Senator Dianne Feinstein
United States Senate
331 Hart Senate Office Building
Washington, D.C. 20510

October 2, 2013

Dear Senator Feinstein,

This summer protests broke out over the upcoming closure and sale of a historic post office in downtown Berkeley, California. This century old post office represents a piece of our collective history. It contains New Deal-era murals, architecture and artwork. Not to mention, it was paid for by the public. Now, against the wishes of many in the Berkeley community, this historic post office is set to be closed and sold off. Unfortunately, post offices across the country, many of which have comparable rich historical value of Berkeley's downtown post office, are on the chopping block to be closed and sold.

That we have resorted to selling off valuable pieces of our country's heritage is shameful. But even more reprehensible is the process by which these post offices are being sold off; and this is the reason that we are writing you.

C.B. Richard Ellis Group, Inc. (CBRE), the company chaired by your husband, Richard Blum, has an exclusive contract to negotiate the nationwide sales of U.S. Postal Service (USPS) real estate. An investigative journalist, Peter Byrne, brought to light some of the most disconcerting aspects of CBRE's involvement in the sale of post offices throughout the country in an article for the East Bay Express titled "Going Postal" (he has also written an e-book by the same name that goes into more detail on the subject).

The highlights from Mr. Byrne's article indicate that CBRE's actions in the sale of the USPS's real estate portfolio are suspicious at best. According to the article, CBRE was awarded its exclusive contract with the USPS in June 2011. The contract requires CBRE to sell postal service properties at or above fair market value. However, the contract also allows CBRE to conduct its own appraisals of each property. Appraisals are best conducted by parties not involved in the sale of the property. The existing contractual arrangement gives CBRE unusual control over determining the value of a property and creates the potential for conflicts of interest.

To demonstrate the problems that this contractual arrangement creates, one only needs to look at the sale of properties CBRE has executed. Mr. Byrne reported that in the first two years of its contract, CBRE sold 52 postal properties at $66 million less than their assessed value. Two examples he cites include an office building CBRE sold in 2011 in Seattle for $8 million that was assessed at $16 million, and a building in St. Paul, Minnesota that sold for about $20 million under its 2009 assessed value of nearly $25 million.

Perhaps of even greater concern is that, according to Mr. Byrne, CBRE has sold 20 percent of the postal service's real estate portfolio that has been sold to date to its own clients or business partners. Byrne reports that it seems as though CBRE likely represented both the seller and buyer in a number of postal property sales, which if true, would reflect a serious conflict of interest. It would also raise serious ethical concerns about CBRE's business practices. Disturbingly, Byrne reports that "CBRE's contract was amended in 2012, at the request of CBRE, to allow it to negotiate on behalf of both the Postal Service and prospective buyers." How can the U.S. Postal Service reasonably expect that CBRE would obtain the highest value possible for postal properties if CBRE represents both sides of the transaction?

In a June 2013 report, the USPS's Office of Inspector General (OIG) echoed many of the same types of concerns that Mr. Byrne has revealed. The OIG tellingly observes that, "Outsourcing real estate management services to one supplier is a fundamental change from how the Postal Service previously managed its real estate portfolio." Notably, the OIG's report expressed concern about: the potential for a conflict of interest when CBRE is allowed to negotiate on behalf of the seller, the USPS, as well as the buyer; the lack of proper oversight of the CBRE contract; and a failure to establish a maximum contract value, which could lead to cost overruns.

As we have repeatedly said, the U.S. Postal Service is facing a congressionally manufactured financial crisis. Eighty percent of the USPS's losses since 2006 are directly attributable to the unreasonable requirement enacted in the Postal Accountability and Enhancement Act of 2006 that the USPS prefund its future retiree health benefits for the next 75 years in just a ten year time frame. No other private corporation or government agency that we are familiar with is required to bear such a burden. One of your colleagues, Senator Bernie Sanders (VT), echoed this sentiment in May 2012 when he said "Ninety-four percent of the Postal Service's losses this year are a direct result of an onerous payment, unprecedented in either government agencies or private corporations, to pre-fund 75 years of future retiree health benefits in a 10-year period."

And of course, this doesn't even address the fact that the USPS has overpaid between $50 billion and $75 billion to federal pension funds for its employees that the federal government has failed to repay. That makes the USPS a creditor of the U.S. government – more than can be said of large bailed out corporations such as the big banks.

So, in light of those facts, many of these post office sales are not necessary. But is it any wonder that you haven't been particularly outspoken on this issue in light of the fact that you and your husband, Richard Blum, stand to gain generously from his connection to the sale of post offices throughout the country?

To remove all doubt of impropriety, you should: introduce and champion a bill to immediately suspend all sales of postal properties throughout the country; and call for a close examination of the contract between CBRE and the USPS to sell postal properties.

Sincerely,

Ralph Nader Jeff Musto

Ralph Nader and Jeff Musto

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