

MINUTES OF THE NOVEMBER 13, 2024, FACILITIES COMMITTEE MEETING

The Facilities Committee (“Committee”) of the Board of Regents (“Board”) of the Smithsonian Institution (“Smithsonian”) conducted a videoconference meeting on November 13, 2024. Participating were Committee Chair John Fahey and Committee members Senator Gary Peters, Representative Adrian Smith, Michael Govan, Mitchell N. Schear, and Finance Committee Chair Franklin Raines.

Also present by invitation of the Committee were Deputy Director for the Office of Planning, Design, and Construction Michael Beglinger; Chief of Staff to the Secretary Greg Bettwy; John and Adrienne Mars Director of the Smithsonian’s National Air and Space Museum Christopher Browne; Real Estate Specialist Charles Chandler; Counsel to the Inspector General Epin Christensen; Under Secretary for Finance and Administration and Chief Financial Officer Ron Cortez; Realty Officer Brady Demarest; Director for the Office of Facilities Management and Reliability Tony Edmonds; Deputy Chief of Staff to the Regents Kate Forester; Under Secretary for Museums and Culture Kevin Gover; Chief Legal Officer Jennifer McIntyre; Director of Federal Resources for the Office of Planning, Management, and Budget Andrew Mosley; Assistant General Counsel Anne Nelson; Deputy Secretary and Chief Operating Officer Meroë Park; Senior Advisor to the Under Secretary for Finance and Administration Tiffany Romano; Director of the Office of Planning, Design, and Construction Derek Ross; Assistant Secretary for Advancement Rob Spiller; Liaison to Senator Peters, Caitlyn Stephenson; and Under Secretary for Science and Research Ellen Stofan.

CALL TO ORDER

Facilities Committee Chair John Fahey called the meeting to order at 10:00 a.m. and reviewed the agenda.

APPROVAL OF THE JULY 23, 2024, COMMITTEE MEETING MINUTES

Upon motion duly made and seconded, the minutes of the July 23, 2024, Committee meeting were approved.

STEVEN F. UDVAR-HAZY CENTER EXPANSION OPERATING COSTS

The Committee then discussed the proposal for a Trust-funded expansion at the National Air and Space Museum’s (“NASM”) Udvar-Hazy Center. The expansion would be an extension to the north end of the Boeing Aviation Hangar that would increase the exhibit area by 44,000 sq ft (a 20% expansion) and allow for the display of 50 additional aircraft. The funding strategy is contingent on private donations.

The Committee initially considered the project at its meeting in July, and it was subsequently presented to the Board of Regents at its meeting on October 28. The Board requested that management follow up with a more detailed budget to include the breakdown of privately funded construction and the increased operations and maintenance costs once the expansion is complete.

Deputy Secretary and Chief Operating Officer Meroë Park and Under Secretary for Finance and Administration and Chief Financial Officer Ron Cortez briefed the Committee on the proposed financial strategy to fund the expansion including operating costs. To address the immediate funding needs, management proposed implementing a collaborative financial strategy involving contributions from multiple sources over five years, including advancement contributions, NASM parking fees, and interest earnings from the Central Trust. Mr. Cortez explained that during the five-year period, the Smithsonian would work towards a permanent solution to cover costs, which may include the multiple sources discussed above and Federal funding.

Upon motion duly made and seconded, the Committee approved the following motion:

VOTED that the Facilities Committee recommends that the Board of Regents (or the Executive Committee, on behalf of the Board of Regents pursuant to Board Bylaw 3.01), approves proceeding with the proposed financial strategy to fund operating costs for the NASM Udvar-Hazy Expansion with contributions from multiple Trust sources.

OPERATING COSTS FOR DONOR-FUNDED BUILDINGS

Deputy Secretary Park and Mr. Cortez then led the Committee's discussion on operations costs related to the Bezos Learning Center and future Trust and privately funded construction projects. The Smithsonian Facilities team is establishing a general policy and funding framework to address the operational needs of the Bezos Learning Center and potential future construction projects. This will include developing a comprehensive policy for the Institution to address operating and maintenance costs for donor-funded buildings that could potentially combine donor contributions, Federal funding, and Trust-related opportunities, such as revenue sources.

CAPITAL GALLERY SPACE OPTIMIZATION

Next, Mr. Cortez briefed the Committee on the space utilization and optimization study of existing Capital Gallery office spaces. Ewing Cole was engaged to study existing owned and leased office space to determine the utilization rates and opportunities for optimization. Mr. Cortez informed the Committee that where feasible, the Smithsonian plans to consolidate leased office spaces into owned buildings, and space optimization studies will be conducted prior to any consideration of leasing or purchasing additional office space.

REAL ESTATE UPDATE

Next, Mr. Cortez and Realty Officer Brady Demarest updated the Committee on the Smithsonian's real estate portfolio, specifically the status of five lease renewals anticipated in fiscal year 2024. The two leases in progress include: Concord Avenue in Cambridge, MA; and Apollo Drive in Largo, MD. The Committee also reviewed existing leases for collections storage, retail, and office space. Mr. Brady highlighted annual savings from 2024 lease terminations total more than \$1.9 million.

The Committee then discussed a proposed revision to Section 4-15 of the Real Estate Manual, that would clarify that the net present value for real estate transactions would be calculated including acquisition and estimated initial design and build-out, if applicable. It was noted this may impact the number of leases that are reviewed by the Board of Regents moving forward. Mr. Brady also provided an overview of the timeline and proposed schedule for the Smithsonian Real Estate – Program Improvement Plan.

FACILITIES CONDITIONS AND DEFERRED MAINTENANCE

Director for the Office of Facilities Management and Reliability Tony Edmonds briefed the Committee on the fiscal year 2024 facilities conditions and deferred maintenance. Facilities conditions improved in FY2024 for the second consecutive year, due to investments in recently completed projects, but facilities conditions continue to pose risk to the Smithsonian. In 2024, the overall Smithsonian Institution Facilities Condition Index ("FCI") was rated at 81.3 FAIR. The Deferred Maintenance Backlog also declined in FY2024, because of improved conditions and negative inflation. Mr. Edmonds pointed out that the updated/increased Current Replacement Value ("CRV") of Smithsonian property kept deferred maintenance from being lower. The deferred maintenance backlog for 2024 is \$3.1 billion. Ongoing and planned actions to address facilities conditions include further improving facilities asset management and operations, targeting facilities investments to address the greatest needs, justifying continued funding for facilities maintenance and capital investments, and seeking funding for any maintenance cost increases.

BACKGROUND INFORMATION

The Committee also had an opportunity to ask questions about the read-ahead information provided on (1) the solar array at the Smithsonian Environmental Research Center, (2) the Federal Climate Change Adaptation Plan and the Smithsonian Institution Strategic Sustainability Plan, (3) the Fiscal Year 2025 and 2026 Federal Budget, and (4) the General Services Administration ("GSA") Central Plant Decentralization Study.

EXECUTIVE SESSION

The Committee then moved into an executive session at approximately 11:10 a.m. to discuss confidential business matters.

ADJOURNMENT

With no further business to consider, the meeting was adjourned at approximately 11:16 a.m.

Respectfully submitted,

John Fahey, Chair