

MINUTES OF THE MARCH 7, 2024, FACILITIES COMMITTEE MEETING

The Facilities Committee (“Committee”) of the Board of Regents (“Board”) of the Smithsonian Institution (“Smithsonian”) conducted a videoconference meeting on March 7, 2024.

Participating were Committee Chair John Fahey and Committee members Representative Adrian Smith, Risa J. Lavizzo-Mourey, and Mitchell N. Schear.

Also present by invitation of the Committee were Chief of Staff to the Secretary Greg Bettwy; Chief Information Officer Deron Burba; Under Secretary for Administration Ron Cortez; Acting General Counsel Farleigh Earhart; Deputy Under Secretary for Administration Rick Flansburg; Deputy Chief of Staff to the Regents Kate Forester; Special Assistant to the Regents Mallory Gianola (recorder); Director of the Office of Government Relations Rachelle Graves; Assistant Secretary for Communications and External Affairs and Chief Marketing Officer Julissa Marengo; Deputy Secretary and Chief Operating Officer Meroë Park; Director of the Office of Planning, Design, and Construction Derek Ross; Assistant Secretary for Advancement Rob Spiller; and Counselor and Chief of Staff to the Regents Porter Wilkinson.

CALL TO ORDER

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

REAL ESTATE FORECAST

Deputy Under Secretary for Administration Rick Flansburg updated the Committee on the Smithsonian’s real estate forecast, specifically three lease approvals that will be required in fiscal year 2024: the Apollo Drive building located in Largo, MD; Concord Avenue in Cambridge, MA; and 5 & 15 Wayside, Burlington, MA. Mr. Flansburg also informed the Committee that the Smithsonian has contracted with Jones Lang LaSalle (“JLL”) to assess the Smithsonian’s real estate program and assist senior leadership in developing a real estate implementation plan.

REVITALIZATION OF HISTORIC CORE

Director of the Office of Planning, Design, and Construction Derek Ross updated the Committee on the revitalization of the Smithsonian’s Historic Core, specifically the Smithsonian Institution Building (the “Castle”). The Committee discussed the early selective demolition and abatement package scope, which reimagines the project to include selective demolition and abatement on the upper floors, reducing work in the basement, and performing no site or foundation work at this time. Mr. Ross reminded the Committee that this option defers the base project scope to fiscal year 2027 to include all site, civil work, and base isolation and would allow parts of the building to be open to the public for the U.S. Semiquincentennial in 2026. The Committee reviewed the current project schedule and discussed the benefits and challenges of the early selection demolition and abatement package, including examining how construction project pricing post-COVID and inflation are impacting costs.

APPROVAL OF THE NOVEMBER 15, 2023, COMMITTEE MEETING MINUTES

Upon motion duly made and seconded, the minutes of the November 15, 2023, Committee meeting were approved.

PROPOSED REAL ESTATE LEASE RENEWAL FOR CROZIER FINE ARTS BUILDING

Next, Mr. Flansburg presented Smithsonian management's request to execute a five-year lease. The Committee voted to approve the Secretary and Under Secretary's request for authority to execute a five-year lease for approximately 37,042 square feet of collections storage and support space for continued occupancy for the Cooper Hewitt, Smithsonian Design Museum ("CHSDM") at 560 Irvine Turner Blvd, Newark, New Jersey. Mr. Fahey reminded the Committee that real estate transactions with a net present value of between \$5 and \$10 million may be approved by the Executive Committee on behalf of the Board of Regents. Upon the recommendation of the Facilities Committee, a motion for approval will be brought to the Executive Committee at its meeting on March 7.

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

VOTED that the Facilities Committee recommends that the Executive Committee, on behalf of the Board of Regents pursuant to Board Bylaw 3.01, approves the Secretary and Under Secretary's request for authority to sign the contemplated lease for approximately 37,042 rentable square feet of collections storage and support space at 560 Irvine Turner Blvd, Newark, New Jersey.

OCIO HERNDON – STAY OR GO DECISION

The Committee was also asked to consider a potential lease renewal for the Office of the Chief Information Officer ("OCIO") data center at 380 Herndon Drive in Herndon, Virginia. The Smithsonian has leased approximately 47,462 square feet of data center and supporting office space in Herndon, VA, since October 2005, and the existing lease expires on September 30, 2025. The Committee reviewed current market research and analysis of several alternatives and discussed the advantages and disadvantages of renewing the lease or relocating the data center to a colocation facility and the OCIO staff to Capital Gallery, a building which is owned by the Smithsonian.

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

VOTED that the Facilities Committee approves the Secretary and Under Secretary's recommendation to (1) begin negotiations with Digital Realty's colocation facility, (2) not extend the OCIO data center lease at 380 Herndon Drive in Herndon, Virginia, and (3) relocate the OCIO staff from Herndon to SI-owned office space at Capital Gallery.

CAPITAL GALLERY RIGHT OF FIRST OFFER

Under Secretary for Administration Ron Cortez then briefed the Committee on the Capital Gallery Right of First Offer Agreement to purchase additional space through an Offer to Call. The Smithsonian has two alternatives to purchase space in Capital Gallery (1) floors 7 and 8 in the East Tower; or (2) floors 1, 2, 7, 8, and the parking garage – which is the balance of the building. Mr. Cortez reminded the Committee that the offer must be exercised between December 26, 2023, to June 26, 2024. To assist Smithsonian leadership, the Office of the Under Secretary for Administration commissioned two studies on market research and building valuation to help inform decision making. The Committee was asked to consider the Secretary and Under Secretary’s recommendation not to pursue the Right of First Offer (included in the 2020 agreement) to purchase some or all of the remaining areas of 600 Maryland Avenue SW, Washington, D.C. As a next step, the Smithsonian will conduct an additional comparative analysis to inform future decision making, including weighing the potential long-term benefits and costs of two additional options.

CAPITAL PROGRAM COST CONTAINMENT STUDIES

The Committee also received an update on the internal team report conducted for Smithsonian capital cost overruns. In September 2023, the Office of the Under Secretary for Administration convened an internal team to conduct a root cause analysis of the large cost increases of recent Capital projects and identify cost control initiatives after the Committee was informed that the total current working estimate of the revitalization of the Sculpture Garden at the Hirshhorn Museum and Sculpture Garden (“HMSG”) had increased from \$60.876 million to \$107.15 million. The Committee reviewed recent industry reports on construction cost trends and construction inflation alerts. Recommendations from the internal team included defining project scope and cost early, refining internal controls, and increasing coordination with other government agencies to leverage better pricing. Smithsonian leadership also engaged Williams Sale Partnership (“WSP”) to provide a root cause analysis, analyzing the Smithsonian’s capital projects in more detail. Final analysis is expected in April 2024, and will be shared with the Committee when available.

EXECUTIVE SESSION

The Committee then moved into an executive session at approximately 11:23 a.m. to discuss confidential business matters.

ADJOURNMENT

With no further business to consider, the meeting was adjourned at approximately 11:29 a.m.

Respectfully submitted,

John Fahey, Chair