to expend their own budgets as well as where to locate in order to accomplish their mission. GSA has no authority to require a federal agency to maintain an office in any particular city and has only limited authority to direct a federal agency to occupy federal space in a city where it does maintain an office. Faced with a substantial rent increase at a new Pease facility, agencies have elected to consolidate operations into other existing locations rather than incur higher costs in Portsmouth. Subsequent to the 2004 legislation, four of the agencies housed at the McIntyre did just that: US Navy, Office of Personnel Management, Fish and Wildlife Service and the Department of Defense. Following their departure, space in the McIntyre was reconfigured to accommodate the needs of the

U.S. General Services  
Administration  
Thomas P. O'Neill, Jr. Federal  
Building  
10 Causeway Street  
Boston, MA 02222  
[www.gsa.gov](http://www.gsa.gov)

remaining agencies. An additional two, the US Postal Service and the Small Business Administration, also determined that the Pease location did not satisfy the needs of their missions. Consequently, none of these agencies committed to move their offices to Pease.

Consistent with long standing federal policy, GSA developed a comparative analysis of a thirty (30) year net present value cost of new construction as contrasted with the cost of remaining in the McIntyre. In making that calculation, GSA did not consider the value of either land acquisition at Pease or the funds invested in the design of a new facility at that location. Also excluded from the calculation was the value of the McIntyre. Even with those exclusions, this analysis revealed that the Government will realize a net present value savings of almost \$10 million by remaining at the McIntyre. This savings is in addition to the \$20 million of construction costs noted above. Therefore, renovation of that facility is clearly the most economically viable means of satisfying federal tenant needs in Portsmouth.

The 2004 legislation contemplated construction of a 98,000-square-foot structure at Pease. However, as discussed above, multiple agencies declined to relocate there, and in 2007 GSA sought and obtained Congressional permission to construct, instead, a 60,000 square foot facility and retained an architect to design that structure. Subsequently, as a result of continued fluctuations in tenant agency interest in relocating to Pease, the space requirement for that facility has been further reduced and today is approximately 42,000 square feet. Because GSA does not have current tenant requirement in the Portsmouth area for 60,000 rsf of space at Pease, we would be constructing a building with approximately 25-percent vacancy. In contrast, the McIntyre is currently 95-percent occupied. Furthermore, GSA has limited authority to rent excess space to non-federal entities, and little expectation that a private entity would entertain paying \$35/rsf to locate in a new federal building at Pease. Except with regard to the Post Office, the 2004 legislation was premised on all of the McIntyre tenants relocating to a new facility at Pease. GSA does not build "spec buildings" in anticipation of meeting future needs, or in the hope that federal agencies will elect to locate there. This analysis has led GSA to conclude that it would be irresponsible to proceed with construction absent reasonable assurance that a new facility at Pease would be fully occupied and indeed, GSA has reasonable certainty that it would not.

In order to address deferred maintenance on major building systems, GSA plans to undertake both exterior and mechanical systems upgrades at the McIntyre which can be accomplished over a number of years. The estimated cost for this work is in the range of \$15 million. This cost was included in our 30-year net present value calculation discussed above. As a matter of policy, GSA bears the cost of such maintenance; i.e., such costs are not amortized into rent. A goal of these efforts is to assure that the McIntyre property is better integrated into its neighborhood as well as the overall fabric of the City. Therefore, GSA is committed to including the City, both its leadership and neighborhood residents, in the planning for the renovation of the McIntyre.

The 2004 legislation that earmarked the disposal of the McIntyre is not a mandate to do so; rather it is a conditional authorization and directive premised on the prior satisfaction of specific conditions, one of which is that the federal tenants in the McIntyre be relocated to the new facility. That pre-requisite cannot be satisfied. To construct that facility under these circumstances would clearly not be in the best interest of any taxpayer, local or national. For these reasons GSA has determined not to build a new facility at Pease.

GSA acknowledges the observations and concerns of the community regarding the McIntyre and looks forward to working with you and your constituents to assure that the planned renovations produce a facility that is better incorporated into the City and its neighborhood.

Sincerely,

A handwritten signature in black ink, appearing to read 'RZ', with a horizontal line extending to the right.

Robert Zarnetske  
Regional Administrator

cc: Portsmouth City Council Members, c/o John P. Bohenko, City Manager

**Congress of the United States**  
Washington, DC 20510

March 10, 2014

Daniel Tangherlini, Administrator  
General Services Administration  
1800 F St. NW  
Washington, DC 20405

Dear Administrator Tangherlini:

We write regarding the General Services Administration's Thomas J. McIntyre Federal Building, located in the City of Portsmouth, NH. A federal law enacted in 2004 conditionally directed the GSA to construct a new federal facility at the Pease International Tradeport and to convey the McIntyre property to the City of Portsmouth once federal agencies relocated to the new building at Pease. As you are aware, GSA has since determined that it is unable to meet the conditions required by law to complete these projects and transactions.

While we appreciate GSA's ongoing efforts to keep city officials and our offices informed regarding this matter, we believe the federal government should provide a more detailed, written account of why it cannot carry out the federal law related to the McIntyre Building. Specifically we request that GSA provide the Portsmouth City Council with written answers to the following questions in advance of their meeting with Regional Administrator Zarnetske on March 31.

- What is the current projected cost of constructing a new facility at Pease?
- What is the current projected cost of renovating the McIntyre Building?
- What rental rates does GSA predict it would charge at a new facility at Pease and how do those rates compare with the rent currently charged to agencies at the McIntyre Building?
- If GSA were to renovate the McIntyre Building, what rents would it charge federal agencies for space in the upgraded facility?
- Which specific federal agencies have been unwilling to commit to move to a facility at Pease? When was the last time GSA contacted these agencies to assess their willingness to relocate?
- If federal agencies would not move to a newly constructed facility at Pease, is GSA authorized to rent excess space to other entities?

The citizens of Portsmouth and their elected representatives deserve a comprehensive explanation from GSA of the agency's efforts to comply with federal law regarding the McIntyre Building. Thank you for your attention to this important matter.



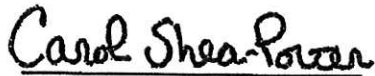
Sincerely,



Jeanne Shaheen  
United States Senator



Kelly Ayotte  
United States Senator



Carol Shea-Porter  
Member of Congress

CC:  
Mr. Robert Zarnetske - Regional  
Administrator,  
GSA New England Region  
10 Causeway Street, Room #1008  
Boston, MA 02222

potential for Government-wide benefits and savings, may be repaid to this Fund from any savings actually incurred by these projects or other funding, to the extent feasible.

SEC. 407. From funds made available under the heading "Federal Buildings Fund, Limitations on Availability of Revenue", claims against the Government of less than \$250,000 arising from direct construction projects and acquisition of buildings may be liquidated from savings effected in other construction projects with prior notification to the Committees on Appropriations.

\* New Hampshire.

SEC. 408. (a) Notwithstanding any other provision of law, the Administrator of General Services is authorized to acquire, under such terms and conditions as he deems to be in the interests of the United States, approximately 27 acres of land, identified as Site 7 and located at 234 Corporate Drive, Pease International Tradeport, Portsmouth, NH 03801, as a site for the public building needs of the Federal Government, and to design and construct upon the site a new Federal Office Building of approximately 93,000 gross square feet: *Provided*, That the Administrator shall not acquire any property under this subsection until the Administrator determines that the property is in compliance with applicable environmental laws, and that the property is suitable and available for use as a site to house the Federal agencies presently located in the Thomas J. McIntyre Federal Building.

(b) For the site acquisition, design, construction, and relocation, \$11,149,000 shall be available from funds previously provided under the heading "General Services Administration, Real Property Activities, Federal Buildings Fund" in Public Law 108-7 for repairs and alterations to the Thomas J. McIntyre Federal Building in Portsmouth, New Hampshire, which was included in the plan for expenditure of repairs and alterations funds as required by accompanying House Report No. 103-10.

(c) For any additional costs of construction, management and inspection of the new facility to house the Federal agencies relocated from the McIntyre Federal Office Building, and for the costs of relocating the Federal agencies occupying the McIntyre Federal Office Building, \$13,669,000 shall be deposited into the Federal Buildings Fund (40 U.S.C. 592) from the general fund; which amount, together with the amount set forth in subsection (b) of this section shall remain available until expended and shall be subject to such escalation and reprogramming authorities available to the Administrator for any other new construction projects under the heading "Federal Building Fund Limitations on Availability of Revenue".

(d) The Administrator is authorized and directed to convey, without consideration, the Thomas J. McIntyre Federal Office Building to the City of Portsmouth, New Hampshire for economic development purposes subject to the following conditions: (i) that all Federal agencies currently occupying the McIntyre Building except the United States Postal Service are completely relocated to the new Federal Building for so long as those agencies have continuing mission needs for that new location; (ii) that the requirements of the McKinney-Vento Homeless Assistance Act (42 U.S.C. 11411 et seq.) shall not apply to this conveyance; and (iii) that the Administrator may include in the conveyance documents such terms and conditions as the Administrator determines in the best interest of the United States.