

*executive committee of
the directing council*



PAN AMERICAN HEALTH ORGANIZATION

*working party of
the regional committee*

WORLD HEALTH ORGANIZATION



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Provisional Agenda Item 10

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GOVERNOR SHEPHERD BUILDING

This progress report on the development of the Governor Shepherd site is submitted to the Executive Committee pursuant to the terms of Resolution I of the 91st Meeting of the Executive Committee. The report indicates that the development process contemplated by the Letter of Intent approved by the Executive Committee has proceeded as foreseen. It is, therefore, possible that construction of a new office building on the Governor Shepherd site may commence in the Spring of 1985.

Background

PAHO purchased the Governor Shepherd apartment building in 1969 for expanded office facilities for its Headquarters staff. Residential apartments were gradually converted to accommodate PAHO staff, of whom approximately 120 are now working in the Governor Shepherd building. Because of the age of the structure, and its relative inconvenience for office purposes, the PAHO Secretariat commissioned a study on future development of the site in 1979 which was presented to the Executive Committee at its 85th Meeting. In Resolution CE85.R1, the Executive Committee appointed a Working Group, consisting of representatives of Chile, Jamaica and the United States of America, to advise the Director on the subject.

The following year, the Working Group proposed, and the Executive Committee approved, that PAHO should undertake to develop information for a "mixed-use" office/residential condominium building, to acquire additional adjacent property, if possible, and to seek financing for this building. The Directing Council endorsed this approach, appointed the Working Group as its Subcommittee, and authorized the Director to take the necessary actions to develop the mixed-use building with the approval

of the Executive Committee (CD28.R29). In October 1981, the Executive Committee delegated this approval authority to the Directing Council Subcommittee (CE87.R2).

Thereafter, a drastic change in the real estate market occurred, leading to the virtual impossibility of obtaining reasonable financing for the mixed-use project contemplated by the various resolutions. The Subcommittee reported this disappointing result to the 88th Meeting of the Executive Committee, which requested the Director, inter alia, to develop comparative data on all feasible options, and authorized the Subcommittee to make final recommendations for consideration and approval by the full Executive Committee (CE88.R19).

By June 1983, various proposals had been developed, all relating to construction of a new building on the site, including adjacent land, if possible. The Subcommittee met to review the various proposals and endorsed one set of developers (the Lenkin Company), as reported in closed session to the 90th Meeting of the Executive Committee, wherein the Executive Committee agreed with its recommendation that the Secretariat continue with those negotiations for the development of the Governor Shepherd site (Final Report, 90th Meeting of the Executive Committee, p. VI).

By the 91st Meeting of the Executive Committee, the Director had negotiated a proposed Letter of Intent for development of a new office building with this developer, and presented this Letter to the Subcommittee for its review. The Subcommittee endorsed the Letter of Intent and reported those terms to the 91st Meeting of the Executive Committee, which authorized the Director to sign the Letter of Intent with the Lenkin Company and to execute further documents contemplated thereby in Resolution CE91.R1.

Progress to Date

In accordance with the authority conveyed under the foregoing resolution, on 5 October 1983 the Letter of Intent was duly executed, and on 23 March 1984 the Director and Messrs. Lenkin signed the more complete Development Agreement and related documents. The Development Agreement with annexes, and related legal documents of some 200 pages, were transmitted to the Subcommittee for its information on 12 April 1984.

The basic terms of this arrangement have already been presented to the Executive Committee, as noted above. To recapitulate these terms, in brief, Messrs. Melvin and Edward Lenkin, in limited partnership form agreed (a) to undertake to obtain the development rights of adjacent parcels of land at their own cost; (b) to negotiate the departure of the residential tenants from the Governor Shepherd Building, in accordance with the law of the District of Columbia; (c) to seek the permission of local authorities; and (d) to obtain financing for the construction of a new office building on the Governor Shepherd site plus adjacent development rights. PAHO will lease its land to the limited partnership for a

term of 60 years, for rent at \$600,000 a year, indexed for inflation. Payment of this ground rent will begin the day PAHO leaves the present building. PAHO will have the right to rent up to 30,000 square feet on the terrace and first floors in the new building, at a concessional rate, of \$23 to \$27 per square foot. The effect of the ground rent and proposed office rent will be to grant PAHO approximately 23,000 square feet on a net rent-free basis. PAHO has rights to sublease its space, expand into additional space (at the lowest prevailing rates), approve or consult on architectural and construction activities, as well as to purchase the building at various intervals. PAHO's land lease will not be subrogated to any mortgage or other lien on the property. At the end of the 60-year term PAHO will receive free and clear title to the building, and any adjacent development rights or land acquired by the developers.

To date, a number of the steps foreseen in the Letter of Intent and Development Agreement have been successfully accomplished. Messrs. Lenkin acquired the development rights to the People's Drug site in February 1984. They made an offer for purchase of the Gulf site in late April 1984. (Both purchases are contingent upon D.C. approval of the proposed office building and other standard conditions.) On 23 March 1984 the Tenants Association of the Governor Shepherd agreed to peacefully vacate the apartments in return for a substantial payment, as provided under the law of the District of Columbia, when properly notified. Payment of the bulk of the settlement will occur when all permits have been obtained and other necessary steps accomplished. The one tenant who is not a member of the Association has been requested to vacate.

Future Activities

The next step for PAHO in the development of the new office building will be to cooperate with the permitting and financing process and to review proposed architectural drawings. PAHO will need to plan its space in the new building and examine alternative arrangements for housing PAHO staff during construction. It is possible that authorization from the District of Columbia will be requested in the Fall of 1984. If approved in due course, construction of the new building could commence in Spring of 1985. Occupancy could then be expected in Winter of 1986. (This schedule is naturally subject to a variety of conditions.)

The PAHO Secretariat Working Group on the Governor Shepherd, chaired by the PAHO Chief of Administration, will continue to monitor the development process, under the Director's supervision. The Director will report in detail on the progress of this development to the Subcommittee of the Directing Council, which will be convened if major difficulties arise. The Director will also continue to report on progress directly to the Executive Committee and Directing Council as appropriate.