

Federal Government To Move 900 Employees To Downtown KC
News

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The federal government has picked Two Pershing Square, an office building near Union Station, to be the new home of 900 employees currently at the Bannister Federal Complex.



The decision to lease about 140,000 square feet in the 11-story building at 2300 Main St. was made after a year-long review of properties throughout downtown by the federal General Services Administration. The 20-year lease is valued at \$49.8 million.

The move of the GSA employees â expected to begin one year from now â is being viewed as a major boost to downtown, and another important step toward the ultimate demolition and redevelopment in 2016 of the Bannister Federal Complex, a former World War II defense plant in south Kansas City.

âIâm enthusiastic about the move, and I think it will further connect the GSA with the downtown area,â Jason Klumb, regional administrator for the agency, said Monday.

The location of Two Pershing Square near the new downtown streetcar line scheduled to open in 2015 was an added benefit. Itâs also close to bus routes and a rental bicycle station.

The building has parking for 1,700 vehicles, but the GSA will use only 28 for official vehicles. The federal government does not pay for employee parking but does reimburse workers using public transit.

âThe streetcar is a bonus,â Klumb said.

That theme was picked up by Mayor Sly James.

âIâm pleased GSA will be located next to Union Station and within steps of a streetcar stop,â he said. âThe momentum of our downtown is palpable, and I can see why businesses and governmental entities want to be a part of that.â

Two Pershing Square has 513,000 square feet of office space and is about 30 percent vacant. It is managed by Gateway Harrison, an entity formed by the buildingâs owner, the Los Angeles County Employees Retirement Association.

The glass office building just east of Union Station has had a difficult history.

It was built in 1987 by the Trizec Corp. and was intended to be part of a much larger redevelopment plan that was to have included the renovation of Union Station. In fact, the Two Pershing Square building obstructs the tracks that once served Union Station.

After that development plan failed to materialize, Union Station ultimately was renovated and reopened in 1999 in a project financed by a bistrate sales tax approved by voters in 1996. Trizec sold the building to the California-based pension fund in 2000.

Two Pershing Square also lost a big tenant in 2004 when what was then the Blackwell Sanders law firm moved 450 employees to a new headquarters on the Country Club Plaza.

Kory Hochler, the GSA official who handled the lease negotiations, said the agency would be paying \$14.75 per square foot over the 20-year lease. The GSA does have the right after seven years to reduce the amount of space it occupies or completely leave the building without penalty, he said.

The landlord also sweetened the deal by offering the GSA \$8.6 million in free rent spread over 42 months during the 20-year life of the lease. The building owner also plans to spend \$8.4 million preparing the office space for the GSA.

The agency is expected to take occupancy in December 2014, and the move is expected to take three to five months.

The broker representing the building owner was Sharon Gartin of Kessinger/Hunter & Co.

Bill Dietrich, president and CEO of the Downtown Council, said his organization of downtown businesses and property owners intended to help make the transition from Bannister to downtown as smooth as possible for GSA employees.

The GSA functions primarily as the landlord for federal agencies. The 900 employees in the GSA Heartland Region are mostly white-collar workers and include a variety of specialties including architects, engineers and contracting officers.

The Heartland Region covers Missouri, Kansas, Iowa and Nebraska, and its functions include building management and supply purchases.

The regional office also performs some national functions including handling accidents involving federal vehicles throughout the country.

In its request for space issued a year ago, the GSA defined the downtown area as being bordered on the north by Interstate 70; on the south by 27th Street; on the east by Campbell Street; and on the west by Interstate 35. Multiple property owners responded, and Klumb said the Two Pershing Square deal was the lowest cost "technically acceptable."

The GSA will be the second large federal tenant to move near Union Station in recent years. In 2006, the Internal Revenue Service opened a 1.1 million-square-foot processing center nearby on West Pershing Road. It has 3,000 full-time employees and up to 5,000 additional seasonal employees.

The decision by the GSA to lease an existing building, however, was not the city's and the local congressional delegation's first choice.

Beginning in 2006, a big push was made to encourage the government to build a new building in the East Village for federal workers, including those at Bannister.

That proposal, which called for a private developer to build a \$264 million project and lease it to the federal government, fell through in 2009, a casualty of the budget wars in Washington.