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## The Real Estate Roundtable

December 12, 2022

The Honorable Joseph R. Biden, Jr.  
President of the United States of America  
The White House  
1600 Pennsylvania Avenue, NW  
Washington, DC 20500

Dear Mr. President:

We write today to share our concerns regarding the negative impacts that widespread remote work is having on cities, local tax bases and small businesses. You and members of your Cabinet, particularly Labor Secretary Walsh, have spoken eloquently about the importance of returning to the workplace post-pandemic. Even so, we are concerned that certain Administration policy guidance is encouraging federal agencies to adopt permanent work-from-home policies for federal employees and thereby actually magnifying negative economic and social consequences for cities.

Recent guidance to federal agencies from the White House's Office of Management and Budget does direct agencies to be mindful of the impact on local communities when developing their plans for remote work and the future of their workforces.<sup>[1]</sup> However, we do not believe this factor is being given the full weight it deserves.

We therefore respectfully urge you to direct federal agencies to enhance their consideration of the impact of agency employee remote working on communities, surrounding small employers, transit systems, local tax bases and other important considerations, along with the direct effect on governmental service delivery and labor productivity. In addition, we ask for your support of legislation to facilitate the increased conversion of underutilized office and other commercial real estate to much-needed housing.

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<sup>[1]</sup> Shalanda Young, Director of the Office of Management and Budget, [FY 2024 Agency-wide Capital Planning to Support the Future of Work](#), Memorandum to Executive Dept. Agencies (July 20, 2022) at 2 (“When determining future physical space requirements, agencies should consider the agency’s mission and customer needs, the current and future workforce, and impacts on local communities.”)

The federal government maintains facilities in 2,200 communities. As a leader in markets large and small it influences overall leasing activities and property values across the country. Actions it takes as a tenant have profound impacts on local markets and associated property tax revenue, surrounding small businesses and their workers, and more. Yet some federal officials appear to view agency remote work principally as a recruiting tool or cost-saving measure.<sup>[2]</sup> This narrow perspective ignores the negative impacts of remote work on cities and communities, labor productivity and U.S. economic competitiveness, as well as the quality of government services. Moreover, federal agencies' actions to promote permanent remote working are out of step with the current direction of private sector employers, who are increasingly recognizing the need and importance of bringing employees back to the workplace.<sup>[3]</sup>

Changes in future federal leasing expectations, associated with announced increases in governmental remote work, already are affecting the credit ratings of outstanding debt on commercial properties leased to governmental agencies.<sup>[4]</sup> These debt rating downgrades on federally leased buildings can be expected to negatively impact the values of privately owned and used buildings. Every state has property taxes, which typically are the principal source of revenue for local governments. This property tax revenue goes to help finance public education (40 percent); public safety (10 percent), and other critical services like hospitals, waste management, and public transit.<sup>[5]</sup> Research by outside organizations, including the Pew Charitable Trust, has demonstrated how the work-from-home trend threatens commercial real estate property values, local tax bases, and therefore the services it provides.<sup>[6]</sup>

Restaurants, small businesses, and their employees are another casualty of policies that discourage a return to the workplace. Evidence continues to mount that workers are spending less time and money in central business districts, with devastating consequences for the businesses—coffee shops, gyms, barber shops, restaurants, etc.—that rely on their patronage.<sup>[7]</sup>

In terms of productivity, when workers stay home over extended periods there is a significant risk that the quality of services declines. For government workers, the practical effect could be an increased failure to provide the timely services Americans require, failure to adequately train employees, and an inability to monitor employee performance. These concerns are heightened by reports from the Government Accountability Office stating that the Office of Personnel Management “has not developed a

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<sup>[2]</sup> Ahuja Kiran, Director of Office of Personnel Management, [Future of Federal Work, Part II](#), Testimony before House Committee on Oversight and Reform (July 21, 2022); OPM, [Future of Work FAQ](#) (“What policy considerations, budgetary impact, and implications should agencies consider when evaluating employee requests for remote work?”) (last viewed Dec 12, 2022).

<sup>[3]</sup> Abha Bhattarai, [The Great Mismatch: Remote Jobs Are in Demand, but Positions Are Drying Up](#), Wash. Post (Nov. 27, 2022); Jose Maria Barrero, Nicholas Bloom, Shelby Buckman, and Steven J. Davis, [Survey of Working Arrangements and Attitudes \(SWAA\) November 2022 Updates](#) (Nov. 6, 2022) (see slide 14).

<sup>[4]</sup> See Moody's [Downgrades to Baa3 the LCOR LLC's \(USPTO Project\) Federal Lease-Backed Bonds \(2001E Floating Rate\); Outlook Revised to Negative](#) (Nov. 3, 2022).

<sup>[5]</sup> U.S. Census Bureau, [2019 State & Local Government Finances Historical Datasets and Tables](#) (June 2022).

<sup>[6]</sup> Jeff Chapman, [Increased Availability of Remote Work Could Hurt Some Cities' Revenues](#), Pew Charitable Trust State Fiscal Health Initiative (Feb. 22, 2022).

<sup>[7]</sup> Tristan Bove, [Remote Work is Changing the Way You Spend Money and it Could Reshape Your City to Look More Like a Doughnut](#), Fortune (Nov. 28, 2022).

plan to address long-standing data reliability issues that would improve its oversight of agencies' telework and provide more accurate and useful information to Congress."<sup>[8]</sup>

Less quantifiable but potentially even more important is the threat of remote working to cities as the center and heart of our Nation's social fabric. Cities themselves are engines of innovation that create opportunity, spur cooperation, and enhance human capital through shared knowledge and learning.<sup>[9]</sup> The density of the city and its role as the central place of work and play is a source of social cohesion, bringing diverse racial, ethnic, and economic communities together that otherwise often reside in disparate, homogenous neighborhoods. Cities create shared experiences that help build bonds and create common purpose. These synergies are not easily replicated in a fragmented, remote working environment.

Remote work for many is likely here to stay, however the federal government can help facilitate a smooth, market-based transition to the new era by not aggressively promoting governmental remote work. At the same time, converting underutilized buildings to housing could, through creative federal assistance modeled on the rehabilitation tax credit, be a cost-effective means to increase the housing supply, create jobs, and boost the local tax base.

We would welcome the opportunity to meet with you to discuss the economic and social challenges associated with widespread remote work and to explore ways to enhance the accessibility of healthy, safe shared workspaces and housing.

Sincerely,



John F. Fish  
Chair, The Real Estate Roundtable  
Chairman & CEO, SUFFOLK



Jeffrey D. DeBoer  
President and Chief Executive Officer  
The Real Estate Roundtable

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<sup>[8]</sup> GAO, *Federal Telework Increased During the Pandemic, but More Reliable Data Are Needed to Support Oversight*, [GAO-22-104282](#) (Feb. 2022), at 28. Other GAO reports have highlighted the significant information security concerns that arise from remote work arrangements for federal employees. GAO, *COVID-19: Selected Agencies Overcame Technology Challenges to Support Telework but Need to Fully Assess Security Controls*, [GAO-21-583](#) (Sept. 2021).

<sup>[9]</sup> See Edward Glaeser and Matthew Resseger, [The Complementarity Between Cities and Skills](#), National Bureau of Economic Research (June 2009).