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Good morning. I'll tell you that I had trouble sleeping last night. I had slide envy. I don't have any slides for you this morning and it was really troubling me. But a month or two ago when we talked about this, I thought, well, it's 8:00 in the morning, most of you won't show up, and I wasn't sure that I would. And if you did, you wouldn't want to see slides. But we could be creative. There's a building on this side and there's space over here. It will come in handy.

I want to make my comments somewhat informal. And my focus today is going to be primarily directed at the field office representatives because I think it's really important that we talk about some key things. And a lot of this stuff is common sense. It really is.

I had my best urban training and center city training growing up in New York City. And I really didn't get to appreciate it until I left New York City in 1971 and moved down to Miami. And low and behold, I learned something about places and people. Being in downtown Miami in 1971-72, and even to this day, to a great extent is a very lonely experience. I had an opportunity to go back to New York, and happened to be out in Greenwich Village with a couple of friends. It didn't dawn on me until about 1:30 in the morning that I was still out walking (I won't tell you how old I was because we shouldn't have been there, but we were) and I realized how safe I felt. And there were people walking all around the Village. And couples, not just packs of folks, but there were couples old and young, groups of men, groups of women, people enjoying the nightlife. And I said, boy, I feel so safe here, and seemed to stay there for many hours more. And it dawned on me very quickly that there was a correlation between people, movement, activity and feeling safe, the perception of safety, and conversely no life, no activity, poor lighting, which all of those things that downtown Miami had at the time, and the perception of feeling unsafe.



So at 14-years-old, it was kind of an interesting lesson to learn and it had a powerful effect as I moved forward and went into local government, which is how I started my professional career back in the early '80's. I started in metro Dade County, I think arguably, one of the most professionally run local jurisdictions in the United States. And I'm talking about professionally run from top to bottom. It was chartered on a council-management form of a government model. At that time, it was one of the largest council-management units of government in the United States.

How many of you know what council-management form of government is? Very few of you. A very simple quick civics lesson here. You essentially have a couple models of local government. One we're most familiar with is a strong mayor, a strong chief executive, elected legislative body and the administration of the local government, which is typically appointed by and sometimes confirmed by the council, but appointed by the mayor. And that leads to some very strange dynamics. That leads to my cousin being the planning director and my brother-in-law being the police chief and my finance chair being the finance director of the city and so forth. I'd like to think that's gotten better over the years.

There are other hybrid designs, but council-management form in its purest sense is a corporate, board of directors/CEO model. The council-management form model came out of the reform movement in the early 1900's. And it was patterned after a corporation board of directors. You have a board of directors, your legislative body, and your city council who would appoint a chief executive or a city manager (or in the case of a county, a county manager). A charter would typically spell out a set of requirements for the individual who was to be chosen as manager -- level of education, level of experience, years of experience and so forth. So it really put a premium on the merit based system. And then, typically all of the individuals that were appointed by the county manager or city manager also managed a very rigorous, in most cases, merit process. Oftentimes, again, it's spelled out in the city or county charter.

So the point being, that the professionalism of government would aid in moving the government forward, freeing it from corruption perhaps. And we know that in all cases that does not work. But in its purest sense, that was sort of the ideal model. That's the model I grew up with in metro Dade County.

I joined the association for the city management team, the International City Management Association, and was there for six years. So I have a lot of experience in the nonprofit sector. And those of our colleagues here today that are from a nonprofit, I hear and feel your pain in a lot of ways. And then I went back to local government in the northeast in the city of Hartford as deputy city manager, came back to suburban New York in New Rochelle and was fortunate in 1994 to be able to join the federal government. Something I thought I would never do - mostly because of the federal government officials that the local officials had to deal with. They were very insensitive, very unwilling to talk, and were very much in a regulatory mood. They wanted to tell us what to do, but they didn't want to have dialogues with us. It's a very important point and I'll get back to that.

So a lot of information has been covered in the last few days. By the way, I've been having a ball and I trust you have as well. There have been a lot of things that were covered that I either had planned to touch upon in small ways or ask questions about as a big group that have been covered ad nauseam, so there's no point in me even visiting those topics.



So, again, I'll focus my comments primarily to the field office managers. I was thinking in terms of the key challenges that you all face. I have tried to summarize it very briefly based on my observations in the federal government now, and my over five years with local government. And there are so many things that we do well, very, very well.

So I would say to you that one of the important key challenges as you embark upon this wonderful journey of working with communities in trying to build livable communities and promoting and spurring economic growth and development is learning how to build relationships. That's so key and so important. And it begins with my little story about the council-management form of government. It's just a point - again, a little civics lesson here - to give you an illustration of how important it is to understand fundamentally how a local jurisdiction is organized because it makes a great deal of difference as to how you deal with it.

I'm sorry to say that in many locations around the country, particularly in the smaller cities, (and many of you have probably had frustrations dealing with these cities and towns) we have an extreme lack of professionalism. And the scenarios that I described to you about the cousin and the brother-in-law, all of those things were real. It's very unfortunate. There's a town in my region, I won't mention the name, where I had a meeting with the mayor. It was actually a very productive meeting, with a mayor who is actually a very articulate local government spokesperson and had been mayor for almost 20 years. And at the end of the conversation we were talking about some general things that were going on in the community. I just wanted to know how they were doing some things. And the mayor kind of grinned and looked at me and said, "Well, I'm very close to one of the big developers in this town." I said, "Oh, really, that's interesting." The man's name is "Smith." He goes, "Yeah, the developer is a 'Smith'." Okay...Interesting. "And the economic development director, he used to work for 'Smith'. In fact, there's nothing that goes on in this town that I don't know about or am a part of." Now, he was saying this in a very proud, kind of boastful way. He was proud of his town. But, boy, can you imagine the potential conflicts of interest GSA would have in sitting down with that mayor to talk about a location or a site? And to know that in his back pocket are all the developers, which are his relatives in town, and that he's really focused on how to build the "Smith" fortune. He sees the "Smith" fortune and his town's fortune as one and the same.

And that's just a reality of what we're dealing with. So learning how to build relationships with the local officials is going to be very, very important, in addition to learning how to build relationships with the local community.

And a word about some of the other players in town and some other un-scripted comments...

We heard from Betsy Jackson, Elizabeth, from the International Downtown Association. I have known them for a long time and Rich Bradley, I have worked with Rich Bradley. These are wonderful people and they do a lot of good work. But let me give you another point of view shared by many people in the community. Many people, in many of our communities around the country, see business improvement districts or downtown business associations as an attempt by the business community, having lost control of their buildings under various campaign reforms, to have a strong voice. It is an attempt by the business community to serve in elected official positions to build an alternative infrastructure and direct development in the areas, particularly downtowns, where they have a primary interest at the exclusion, quite often, of the rest of the community and the rest of the



neighborhoods. Now, I'm not giving you a point of fact. I'm giving a point of perception that is held very deeply by many people, in many communities.

I said that I had worked in Hartford, Connecticut. Anybody who knows a little bit about Hartford, Connecticut knows that for many years during the '40's, '50's, even into the '60's, there were about six or seven prominent business leaders: Travelers Insurance Company, Aetna, some of the other big firms. These firms literally served as sort of the overseers of the city. Well, something very interesting happened in the city of Hartford, which happened in cities all over the country, a demographic exchange. Members of the community began to do what we talked much about over the last couple of days, which is move out to the suburbs. The center of power moved to the outer Hartford suburban ring, leaving certainly the very strong and powerful economic base in the city of Hartford. Eighty percent of the tax revenues that are generated in Hartford come from the corporation tax, so there is a heavy dependence on the corporations and we all know Hartford to be a big insurance town. United Technologies is also there, a very big corporate presence. And guess what? Very few of their employees live in Hartford anymore. Upwardly mobile, employees of these companies became successful and they bought homes in West Hartford, Simsbury, Glastonbury and so forth...Wethersfield, et cetera. What happened?

Now if we fast forward to the early '90's, about two-thirds of the city are minorities. Candidates for office started to emerge from very different parts of the community. In many ways, you could say very good grass roots efforts, different orientations, different backgrounds, and a lot of community activists changed the total dynamics in the city, in terms of the power structure. And it was a very predictable move. Again, I'm leaving out a lot of details for the interest of time. But around 1992, guess what happened. They created business improvement districts. Two downtown business associations, both large and small: The Hartford Downtown Business Association for the small businesses (what was left of mom and pop down in downtown Hartford) and the Downtown Business Association, which was for the bigger corporations. And certainly the Chamber of Commerce was a big player in all of those. And the feeling in the community was, exactly what I talked about: here are these predominantly big corporate interests, which have no influence over the council anymore, and really can't scare up anybody in terms of votes because their employees don't live in the city anymore. And here is a mechanism, a vehicle to direct some resources into the downtown area.

Some interesting things happen when community leadership changes. The emphasis is on downtown. Again it's almost a predictable pattern. For many years the emphasis in many core cities was to make downtowns safe, clean, productive, vibrant, and energetic. A new council comes in: let's concentrate on the neighborhoods; let's concentrate on increasing social service delivery; let's concentrate on some of the new ills. New councils with a very different point of view, moved to de-invest in downtowns, if you will - stop funding downtown festivals - questioning what good they did for the neighborhoods. This created an incredible conflict. Downtown business interest groups focused on trying to provide resources and services to downtown. And the new city council and the city infrastructure focused on how to renew old neighborhoods.

So that's sort of a snapshot and microcosmic example, I think, of what's happening in a lot of places. You need to know these things; you need to be aware of them. One of the most important things that you have to learn is to how to evaluate what I call, the capacity for leadership. There's no formula. I wish I had one; I'd write a book.



You need to understand communities. You have to understand how things get promoted and where the money flows. I mean, it sounds like a lot of work, and you know what? It is. But you need to understand the capacity for leadership in a community. You have to know whom you're going to be dealing with. You have to understand who's behind the people that you're dealing with. It's a very hard thing to do, but it's a very important thing to focus on. We have not traditionally been focused on that.

Many of the federal government agencies that are grant-making agencies, go in and deal with the planning department or the housing department in some economic development function. And it's a relationship around the grant. It's a redistribution-of-wealth relationship. And there's no real need to learn the broader impact in making an assessment of the community.

And with the kinds of issues that GSA is going to be dealing with [that have the potential to be explosive in many cases (even in homogeneous communities you'll be surprised how quickly issues can divide around neighborhoods downtown, one side of downtown versus the other side, big, small, who's the developer, who's not the developer, which council member takes the lead on it)]...those things all have the potential to explode into some very interesting and powerful situations. We need to understand that it is going to take a lot of hard work, a lot of hard work, to understand both profiles.

Talk to people. I am constantly amazed at how often I go out - and this is not about me, but it's just a point I think illustrates our challenge - how often I go out to communities where we have been so-called working with the community for ten years on a project. I make a visit and I go through my checklist. I'll make a courtesy visit to the mayor and some of the other folks and to the Chamber of Commerce, et cetera. And they say: who are you; what are you doing here; oh, you're involved in that; you know, I didn't know about that project. Or the mayor says, "Yeah, I heard some people were down here. They came to visit the building department to get a permit, but there's been no comprehensive conversation and we feel put out by that." You've got to understand people in communities are just like people everywhere else. Their feelings get hurt. Their reaction is the way we would expect: you didn't come and talk to me first; I'm not going to reach out and talk to you (that is, unless they want to get mad at you and make an issue of it). These things are all real.

And I'm not talking necessarily about Philadelphia, New York, and Chicago. They have their own dynamics. And in many ways, it's out in the front newspaper every day and it's a little bit easier to find. I'm talking about the medium and the smaller towns that have a lot of our small buildings, where we have a lot of our historic sites. If you look at our case studies, just about case that was connected with a city hall plaza type project are the kind of city that I'm talking about. It's going to take a lot of work in relationship building.

It's going to take work beyond just dealing with communities. You have to learn how to build and form new relationships with people within GSA. You have a lot of people within GSA that are used to doing what they perceive to be their job, but perhaps not doing their job very well. Because if that were the case, we wouldn't need to do this. But they think they've been doing their job well and they are certainly well intentioned: the real estate specialists, the project managers, et cetera. "I know my town; I know the market rates"; or "I know this aspect of it." But, you know they just haven't been able to comprehensively put it together.



And it leads me to an observation, as I'm talking about GSA: being shortsighted in view of our assets. You know, the tendency is to focus on the specific or immediate project. And it will make sense to you really quickly. We need to build a building. That's my focus right there. It's immediate; it's short term; it's either something that I'm building or something that I'm renovating. And when we take - what I view as the short view - we really shortchange ourselves. It's always better to take a long view of the investment that you're making. It always winds up costing us more money in the long run because of that shortsightedness. We don't look at the building, as a long-term asset in the community, as a vibrant member of the community. We look at things and say: okay, what does it mean today, we create the building, have a great celebration, walk away from the building, and collect rent. We're getting better at being asset managers. We're learning how to do that, but we still have this disease of shortsightedness.

It's always amazing to me. We talked about it; we saw slides. Remember the slides from the other days? Imagine that they're still up there. You know, where people say, "God, how did we develop this plaza? How did this happen?" - all the things that we talked about. I will submit to you that it is all a function of the short-term disease. All we looked at is: I'm going to spend this money; I'm going to spend it quickly; I don't want to have any left over; and then on to the next project. And that's a function of the way some of us are organized as well. We don't develop ownership with these projects.

Earlier in the conference, Bill Morrish talked about the value of context. But I made up my own take on it - I really wish he was here - I'll just call it the undervalue context. I would submit to all of you that the combined total of our assets in any given community should (if we properly understood them and had values associated with them) make us in many ways some of the most powerful entities in those communities. But because we don't view it like that, we undervalue our assets. We don't think about it in terms of who are some of the large developers in this town, who are some of the big builders, who are the largest real estate players in this given community. Oftentimes, it is us. If you look at the value of our assets over the long term, all our holdings, and land, et cetera, we should be viewed that way.

But do you know what, we're not. The federal government is something else. You're not invited to the right meetings, believe me, you're not invited to the right meetings. When the federal government talks about success in a community, they don't look at the kind of value that GSA brings to the table. They don't look -- one of my favorite words ever is leverage. They don't think about the leverage that GSA brings to the table, save for when they badly need us (when something that they want to do butts up against the side of a building and then all of a sudden maybe we'll talk to the people who own it).

But I will submit to you even in leases, if you combine the total of our leases in the city of Philadelphia, the largest lease in 1998 was a GSA lease about 375,000 square feet for the EPA. I knew that. One of the business journals put it out.

My point is we don't get - call it, respect; call it, attention. We're not brought to the table with the same kind of command that a private interest holding that much real estate in a given community would be. I mean, literally Mayor Ed Randell would be laying down the carpet for someone who had an equivalent holding in the city of Philadelphia as GSA. That's not to say Ed Randell is not a good guy. He's a great guy. He's exactly as advertised.



Let's talk about leases for a moment. I was doing some research and I wanted to talk to the people in the leasing community to see to what extent do they value the business they do with GSA. I talked to the building leasing agent we eventually tracked down somewhere in Chicago. The conversation went something like this. I said, "How do you view the value of that federal government lease?" "It's just another lease." "Really?" I said, "That's interesting. Well, has it done anything to the market rates? Your ability to fill that building? The building got filled like that after we came in." "Nah, I would have filled it anyway." "Really? You've made a lot of improvements in the building. What helped your ability to get financing to do that?" "It's something we had planned to do."

Let me tell you, that building was empty, absolutely empty. You know much better than I do that a federal government lease is like a bar of gold. They take that lease, walk in to a bank and say, "Hi, give me money." And banks do it. I mean, they are kidding themselves beyond belief to sit there and say, "Oh, there's nothing special about it." They went to the bank with that lease and were able to finance improvements to the rest of that building and then fill that building up in a very strategic business location. It didn't have a demonstrable effect on market rates? We don't know enough about that yet. And I will get to that point again at the end of my talk here. But the point is what a con job! But that's the conventional wisdom and that's what we're operating against. It may be just be a belief that they take us for granted. But boy, do they take us to their bank and cash in.

So there's a great under-appreciation of that. That's my undervalue context. And we need to learn how to address that. And we'll talk about that as well.

Two other quick things. We have to learn how to take risks. And I'm not talking about the kinds of risks that say: okay, a vacant space; let's put a market on there. That's easy. Risk taking is fundamental to progress. And it forces you to change the way you think. So as you prepare yourself for these challenges, you need to think about that undervalue context. You need to think about building relationships and taking risks.

Let me talk about some GSA projects that I think are examples of projects that stimulate or can't stimulate investment. They're primarily projects - in fact, all - projects in my region because I felt it would be better for me to talk about what I know. So I think they're representative of things that you all have done. I don't claim any special sense of ownership over a successful project. I know you guys all do it. I just don't know your projects as well as I know my mine.

Wilkes-Barre, Pennsylvania. Fabulous project. Let's talk about how these things can develop very quickly. We talk about how we need to be active, proactive. Here's an example of where they came to us. There's this old dilapidated brewery...formerly the Stegmaier Brewery Company. The building was an eyesore in this part of town and market rates in the immediate area were very poor. There was the brewery, this underdeveloped asset. A private developer and the post office came in together, along with the urging of the local congressman and a lot of the community votes, and said the federal government has just got to help us. Wilkes-Barre was not the most economically vibrant community in America, particularly at that time. This is more than just the restoration of this building. This is the symbol of this city turning around. We've got to do something. And they came to GSA recognizing something that we knew very well, the building-to-lease space for tenants. Again, I talk about the value of GSA leases. It turned into a pot of gold. And GSA was the missing ingredient. GSA had the ability to provide ongoing tenants for that building helping to make it a valuable and viable building.



I'm going to fast forward. The Stegmaier Brewery allowed GSA to move federal employees that were in different parts of Wilkes-Barre, in leased space and put them all together. The post office took over the bottom of the building space, so it was privately developed land that was bought by the post office and GSA was the leasing agent on that. It's one of the most beautiful buildings in Wilkes-Barre.

Can you quantify it? They can't yet, but it's had a demonstrable impact on market rates in that immediate area. When we were doing our work, it was \$19 or \$20 a square foot, which was a little high for that part of town. What did it start to do? It started pulling up the rates. Now, you can start seeing investment in some of the rental properties nearby the Stegmaier property. It's a wonderful example. It has won historic preservation awards in the State of Pennsylvania. It's become a symbol of success in Wilkes-Barre. Everybody is happy. But what happened there? It was the willingness of a small group of people who initially said, "this might work." Rather than turn our backs on it, we said, "you know, maybe there's something we can do here. Maybe we can consolidate some leases, do some things, and create a focal point for our federal presence. Give them nicer space instead of a lot of open space, et cetera." What a wonderful success story.

I submit to you that once we get better at documenting, analyzing and being able to work the numbers, it will show that that project stimulated investment. And that's one where the project came to us.

Another one where - to give you another quick example of a project - Norfolk. Here's an example of where the locations of our federal buildings are relative to local development. They decided to build a mall in the center of Norfolk. We talked about malls, good malls, bad malls. The city had the notion of this being a good mall. Right downtown, it has an appropriate scale and would create some development around it, et cetera. They began to do it. They start improving the streets, et cetera.

Let me give you an idea of how the federal building relates to this mall. [SPEAKER TURNS AROUND] What do you see? You see my back. That's what you see of the federal building. And our view essentially was, "GSA is looking at that mall, what does it have to do with us?" But we had some people down there in Norfolk who, just like your folks, get involved in the community, sit on the Chamber of Commerce, sit on the planning community council. We do have people who get involved. And they were sitting at the table and they said, "Boy, one eyesore down at the end of that block is the back of the federal building. What are we going to do about that? We put a lot of money into this mall. We landscaped it and the federal building is just ugly." We said, "You know, you're right. How embarrassing. We need to be with you."

So we put up some money. I wrote this down to make sure I got the right amount of money. Over the long haul, GSA is going to be putting in about \$500,000. And we did some things really quickly, out of some quick money that we had available. We landscaped the back of the building similarly to the way to that of the mall. So in a nutshell, what did it do? It created a whole corridor, which was their whole vision, a whole corridor of activity from the mall terminating at the end of a long block with the federal building which is now in alignment with the development scheme for that block. And now, we're doing a plaza on the other side to the tune of a half million-dollar project. And it's going to relate to the previous block in such a way so the design scheme extends it around and they're going to be pursuing some development on the next block.



Again, another example of where two entities, the local government and the federal government both go along with their own plans, not thinking to sit down together and coordinate. It became clear to the city that our investment both in the plaza and the landscaping in the back, all contributed to their economic development and growth. Once GSA learns how to become better at quantifying all of the things we do for a community (using measuring tools), we'll be able to tell a story in a powerful way with charts, graphs, and numbers. But we're not there yet. To me, that's a story that clearly describes a project that stimulates investment.

Those are just two examples, two powerful examples, of things that you're already doing. But none of them are easy; they're all hard. We don't talk about them enough. We don't talk about them in the right way because we don't get the data. We don't take the time and we haven't taken the time to figure out what it all means. And you need to take a long view on this because market rates don't change overnight. You've got to look at the long haul to be able to measure the level of investment. There are people collecting bits and pieces of this data. The challenge for us is to be able to learn how to do it, augment it, and then decide what's the best thing to do: create or borrow?

Borrow. If somebody is already doing something well, then borrow it. It's a lot harder to create something new. I learned that a long time ago. At least that's the way I remember it. Good minds create; great minds borrow. I think that's the way it goes. That's all I'm saying: borrow from each other. You all have projects just like this. I just don't know them. But I'm sure of it. I'm convinced of it. You're all too good for that.

These are three examples of projects that in my view can, should, and will stimulate investment. But they require us to change the way we behave, to learn new relationships, to take risks, to learn how to gather and to analyze information and data. Because without this data we can't substantiate anything that we have been talking about for the past couple of days. I'd love to be able to - in some other forum I'd really be hesitant to talk about some of these projects because somebody real smart is going to raise their hand and say, "How do you know this?" And I'm not going to know. Well, we sort of know, but we don't know it in the way that we need to know it. And you can't do it alone. There are real estate leasing agents, there are project managers, engineers. Everybody that's part of the team has to be a part of putting their tentacles into the project and being committed to the same goal and making this a success both for the short term and, more importantly, for the long time.

That's my message. That's my rap to you this morning. You've been so kind. You at least stayed awake. I don't pretend to have all of the answers, but I have a lot of energy and have some exposure with this. And the resource teams, all of us, are dedicated to helping you become successful because we can't afford not to be successful. Thank you very much.