

# FBI HEADQUARTERS CONSOLIDATION PROJECT—WHAT HAPPENED AND WHAT'S NEXT

---

## HEARING BEFORE THE COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS UNITED STATES SENATE ONE HUNDRED FIFTEENTH CONGRESS

FIRST SESSION

AUGUST 2, 2017

Printed for the use of the Committee on Environment and Public Works



Available via the World Wide Web: <http://www.govinfo.gov>

U.S. GOVERNMENT PUBLISHING OFFICE

27–509 PDF

WASHINGTON : 2018

---

For sale by the Superintendent of Documents, U.S. Government Publishing Office  
Internet: [bookstore.gpo.gov](http://bookstore.gpo.gov) Phone: toll free (866) 512–1800; DC area (202) 512–1800  
Fax: (202) 512–2104 Mail: Stop IDCC, Washington, DC 20402–0001

COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS

ONE HUNDRED FIFTEENTH CONGRESS  
FIRST SESSION

JOHN BARRASSO, Wyoming, *Chairman*

|                                     |                                  |
|-------------------------------------|----------------------------------|
| JAMES M. INHOFE, Oklahoma           | THOMAS R. CARPER, Delaware       |
| SHELLEY MOORE CAPITO, West Virginia | BENJAMIN L. CARDIN, Maryland     |
| JOHN BOOZMAN, Arkansas              | BERNARD SANDERS, Vermont         |
| ROGER WICKER, Mississippi           | SHELDON WHITEHOUSE, Rhode Island |
| DEB FISCHER, Nebraska               | JEFF MERKLEY, Oregon             |
| JERRY MORAN, Kansas                 | KIRSTEN GILLIBRAND, New York     |
| MIKE ROUNDS, South Dakota           | CORY A. BOOKER, New Jersey       |
| JONI ERNST, Iowa                    | EDWARD J. MARKEY, Massachusetts  |
| DAN SULLIVAN, Alaska                | TAMMY DUCKWORTH, Illinois        |
| RICHARD SHELBY, Alabama             | KAMALA HARRIS, California        |

RICHARD M. RUSSELL, *Majority Staff Director*  
GABRIELLE BATKIN, *Minority Staff Director*

# C O N T E N T S

---

Page

**AUGUST 2, 2017**

## OPENING STATEMENTS

|   |   |
|---|---|
| Barrasso, Hon. John, U.S. Senator from the State of Wyoming .....       | 1 |
| Carper, Hon. Thomas R., U.S. Senator from the State of Delaware .....   | 2 |
| Cardin, Hon. Benjamin L., U.S. Senator from the State of Maryland ..... | 4 |

## WITNESSES

|   |    |
|---|----|
| Gelber, Michael, Acting Commissioner, Public Buildings Service, U.S. General<br>Services Administration .....                       | 6  |
| Prepared statement .....  | 8  |
| Responses to additional questions from:   |    |
| Senator Barrasso .....  | 13 |
| Senator Carper .....  | 13 |
| Senator Cardin .....  | 17 |
| Senator Harris .....  | 20 |
| Senator Shelby .....  | 22 |
| Haley, Richard L. II, Assistant Director/Chief Financial Officer, Finance Divi-<br>sion, U.S. Federal Bureau of Investigation ..... | 25 |
| Prepared statement .....  | 27 |
| Responses to additional questions from Senator Cardin .....   | 32 |
| Wise, David, Director, Physical Infrastructure Team, U.S. Government Ac-<br>countability Office .....                               | 34 |
| Prepared statement .....  | 36 |
| Responses to additional questions from:   |    |
| Senator Barrasso .....  | 51 |
| Senator Cardin .....  | 52 |



# **FBI HEADQUARTERS CONSOLIDATION PROJECT—WHAT HAPPENED AND WHAT'S NEXT**

WEDNESDAY, AUGUST 2, 2017

U.S. SENATE,  
COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS,  
*Washington, DC.*

The Committee met, pursuant to notice, at 10:08 a.m. in room 406, Dirksen Senate Office Building, Hon. John Barrasso (Chairman of the Committee) presiding.

Present: Senators Barrasso, Carper, Capito, Boozman, Wicker, Rounds, Ernst, Cardin, Gillibrand, Booker, and Harris.

## **OPENING STATEMENT OF HON. JOHN BARRASSO, U.S. SENATOR FROM THE STATE OF WYOMING**

Senator BARRASSO. Good morning. I call this hearing to order. I want to thank everyone for coming to be with us today.

We have convened this hearing to listen to testimony from Government witnesses from the General Services Administration, the Federal Bureau of Investigation, and the General Accountability Office about the cancellation of the FBI Headquarters consolidation project and what comes next for housing the FBI.

The canceled project would have replaced the current FBI Headquarters, the J. Edgar Hoover Building, located at 935 Pennsylvania Avenue, with a new headquarters in either Maryland or Virginia.

The project involved an exchange of the J. Edgar Hoover Building to a private developer. The developer would then in turn construct a campus-like facility with proper safeguards for security, suitable for the FBI's new focus as more of an intelligence agency as opposed to simply a law enforcement one. The new facility would also consolidate the myriad of FBI satellite offices, which would make the Bureau more efficient and save taxpayer dollars.

I have no doubt that there is a need to replace the FBI's existing headquarters. The men and women of the FBI who keep us safe deserve an office building that meets their needs. The security and efficiency arguments for their case are clear. What is not clear is why the project was suddenly halted, why Congress was not notified in advance, and what happens now. Senators should not have to find out about a decision of this magnitude by reading about it in the Washington Post.

Regardless as to how this decision was made and how poorly it was rolled out, it is possible that the mechanics of this deal led to

this eventual outcome. The exchange of the J. Edgar Hoover Building, which was at the heart of this proposal, may have been doomed from the start. According to the GSA Inspector General, only eight building exchanges of this type had ever been executed prior to the start of this project, and none of those exchanges involved a building worth more than \$11 million. And while there is one significant exchange in the pipeline, it is not yet complete.

The exchange of the J. Edgar Hoover Building, a much larger building than any of the other completed projects, located in heart of the nation's capital, on one of America's most famous streets, is in a completely different league. The questions now are: Where do we go from here, and how do we find a solution?

The FBI needs a new headquarters. How do we get there and what do we do in the interim to address the FBI's needs? Does it make sense to pump millions of taxpayer dollars into the J. Edgar Hoover Building to upgrade it, only to tear the building down in a few years, especially since there is over \$100 million in pending repair and maintenance needs in the building today?

Should the FBI pare back its many requirements for a new facility, reducing its size and scope to make it more affordable for the American taxpayer? Should we look at alternative financing mechanisms, such as a lease buyout arrangement where a developer constructs and leases a facility to the FBI, with the agency having the option to buy the facility years in the future?

These are all topics for this hearing today. I look forward to the testimony.

I would now like to recognize Ranking Member Carper for his opening statement.

**OPENING STATEMENT OF HON. THOMAS R. CARPER,  
U.S. SENATOR FROM THE STATE OF DELAWARE**

Senator CARPER. Thanks, Mr. Chairman. Our thanks to you.

I wanted to thank you and Senator Cardin—especially your staffs—for all the work that you have done on this issue, important issue not just for the FBI, not just for Maryland, the District of Columbia, and Virginia, but really for our country.

We are blessed by the men and women who serve us in the FBI, also in GSA and GAO. I want to just say that right from the outset. We have been blessed by wonderful leadership at the FBI for years. We have a newly confirmed FBI Director, Christopher Wray. He was confirmed yesterday. I think he will be a good one. And he follows on the heels of two really good ones in Jim Comey and Bob Mueller, and we are grateful for their leadership and continued service to our country.

I think it is safe to say that we have more questions than answers surrounding this recent decision by GSA to cancel a procurement for a consolidated FBI headquarters. I am hopeful we can learn some of those answers here today.

Prince George's County is home to two of the three final locations for the new FBI headquarters. The other was in, I believe, Springfield, Virginia. The decision to cancel this consolidation was a shock to those jurisdictions, and it was a shock to me, and it is going to have a significant impact on the region.

And I have concerns—I know many of my colleagues share them—regarding the move by GSA to cancel the procurement process. My concerns range from the lack of consultation with Congress, to the impacts on national security, to the excess cost that this decision will impose on the Federal Government.

However, I would say that my largest concern is where do we go from here. So much energy has already been invested in this endeavor, only to have the process halted without an alternative plan. We can all agree that there is an obvious need to move the FBI out of the Hoover Building to a new location and to consolidate other FBI locations.

Simply put, the Hoover Building is an aging building that no longer meets the needs of the FBI in the 21st century. It suffers significantly from deferred maintenance, and the employees bear the brunt of that lack of investment. Further, the status quo, with the FBI scattered across several locations, a number of locations throughout the D.C. metropolitan area, is simply unacceptable for the agency to carry out its mission and approve our national security.

It reminds me a little bit of the situation the Department of Homeland Security is in. Some of us serve on the Committee on Homeland Security and Governmental Affairs, and they are spread over almost a half-acre and are trying to consolidate the bigger part of their Department in St. Elizabeth's, and hopefully we will be able to carry that out and get that done over the next couple of years.

But with increasingly tight budgets, deferred maintenance on the Hoover Building, and expensive commercial leases for FBI annexes and satellite offices, it would seem to make sense to me to consolidate the FBI under one roof, or something close to one roof.

As stewards of the Federal purse, we should be ensuring that we are doing all that we can to save taxpayer dollars and create efficiency in Government, including with respect to property management, something that Tom Coburn and I—former Senator from Oklahoma—and others have worked on, Rob Portman and others have worked on for years with many of you.

We should also ensure that, when appropriate, Congress provides adequate funding for construction projects that will help agencies meet their missions. For the last several years I have been, as I said earlier, a strong advocate for consolidating the Homeland Security's headquarters at St. Elizabeth's. It just makes sense; it makes dollars and cents; enhances morale and makes more efficient, and frankly, gets them out all these leased spaces that we are paying a lot of money for all over this part of America.

Let me just close by saying without adequate funding from Congress in the years to come, this FBI project, the St. Elizabeth's project may face unacceptable cost escalations and delays that are wholly preventable through our action. This is on us, on Congress.

Mr. Chairman, look forward to hearing this all-star lineup of witnesses, and I would ask them all to do what Gene Dodaro does when he comes and testifies before us, to do it all off the top of their heads and use no notes, and to accept no input from their staffs, and we will be on our way and get a lot done. Thank you very much.

Senator BARRASSO. Thank you, Senator Carper.

Before we turn to our witnesses, I would like to invite both the Chairman and Ranking Member of the Transportation and Infrastructure Subcommittee, which has jurisdiction over public buildings, to make a statement if they would like.

Senator Cardin.

**OPENING STATEMENT OF HON. BENJAMIN L. CARDIN,  
U.S. SENATOR FROM THE STATE OF MARYLAND**

Senator CARDIN. Chairman Barrasso, first of all, thank you so much for holding this hearing. After GSA announced that they were terminating the consolidation of the FBI prospectus, you and I talked and you immediately offered to hold this hearing, and I want to thank you very much for that. I want to thank Ranking Member Carper for his cooperation in scheduling this hearing.

I want to start by just expressing a great deal of frustration as to how this process has gone forward. The delay, the mixed messages that we have received on financing, and the ignoring of the action of this Committee and of Congress. As a result, there has been a waste of taxpayer money—significant waste of money—and we have compromised the FBI's ability to carry out its critical mission. That is plainly unacceptable, and I think this Committee deserves an explanation.

I hope today that there will be a way forward, that we can move toward a consolidated facility for the FBI in a very quick way, so that we can move on for the taxpayers of this country and the important mission that the FBI carries out.

So let me elaborate on what I just said.

The FBI has been in the Hoover Building since 1974. It lacks usable space. They are in 15 different leased locations around the District of Columbia, causing an inefficiency in their operations, additional costs to the taxpayers, an inability to collaborate, which is important for the FBI to carry out its function, and it lacks the security that is necessary for the FBI. All that is known; it has been known for many, many years. There were reports done 7 years ago, 8 years ago.

In 2011 the GSA, FBI came to this Committee and said we need help; do something about it. And in 2011—6 years ago, Mr. Chairman—this Committee took action. We passed a prospectus in 2011. That prospectus said very clearly you are directed to proceed with a private sector lease transaction on federally owned land for a consolidated headquarter facility. We recognized that. We gave you the authority.

When we give you the authority, we expect that that is going to be carried out and that you are going to work with this Committee.

So what happened next? Well, GSA and OMB said, no, we don't want to use a leased facility; we want to pay for it up front. Now, that is a heavy lift, to put all that money in the budget, for Congress to be able to put in excess of \$1 billion at the time, now close to \$2 billion, into a budget in 1 year to pay for one consolidated facility. But that is what GSA and OMB wanted, so we proceeded with that. Congress cooperated.

In fiscal year 2016, \$390 million was put into the appropriation bill. In fiscal year 2017, \$523 million additional dollars were put



into the appropriation process. In addition, the Appropriations Committee, in their report, made it clear that they would provide the additional moneys in fiscal year 2018 necessary to complete the project. And as the Chairman pointed out, this was based upon the exchange of the Hoover Building, which added additional resources to this project.

In 2013 GSA went forward with the Request for Information. Three sites were selected; seven proposals were filed. And GSA came back to this Committee in 2016, said we should update the prospectus in order to comply with how GSA was proceeding. We passed a new prospectus for you in 2016, giving you all the authority you needed, so what happened next is very hard for us to understand.

President Trump's fiscal year 2018 budget contained zero for the FBI. We don't exactly understand that if we are proceeding with a cash transaction. Congress was prepared to move forward, as I have already indicated, by the report language we put in and the moneys that we put in.

And then what I don't understand at all—and I hope this is explained to me—on July 12th, 2017, without notice to this Committee, GSA cancels the procurement. Cancels the procurement. OK, why? Not enough money appropriated by Congress?

Well, the Congress put a large sum of money. The President said it didn't need any more money, because he put no money in the fiscal year 2018 budget. Was it canceled because you want to go now to a lease arrangement? We gave you that authority in 2011, to use a lease authority. Why would you cancel and not come back to us and say we're changing directions? Are you saying we don't need a consolidated facility for the FBI? I hope that is not the case, because the FBI needs a consolidated facility.

So I hope we get some answers as to why it was handled in this way. And how can we move forward in an appropriate way, but in a way that recognizes the NEPA studies have already been done on these three locations; we know about that. We already have a lot of the work done.

I think GSA has created a legal problem now because of the word cancellation of the prospectus. I don't understand why you did that, but maybe you can explain how we are going to move forward and how you are going to respect the will of this Committee and Congress. When we told you originally to use a lease purchase, you came back and said you wanted to use appropriations. We provided the money, and then you don't go forward.

I hope we get some answers.

Senator BARRASSO. Thank you very much, Senator Cardin.

We are now going to hear from our witnesses.

We have joining us today Mr. Michael Gelber, who is the Acting Commissioner of the General Services Administration, Public Building Service; we have Mr. Richard Haley, who is the Assistant Director and Chief Financial Officer of the Federal Bureau of Investigation Finance Division; and Mr. David Wise, who is the Director of Physical Infrastructure Team of the General Accountability Office.

I would like to remind the witnesses that your full written testimony will be part of the official hearing today, so I would ask that

you please keep your statements to 5 minutes so that we may have time for questions.

Mr. Gelber.

**STATEMENT OF MICHAEL GELBER, ACTING COMMISSIONER,  
PUBLIC BUILDINGS SERVICE, U.S. GENERAL SERVICES AD-  
MINISTRATION**

Mr. GELBER. Thank you.

Good morning, Chairman Barrasso, Ranking Member Carper, and members of the Committee. My name is Michael Gelber, and I am the Acting Public Building Service Commissioner of the U.S. General Services Administration. Thank you for the opportunity to testify today.

I wish to discuss how GSA and the Federal Bureau of Investigation jointly determined that the J. Edgar Hoover Building no longer meets the needs of the FBI. I will also discuss why GSA initially used the exchange process to help obtain a modern replacement facility, but ultimately reached the decision to cancel the procurement. Finally, I will discuss how GSA and the FBI are working together to meet the FBI's housing needs and mission requirements going forward.

In 2011, in accordance with the resolution adopted by this Committee, GSA issued a Report of Building Project Survey. The report evaluated the following four strategies to deliver a modern headquarters for the FBI: Federal construction, lease construction, ground lease-leaseback, and acquisition by exchange. A 30 year net present value cost analysis of all four options determined that Federal construction was the most cost effective approach to provide a replacement consolidated headquarters facility to house the FBI.

Under the present scoring rules agreed to by the Congressional Budget Office, the budget committees, and the Office of Management and Budget, a lease construction or ground lease-leaseback transaction would require full funding up front. A new FBI headquarters is a long term Federal need for which Federal ownership has been shown to be the lowest cost alternative. GSA seeks to develop Federal capital projects that allow GSA to meet agencies' mission needs while pursuing the best value for the American taxpayer.

To address Federal capital needs generally, GSA has a mechanism that is not being fully utilized, the Federal Buildings Fund. GSA has a significant backlog of unfunded capital projects resulting from less than full appropriation of the GSA rent collections in fiscal years 2011 to 2017. Full access to GSA rent collections for investment in capital projects is necessary to maintain the portfolio and deliver priority, mission critical Federal facilities.

In parallel, GSA recognizes that up front funding can be viewed as an impediment to making key investments, but under the current scoring rules it is also the way for the Federal Government to record Federal spending. This Administration is considering a number of new Federal tools to support better decisionmaking while maintaining transparency and fiscal restraint.

Given these facts, GSA determined that an exchange of the Hoover Building for a new facility of up to 2.1 million square feet was the most viable funding mechanism to consolidate personnel from

the Hoover Building and multiple leased locations at the lowest possible cost. The exchange process can facilitate the disposal of agency properties that do not meet the Federal need by allowing GSA to leverage its owned inventory to acquire new and more efficient facilities.

GSA worked closely with the FBI, Congress, State and local governments, and the private sector to meet project milestones. To this end, GSA selected three preferred sites and a number of preferred developers. As part of this process, GSA also analyzed all three preferred sites pursuant to the National Environmental Policy Act. Earlier this year, GSA communicated that, should full funding be provided, we stood ready to select the developer and make an award.

In May of this year Congress passed the Fiscal Year 2017 Omnibus Appropriations Act. Under the Act, GSA received \$200 million, and the FBI received \$323 million of a combined \$1.4 billion request. This resulted in a funding gap of \$882 million from the requested level.

Following the enactment of the Fiscal Year 2017 Omnibus, GSA considered various potential paths forward to address the project's \$882 million funding gap. After internal and interagency deliberations, GSA determined that moving forward without full funding would put the Government at risk for project cost escalations. Additionally, both GSA and the FBI expressed concerns about the potential reduction in the value of the Hoover property, since developers were scheduled to receive the property once the new FBI consolidated headquarters are completed. As a result, GSA decided, in consultation with the FBI, to cancel the procurement.

It is fair to say that the cancellation of the procurement was not the desired outcome. Members of this and other congressional committees, along with Federal, State, local, and private sector partners, put a tremendous amount of time, energy, effort, and resources into delivering a modern FBI headquarters.

At this time, GSA and the FBI are working together to meet the FBI's short and long term housing needs and mission requirements. This review includes deciding what investments to make in the Hoover Building now that we know that the FBI will be housed there for longer than expected. Additionally, the FBI's portfolio of leased space is being evaluated, as well as options to procure a new headquarters for the FBI.

In closing, GSA is committed to carrying out our mission of delivering the best value in real estate. The need for the FBI to have a modern headquarters remains.

GSA will continue to work with members of this Committee, the FBI, and others in the Administration and Congress to meet this need.

I thank the Committee for the opportunity to testify today, and I look forward to answering your questions.

[The prepared statement of Mr. Gelber follows:]



GSA Public Buildings Service



Michael Gelber - Acting Commissioner

Michael Gelber became the Acting Commissioner of the United States General Services Administration's Public Buildings Service on March 27, 2017. Prior to this assignment he served as the Service's Deputy Commissioner. He has served in that position since January 2013.

The Public Buildings Service is one of the largest and most diversified public real estate organizations in the world. The Service supports the Federal Government by designing, developing, renovating, leasing, managing, and disposing of a real estate portfolio of approximately 370 million square feet of space located in over 8,700 owned and leased properties across the United States. The Service is comprised of over 5,000 Federal employees and has an annual budget that exceeds \$10 billion.

Prior to his current position, Mr. Gelber was the agency's Federal Acquisition Service Regional Commissioner in the Pacific Rim Region where he was responsible for Federal Acquisition Service programs in four western states, American Samoa, Guam, the United States Trust Territories, Japan and the Republic of Korea. Based in San Francisco, Mr. Gelber had oversight responsibility for over \$1 billion in goods and services.

His previous senior leadership positions included Regional Commissioner in the Northwest/Arctic Region (based in Auburn, Washington) as well as Deputy Regional Administrator, Assistant Regional Administrator and Deputy Regional Commissioner in the Great Lakes Region (Chicago, Illinois). He began his career with the General Services Administration in 1988 as a Project Manager and Facilities Planner.

Mr. Gelber became a member of the Senior Executive Service in 2009. In 2016 he received the Presidential Rank Award of Distinguished Executive. Mr. Gelber is a graduate of Columbia University with a bachelor's degree in history, and he has attended the University of Chicago.

U.S. General Services Administration  
1800 F Street, NW  
Washington, DC 20405-0002

[www.gsa.gov](http://www.gsa.gov)

**STATEMENT OF MR. MICHAEL GELBER**  
**ACTING COMMISSIONER PUBLIC BUILDINGS SERVICE U.S. GENERAL**  
**SERVICES ADMINISTRATION**  
**BEFORE THE SENATE COMMITTEE ON ENVIRONMENT AND PUBLIC**  
**WORKS**

**August 2, 2017**

Good morning Chairman Barrasso, Ranking Member Carper, and Members of the Committee. My name is Michael Gelber, and I am the Acting Public Buildings Service Commissioner of the U.S. General Services Administration (GSA). Thank you for the opportunity to testify today.

I wish to discuss how GSA and the Federal Bureau of Investigation (FBI) jointly determined that the J. Edgar Hoover Building (Hoover Building) no longer meets the needs of the FBI. I will also discuss why GSA initially used the exchange process to help obtain a modern replacement facility, but ultimately reached the decision to cancel the procurement. Finally, I will discuss how GSA and the FBI are working together to meet the FBI's housing needs and mission requirements going forward.

When the Hoover Building opened in 1974, it was originally designed to store vast amounts of paper documents and was constructed in such a way that makes it largely incompatible with today's work environment of close collaboration of various staffs and operations. More importantly, the size and scope of the FBI mission has evolved over time to focus on threats to our national security in addition to its law enforcement operations.

Today, the Hoover Building accommodates only a portion of FBI's Headquarters staff in the Washington D.C. Metropolitan Area. The remaining FBI personnel are housed in numerous leased facilities throughout the area. The separation of personnel has resulted in duplication of some support functions at the different leased buildings thereby costing more to conduct operations than otherwise would be needed.

In 2011, in accordance with a resolution adopted by this Committee, GSA issued a Report of Building Project Survey. The report evaluated the following four

strategies to deliver a modern headquarters for the FBI: federal construction, lease construction, ground lease - leaseback and acquisition by exchange. A 30-year net present value cost analysis of all four options determined that federal construction was the most cost-effective approach to provide a replacement consolidated headquarters facility to house the FBI in Washington, D.C.

Given the fiscal environment at the time and a situation that remains to this day, GSA's inability to fully access the Federal Buildings Fund to finance capital projects, it was determined that an exchange of the Hoover building for a new facility of up to 2.1 million square feet was the most viable funding mechanism to consolidate personnel from the Hoover Building and multiple leased locations at the lowest possible cost.

At the end of the exchange process, the selected developer would own the Hoover Building, and the federal government would own the replacement facility, the new FBI consolidated headquarters.

It was and continues to be the goal of the Executive branch to invest in Federal capital projects in a way that allows the Government to pursue the lowest option and make critical capital investments in a transparent way, both of which are critical to making sure that we make the most efficient use of taxpayer dollars. Under the present rules agreed to by the Congressional Budget Office, the Budget Committees and the Office of Management and Budget, a leased or ground lease-leaseback transaction, as has been mentioned previously, would require full upfront funding. A new FBI Headquarters is a long term Federal need for which Federal ownership has been shown to be the lowest cost alternative.

To address Federal capital needs generally, GSA has a mechanism that is not being fully utilized: the Federal Buildings Fund. GSA has a significant backlog of unfunded capital projects resulting from less than full appropriation of the GSA rent collections in Fiscal Years (Fys) 2011-2017. Full access to GSA rent collections for investment in capital projects is necessary to maintain the portfolio and deliver priority, mission critical Federal facilities. In parallel, GSA recognizes that up-front funding can be viewed as an impediment to making key investments, but under the current scoring regime it is also the way which we transparently record Federal spending. This Administration is considering a number of new Federal tools to support better decision-making while maintaining transparency and fiscal restraint.

The exchange concept is one tool GSA employs to manage our real property inventory. This process can facilitate the disposal of agency properties that do not meet the federal need by allowing GSA to leverage its owned inventory to acquire new and more efficient facilities. This approach can also provide considerable savings to the taxpayer.

GSA worked closely with the FBI, Congress, state and local governments, and the private sector to meet project milestones. To this end, GSA selected three preferred sites, and a number of preferred developers. As part of this process, GSA also analyzed all three preferred sites pursuant to the National Environmental Policy Act. Earlier this year, GSA communicated that, should full funding be provided, we stood ready to select a developer and make an award.

In addition to the funding projected from the developer of the Hoover Building and Congressionally appropriated funding in FY16, GSA and FBI requested construction funding in the President's FY17 Budget totaling \$1.4 billion

GSA requested \$759 million for the project, while the FBI requested \$646 million.

In May of this year, Congress passed the FY 2017 Omnibus Appropriations Act (the Act). Under the Act, GSA received \$200 million and the FBI received \$323 million of a combined \$1.4 billion request. This resulted in a funding gap of \$882 million from the request level.

Following the enactment of the FY 2017 Omnibus, GSA considered various potential paths forward to address the project's \$882 million funding gap. After internal and interagency deliberations, GSA determined that moving forward without full funding would put the Government at risk for project cost escalations. Additionally, both GSA and FBI expressed concerns about the potential reduction in value of the Hoover property since developers were scheduled to receive the property once the new FBI consolidated headquarters was completed. As a result, GSA decided in consultation with the FBI, to cancel the procurement.

It is fair to say that the cancellation of the procurement was not the desired outcome. Members of this and other Congressional Committees along with federal, state, local, and private sector partners put a tremendous amount of time, energy, effort, and resources into delivering a modern FBI headquarters.

At this time, GSA and the FBI are working together to meet the FBI's short- and long-term housing needs and mission requirements, that necessarily includes deciding what investments to make in the Hoover Building now that we know the

FBI will be housed there for longer than expected. Additionally, the FBI's portfolio of leased space is being evaluated as well as options to procure a new headquarters for the FBI.

In closing, GSA is committed to carrying out our mission of delivering the best value in real estate. The need for the FBI to have a modern headquarters remains.

GSA will continue to work with members of this Committee, the FBI, and others in the administration and Congress to meet this need.

I thank the Committee for the opportunity to testify today and look forward to answering your questions.



## **Senate Environment and Public Works Committee**

Hearing entitled, *"FBI Headquarters Consolidation Project – What Happened and  
What's Next"*

### **August 2, 2017**

**Questions for the Witness Michael Gelber**

**Chairman Barrasso:**

1. Mr. Gelber, I understand there will be several restrictions the D.C. government intends to impose on the land the Hoover Building currently occupies, should it ever be transferred or sold to a developer. Would you describe these restrictions, and how they might impact the value of the land the Hoover Building currently occupies?

On January 6, 2017, the National Capital Planning Commission approved Square Guidelines for the two Squares (378 and 379) that the J. Edgar Hoover Building occupies on Pennsylvania Avenue and adjacent streets. The Square Guidelines dictate future development of the J. Edgar Hoover building site by regulating building density and use, maximum allowable height, circulation on and around the site, building offsets and upper story setbacks. The cumulative effect of the Square Guidelines on the value of the Government's asset may be negative.

2. Mr. Gelber, is there any way for the FBI to reduce the costs for the new headquarters? If so, where do you think there are opportunities for cost-savings within the scope of this project?

The General Services Administration (GSA) will work with the Department of Justice – Federal Bureau of Investigation (FBI) for ways for the FBI to reduce the costs associated with a new footprint.

**Ranking Member Carper:**

3. During this oversight hearing, in response to Chairman Barrasso's question, "Mr. Gelber, does the GSA intend to abide by the policy that's described by Mr.

Short's letter of July 20th of this year?" your response was simply, "Yes". That letter is attached. In addition to that attachment, I have attached previous information requests. I am again requesting detailed, factual, complete and accurate responses to the inquiries in these letters.

GSA responded to your previous requests for information on October 13, 2017.

4. On May 5, 2017, less than three months ago, Congress appropriated \$523 million dollars for this project in the FY17 omnibus. On July 11, 2017, you terminated it. What changed in your analysis over 66 days that led you to terminate it after years of development, right after Congress invested more than half a billion dollars?

After numerous internal and interagency deliberations, GSA determined that moving forward without full funding would put the Government at too great a risk for project cost escalations. Additionally, concerns were expressed about the potential reduction in value of the Hoover property since under the transaction, developers only receive the property once the new FBI consolidated headquarters was completed. As a result, GSA decided, in consultation with the FBI, to cancel the procurement.

5. You have stated in staff briefings that you continue to affirm the need for a new FBI headquarters. If that is the case, why did the FY18 President's Budget include zero funds for it?

Funding was not requested in FY18 in the expectation that the FY17 budget request would be fully funded.

6. This project's procurement schedule has been delayed multiple times. Why did you terminate it this time and not simply delay it again?

The decision to cancel the procurement was based on procurement realities and the gap of \$882 million in FY17 appropriated funds. Moving forward absent full funding put the Government at too great a risk for cost escalations and further devaluation of the Hoover property which would further increase the overall cost of the project.

7. What metrics can you point us to that show how investing in a building slated for demolition (and a dozen sites that a new HQ would consolidate) is a better long-term investment than building a new HQ?

GSA agrees that a new consolidated FBI headquarters is a better long-term investment than maintaining FBI's current real estate portfolio of owned and leased properties in the National Capital Region. However, certain repairs must be made for continued occupancy of the Hoover building.

8. Precisely who in each agency – FBI, GSA, OMB – made the decision to terminate the procurement?

GSA coordinated this decision with the FBI. The GSA Contracting Officer made the decision to cancel this acquisition.

9. Why was a decision of this magnitude made when neither FBI nor GSA has a Senate-confirmed executive?

The decision to cancel the procurement was based on procurement realities and the gap of \$882 million in FY17 appropriated funds. After numerous internal and interagency deliberations, GSA determined that moving forward without full funding would put the Government at too great a risk for project cost escalations. Additionally, concerns were expressed about the potential reduction in value of the Hoover property since under the transaction, developers only receive the property once the new FBI consolidated headquarters was completed. As a result, GSA decided, in consultation with the FBI, to cancel the procurement.

10. The White House announced that Dan Matthews would begin as the Public Building Service Commissioner at GSA. With senior leadership in place at GSA, what are the next steps to move this project forward?

GSA and the FBI are currently working to identify acquisition solutions to meet the requirements of the new FBI headquarters. GSA and the FBI are working to report back to Congress by November 30, 2017.

11. What is the Administration going to do with the funds that have already been appropriated for the project both to GSA and the FBI? (GSA has \$275M and FBI has \$638M)

Currently, GSA intends to use these funds in support of the FBI headquarters project as appropriated.

12. GSA and FBI had selected 3 sites for consideration for the project – 2 in Maryland and 1 in Virginia. Will those sites continue to be under consideration for the project as this process moves forward? Do you believe that GSA has the authority to select one of those sites as the process moved forward? Wouldn't it make sense to pursue these sites given that GSA has already begun to develop an Environmental Impact Statement for all 3 of these sites?

The three identified sites will continue to be under consideration as the process moves forward. Yes, GSA has the authority to select a site. The ultimate location of the future headquarters facility will be governed by FBI's program of requirements, available funding, and circumstances surrounding a new procurement.

13. One of the complaints of the previous process was that the combination of the exchange of the Hoover Building with the construction of the new FBI headquarters created unnecessary complication and also had the potential to diminish the value the government would get for the Hoover Building. Has the Administration contemplated a new process that would decouple the disposal of the Hoover Building from the construction of the new FBI headquarters?

GSA is evaluating all options for a new acquisition strategy, including decoupling the disposal of the Hoover property from the construction of the new FBI headquarters.

14. For the last several years, I have been a strong advocate for the Department of Homeland Security's Headquarters Consolidation at St Elizabeths. I firmly believe that finishing the DHS headquarters will improve our national security, increase morale and productivity at the Department, and save money for the taxpayers.

To date, the St Elizabeths project has received \$2.3 billion, or nearly two-thirds of the \$3.7 billion estimated by the previous Administration needed to complete the project. The President's FY2018 budget proposes \$135 million for GSA's portion of Department of Homeland Security (DHS) Consolidation at St. Elizabeths. Unfortunately, Congress did not appropriate any funds for this project in FY2017.

- a. Can you please share with me an update on progress at the site? Will the President's request for funding for FY 2018 keep the project on track for completion by 2021?

The DHS HQ Consolidation at St Elizabeths is continuing to progress utilizing funds received during FY16. The funds are being applied to continue, and complete, both adaptive reuse and new construction projects for use by DHS. Currently, the Center Building, which will house the DHS Headquarters staff, is 70 percent complete. The Central Utility Plant expansion, the West Addition, the Hitchcock Hall, and the Fence Relocation project are all actively under construction. As referenced above, Congress did not appropriate funds in support of the FY2017 GSA request for construction funding. In addition, the current request for \$135 million in funding during FY18 is in support of identified infrastructure requirements on the West Campus.

- b. What else does Congress and the Administration need to do to ensure that the project remains on time and on budget?

Congress will need to fund the President's budget requests to complete this facility.

**Senator Cardin:**

15. Mr. Gelber, the acquisition timeline, which was published in November of 2013, was revised at least eight times in four years:

- In the November 2013 version the "award date" was listed as summer 2015
- In the July 2014 version the "award date" was listed as spring 2016
- In the October 2015 version the term "award date" was replaced with "award contract subject to funding availability" and the date listed was November 2016
- In the January 2016 version the "award contract subject to funding availability" and the date listed was December 2016
- In October 2016 GSA announced that there would be no award by the end of 2016 and that the decision on the site and the bid would be made in March 2017
- In March 2017 GSA told Congressional staff that they can't move forward without full funding for the project

In July 2017 GSA announced the cancellation of the procurement due to a lack of full funding DESPITE the fact that Congress has already appropriated \$390 million in FY16, \$523 in FY17 and committed to providing the rest in FY18

Can you explain to the committee why GSA failed to meet almost every deadline that they set?

In its March 10, 2017, *FBI Headquarters Project Update*, GSA stated, "We have met the milestones at this point. Appropriations are necessary in order for us to make an announcement and move forward with the next critical steps under the NEPA process and ultimately make an award." GSA stood ready to move forward with the procurement upon receipt of adequate appropriations.

16. Mr. Gelber, how does GSA explain the current delay, which was based on risk to the taxpayer, in light of as much as hundreds of millions of dollars in higher costs that are likely to result from the \$100 million in renovations GSA has already identified at the Hoover building plus the \$55 million year in additional lease costs and the higher construction costs at the eventual building?

The decision to cancel the procurement was based on procurement realities and the gap of \$882 million in FY17 appropriated funds.

After numerous internal and interagency deliberations, GSA determined that moving forward without full funding would put the Government at too great a risk for project cost escalations. Additionally, concerns were expressed about the potential reduction in value of the Hoover property since under the transaction developers only receive the property once the new FBI consolidated headquarters was completed. As a result, GSA decided, in consultation with the FBI, to cancel the procurement.

17. Mr. Gelber, for how many years will the FBI need to stay in the Hoover building IF the headquarters procurement process gets back on track within the next year and utilizes one of the sites, one of the developers and the environmental study work from the cancelled procurement? For how many years will the FBI need to stay in the Hoover building if the headquarters procurement process gets back on track within the next year and does not utilize one of the sites, one of the developers and the environmental study work from the cancelled procurement?

The first scenario presented is no longer possible. GSA cancelled the procurement, thus the previously shortlisted developers no longer have standing as offerors.

Regarding the second scenario, GSA and the FBI are currently working to identify the best acquisition solution to meet the requirements of a new FBI headquarters. GSA and the FBI are currently working to identify acquisition solutions to meet the requirements of a new FBI headquarters. GSA and the FBI are working to report back to Congress by November 30, 2017.

18. Mr. Gelber, GSA chose to include an exchange of the Hoover Building in this procurement. This strategy, while within GSA's legal authorities, was extremely risky given the fact that this would have been the largest exchange ever undertaken by GSA and it significantly complicated the transaction because it prevented the developer from accessing the Hoover Building until it was empty. How did the utilization of the exchange authority play into the cancellation of this project?

Given the fiscal environment at the time, GSA's inability to fully access the Federal Buildings Fund receipts to fund the project, GSA determined that an "exchange" of the Hoover building for a new facility of up to 2.1 million square feet was the preferred funding mechanism to consolidate personnel from the Hoover Building and multiple leased locations.

19. Mr. Gelber, what internal conversations have taken place within GSA about the future of this project since the July 10th cancellation announcement? Have you had any formal or informal conversations with FBI staff? Have you had any formal or informal conversations with OMB staff? Have you had any formal or informal conversations with any developers?

GSA and the FBI are currently working to identify acquisition solutions to meet the requirements of the new FBI headquarters. GSA and the FBI are working to report back to Congress by November 30, 2017.

GSA met with the offerors to inform them of the decision to cancel this procurement.

20. Mr. Gelber, will a restart of the process work off of the three sites and three bid teams—acknowledging their significant investments thus far—or will GSA go back to

zero and start from scratch? Could a restart switch to the lease back scenario, which the FBI identified in 2011 as their preferred financing strategy? If not, why not? Will a restart utilize the environmental impact work from the first procurement? Do you have a timeframe for getting this procurement started again?

GSA and the FBI are currently working to identify acquisition solutions to meet the requirements of the new FBI headquarters. GSA and the FBI are working to report back to Congress by November 30, 2017.

**Senator Harris:**

21. According to the latest 5-year capital project plan, Phase II of the Calexico West Land Port of Entry (LPOE) modernization and expansion project is the top LPOE construction priority for GSA. However, like the FBI Headquarters project, funding for Calexico West was not specifically enumerated in the President's fiscal year 2018 budget request. Therefore, and in light of the decision to halt the FBI consolidation project, does GSA still view the Calexico West LPOE as a priority? If so, where does it fall on the agency's list of priorities?

Funding was not requested in FY18 in the expectation that the FY17 budget request would be fully funded.

22. If the project is, in fact, a top priority for GSA, are you willing to submit a budget addendum to Congress clarifying that the project is a top LPOE priority for the fiscal year 2018 budget cycle?

GSA does not plan to request a budget addendum.

23. To date, Congress has appropriated a significant amount of funding for the FBI consolidation project. Is there an expiration date that the GSA must use this funding?

No, GSA's FY16 and FY17 FBI headquarters consolidation project appropriations were appropriated as "No Year" funds.

24. According to your agency's website, GSA owns or leases 113 properties in the State of California. How many of those GSA sites are currently left unused?



The vast majority of owned properties are actively used. There are some new port buildings at the San Ysidro and Calexico Land Port of Entries that are 'pending' while under construction.

Additionally, GSA has three properties declared excess and in the disposal process, and two additional properties are being evaluated for potential disposal should GSA not identify a future Federal use.

GSA also has 631 leases in California. Of the 631 leases, 14 leases have vacancies. Of those, five small leases (below 10,000 square feet) are vacant as the occupying Federal agencies have exercised their rights to move from these locations. These leases are set to expire within the next two years. In all such cases, GSA pursues opportunities to backfill leased vacant space with other tenants. Where backfill opportunities do not exist, lease buyouts are considered and termination rights with the lessor are exercised.

25. Does the GSA continue to pay for leases that go unused?

Yes, until GSA can backfill the space or terminate the agreement.

If so, what is the estimated cost that the Federal government pays annually for unused leases in California?

The 14 leases with vacancies have \$7,505,111 in rent exposure. This figure represents less than 2% of the annual rent for leases in California totaling \$434,212,959.

26. What does the GSA do with unused properties that they own? Does your agency have plans to repurpose or transfer those existing properties?

If an owned property is unused, GSA typically conducts a financial analysis on the following scenarios: (1) renovate the facility and collapse leased space into the building(s) and (2) dispose of the facility. The result of this analysis should determine the status of these properties.

Transfer or disposal of unneeded property is governed by Title 40.

27. The City and County of San Francisco (CCSF) has been in the process to acquire and develop surplus property managed by GSA to provide permanent supportive

housing for over 2,000 chronically homeless individuals. Could you provide me with an update on the status of this transfer?

Pursuant to the McKinney-Vento Homeless Assistance Act (42 U.S.C. 11431 et seq.), on August 8, 2017, the Department of Health and Human Services (HHS) approved the City of San Francisco's application subject to certain conditions, including the need to complete an environmental review and provide additional information on project financing. GSA is assisting HHS on completing the disposal subject to the identified site conditions. Upon successful completion of these requirements, the property could be transferred to CCSF at no cost (\$0).

28. Some of these federal facilities are suitable to be repurposed for other beneficial projects by our federal, state, local, and private partners. Therefore, could the GSA provide my office an assessment of all the unused federal sites in California?

GSA currently has the following properties reported excess for disposal in California:

- 1064-1068 Mission St (San Francisco): 2 parcels totaling 1.2 acres.
- 620 Central Ave (Alameda): 5 buildings totaling 77,041 SF. Homeless application from one applicant due to HHS by October 16, 2017.
- 15000 Aviation Blvd (Hawthorne): 216,102 SF. Currently 100 percent occupied but tenant is moving to another location in 2018.

**Senator Shelby:**

29. The Administration's July 11, 2017, decision to end the procurement for the new FBI headquarters consolidation project cited financial concerns as the underlying reason for the cancellation. This rationale was given despite the fact that the House of Representatives and the Senate Appropriations Committees affirmed this project by providing funding in the fiscal year 2017 Omnibus appropriations and, in the same bill, committed to moving forward with the remainder of the funding in fiscal year 2018.

a. Since Congress clearly endorsed the project, why was the lack of funding given as the sole reason by the Administration to terminate the procurement?

The decision to cancel the procurement was based on procurement realities and the gap of \$882 million in FY17 appropriated funds. GSA determined that moving forward without full funding would put the Government at too great a risk for project cost escalations. Additionally, concerns were expressed about the

potential reduction in value of the Hoover property since under the transaction developers only receive the property once the new FBI consolidated headquarters was completed.

- b. Given the direction Congress provided in the FY 2017 Appropriations Omnibus on this project, which signaled a multi-year appropriation commitment, why was GSA unwilling to adapt to a modified appropriation profile to achieve a successful outcome especially since 10 years of planning and tens of millions of dollars have already been invested in this project?

The decision to cancel the procurement was based on procurement realities and the gap of \$882 million in FY17 appropriated funds. GSA determined that moving forward without full funding would put the Government at too great a risk for project cost escalations. Additionally, concerns were expressed about the potential reduction in value of the Hoover property since under the transaction developers only receive the property once the new FBI consolidated headquarters was completed.

30. Due to the Administration's July 11, 2017, decision, the FBI is left with no plan for a new procurement for a consolidated headquarters, and no path forward on how to make its currently deteriorating headquarters facility structurally sustainable. A new plan is needed, but the timeline for creating one is unclear and the scope of lessons learned from the faulty original plan is unknown.

- a. How will the Administration adapt future procurement solicitations for such a large scale construction project given the reality that securing over \$1.4 billion in a single fiscal year in this financial environment is clearly difficult?

GSA and the FBI are currently working to identify acquisition solutions to meet the requirements of the new FBI headquarters. GSA and the FBI are working to report back to Congress by November 30, 2017.

- b. What new construction/leasing models is the Administration reviewing for procuring such a large-scale facilities project as this one? Is a public-private partnership model an option, and if not, why? Are you aware of other federal agencies that have the authority to utilize the public-private partnership model to meet their construction/leasing needs?

GSA and the FBI are currently working to identify acquisition solutions to meet the requirements of the new FBI headquarters. GSA and the FBI are working to report back to Congress by November 30, 2017.

GSA cannot speak comprehensively on what authorities other Federal agencies may have to utilize public private partnerships to meet their construction/leasing needs.

31. GSA has not updated the long-term maintenance and refurbishment plan for the FBI's current headquarters since before 2006. GSA sidelined this assessment when the agency focused on the plan to procure a new building despite the fact that the current facility continues to deteriorate.

a. Since the FBI will remain in its current headquarters for an extended time, when will GSA complete a new assessment of the FBI's current headquarters' facility?

GSA and FBI are evaluating the Hoover property, and the approaches to implement any appropriate repairs.

b. Since GSA is responsible for the maintenance and upkeep of the FBI's current headquarters, will the agency commit to the necessary funding to complete the repairs and refurbishment, and will the agency provide a funding profile to accompany the revised long-term maintenance plan? If not, why?

GSA and FBI are evaluating the Hoover building to identify appropriate repairs. Upon completion of a review of the facility's needs, GSA and FBI will determine the appropriate path for funding the necessary actions.

Senator BARRASSO. Thank you very much, Mr. Gelber.  
Mr. Haley.

**STATEMENT OF RICHARD L. HALEY II, ASSISTANT DIRECTOR/  
CHIEF FINANCIAL OFFICER, FINANCE DIVISION, U.S. FED-  
ERAL BUREAU OF INVESTIGATION**

Mr. HALEY. Thank you, Chairman Barrasso, Ranking Member Carper, and members of the Committee for allowing me to appear before you today to discuss the importance of the FBI headquarters facility project.

Sitting before you today, I represent a number of individuals at the FBI that have spent years of making this project a reality, a reality that we have not lost sight of despite this current setback.

Mr. Chairman, as you and Senator Carper and Senator Cardin have mentioned, and I will just briefly reiterate, this Committee is very well aware the J. Edgar Hoover Building was designed in the 1960s to meet an FBI mission of that time that was largely criminal in nature, most of which was done by each of our field offices, and the headquarters building was really just a national police precinct to coordinate those efforts. When occupied in the mid-1970s, nearly half of the building was designed for our laboratory functions, fingerprint operations, and paper records storage requirements. All of those functions have been moved decades ago.

Today, in addition to the lack of infrastructure and security required to meet the mission needs, the building struggles to keep up with the organization's need to continue to be more and more threat focused, intelligence driven, an organization that must be able to rapidly address developing threats and collaborate across multiple operational programs.

Our headquarters is the hub of this coordination for intelligence and information sharing among our State, local, Federal, and international partners. It coordinates what is happening among our 56 field offices and over 300 resident satellite offices across the country and more than 70 offices overseas where we liaison with our foreign partners. It also operates as the nerve center of the organization in times of national crisis or emergency during major cases and operations. The current structure of the J. Edgar Hoover Building does not allow for us to coordinate this effectively or efficiently. The building itself is not only inefficient, but the technology and the physical limitations continue to suffer. Everything takes more money and more time to get things done.

Aside from the physical infrastructure, virtually all of the critical building systems—mechanical, electrical, and plumbing—have deteriorated and are either at the end of their life or beyond their useful life.

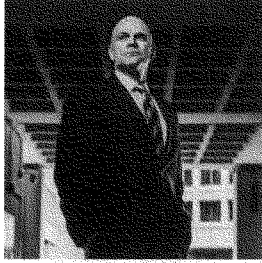
While the FBI is disappointed the procurement that would have provided the FBI with a facility that meets our mission needs was canceled, it does not change the fact, as you have mentioned, that the FBI needs a consolidated, secure, resilient intelligence community-worthy facility, a facility capable of meeting the increased demands of the nation's premier intelligence and law enforcement organization.

In conclusion, the FBI's requirements for enhanced safety, security, flexibility, and collaboration have not changed. How we

achieve this will need to be reexamined, as you have stated, to get to a successful outcome. Therefore, we appreciate your interest with this hearing and ask for your continued support.

I am happy to answer any questions.

[The prepared statement of Mr. Haley follows:]



**Richard Haley**  
**Assistant Director**  
**FBI Finance Division**

Mr. Haley was appointed Assistant Director (AD)/Chief Financial Officer (CFO) of the FBI's Finance Division in February 2008 after serving as the Deputy AD/Deputy CFO for three years. He is responsible for the FBI's budget, procurement, and financial operations totaling over \$8 billion. Mr. Haley received the FBI Director's Award for Excellence in Management in 2007 and a Distinguished Presidential Rank Award in 2008.

Prior to joining the FBI, Mr. Haley served as the Deputy Budget Director for the Department of Justice, where he was responsible for financial oversight of the Department's law enforcement and litigating components.

Mr. Haley also served as the Director of the Business Management Fund at the National Oceanic and Atmospheric Administration, U.S. Department of Commerce, where he oversaw the agency's Working Capital Fund. He began his government career as a budget examiner at the Department of Justice and the former Immigration and Naturalization Service.

Prior to his civilian government career, Mr. Haley served as an Intelligence Officer in the U.S. Military. He has earned his Masters Degree in Public Administration and undergraduate degree in Political Science and Economics.



# **Department of Justice**

---

**STATEMENT OF**

**RICHARD L. HALEY II  
ASSISTANT DIRECTOR  
FACILITIES AND FINANCE DIVISION  
FEDERAL BUREAU OF INVESTIGATION  
U.S. DEPARTMENT OF JUSTICE**

**BEFORE THE**

**COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS  
UNITED STATES SENATE**

**FOR A HEARING CONCERNING**

**FBI HEADQUARTERS CONSOLIDATION PROJECT – WHAT  
HAPPENED AND WHAT'S NEXT**

**PRESENTED**

**AUGUST 2, 2017**



**Statement of  
Richard L. Haley II  
Assistant Director  
Facilities and Finance Division  
Federal Bureau of Investigation  
Before the United States Senate  
Committee on Environment and Public Works  
August 2, 2017**

Good morning Chairman Barrasso, Ranking Member Carper and Members of the Committee. Thank you for the opportunity to appear before you today to discuss the need for a new Federal Bureau of Investigation Headquarters building in the Washington, D.C. area. I am pleased to appear before the Committee with my colleague from the General Services Administration.

As the Committee is aware, the FBI has occupied the J. Edgar Hoover (JEH) building since 1974. Since that time, the mission of the FBI has evolved, but the building itself has not kept pace. Aside from the core headquarters staff located at JEH, the FBI also has staff in dispersed leased locations across the National Capital Region. Additionally, the building itself is literally falling apart as evidenced by crumbling facades and deteriorating infrastructure. This makes it difficult to address rapidly developing threats and collaborate across divisions and programs. Our Nation continues to face a multitude of serious and evolving threats ranging from homegrown violent extremists to hostile foreign intelligence services and operatives; from sophisticated cyber-based attacks to internet facilitated sexual exploitation of children; from violent gangs and criminal organizations to public corruption and corporate fraud. As an organization, we must be able to stay current with constantly changing and new technologies that make our jobs both easier and harder. Our adversaries – terrorists, foreign intelligence services, and criminals – take advantage of modern technology, including the Internet and social media, to facilitate illegal activities, recruit followers, encourage terrorist attacks and other illicit actions, and to disperse information on building improvised explosive devices and other means to attack the U.S. Keeping pace with these threats is a significant challenge for the FBI. The breadth of these threats and challenges are as complex now as at any time in our history, and the consequences of not responding to and countering threats and challenges have never been greater. Fighting the current threat, and preparing for the future wave of threats, requires cutting edge technology and the foundation for intelligence to flow in and out of the FBI seamlessly. Simply put, the J. Edgar Hoover building is obsolete, inefficient, and faces a number of security vulnerabilities.

Aside from the operational shortfalls in the current facility, we also face infrastructure limitations. Because of the manner in which the building was constructed, retrofit efforts are costly, time-consuming and extremely disruptive. In addition, key components of the building's infrastructure have reached the end of their useful life. Providing for those building

infrastructure needs to ensure the safety of employees, as well as the integrity of their work – even in the short term, will have a cost. Security also remains a key challenge. The J. Edgar Hoover building does not meet Interagency Security Committee standards for an Intelligence Community-grade building. The building also lacks the resiliency necessary should a minor or catastrophic event occur.

That said, the FBI has worked closely with our colleagues at GSA over the past decade to design a solution that meets the needs of the Bureau while recognizing the considerable challenges of funding such a large and complex project. GSA's Federal Building Fund is specifically authorized to provide for such unique – and clearly – governmental use-type building projects. However, the appropriations in recent years have not provided GSA full access to the rent resources collected to support capital projects such as ours.

We were very encouraged that the procurement process resulted in considerable interest – and investment – by the private sector to help secure a new headquarters facility. This private sector interest, however, has a shelf life and without the full funding that was requested through appropriations, FBI and GSA determined that continuing to move forward with this procurement without full funding at this time would have put the government at risk for project cost escalations and likely result in a devaluation of the Hoover property. For these reasons, FBI and GSA jointly made the decision to cancel the procurement.

At this time, GSA and the FBI are working together to meet the FBI's short- and long-term housing needs and mission requirements. We will seek to determine what investments should be made to the Hoover Building and whether other government owned facilities and locations could be leveraged to provide for FBI support operations. We will also jointly evaluate the FBI's current portfolio of leased space and think creatively and expansively.

The FBI understands the increasing costs of Federal office space, as it leases more than 350 locations nationwide for its field and satellite offices (through GSA). However, the FBI has made concerted efforts to reduce space requirements by consolidating case files and evidence storage in centralized locations in lower cost areas and minimizing personal workspace and common areas. Also, the FBI is in the process of moving and consolidating its data centers from costly leased locations in downtown areas to owned facilities in locations that have significantly lower costs of power and infrastructure. Moving forward, we anticipate that a new headquarters would dramatically reduce the total square footage and consolidate or eliminate the need for multiple lease locations in the National Capital Region and save tens of millions in annual lease payments.

In summary, the J. Edgar Hoover building is incompatible with what the United States expects of the FBI. To protect this nation from the rapidly developing, evolving threats we face today, the FBI needs an environment in which its highly trained, skilled workforce can collaborate across divisions and programs to fashion solutions that mitigate today's threats. Our

goal is to have built a consolidated, secure, resilient intelligence community-worthy facility. However, even more than that, what we need is a facility capable of meeting the increased demands of the Nation's premier Intelligence and Law Enforcement organization for the future of the FBI. This building will address the way we will work for the next 50 or more years. In doing so, we are building the security and safety of this nation by creating an environment where the men and women of the FBI can use their significant skills and abilities to live up to the sacred trust placed in us by the American people: to protect them from harm, and uphold the Constitution of the United States.

While discontinuing the procurement is disappointing, the need for a facility that meets the mission requirements of the FBI has not abated. Chairman Barrasso, Ranking Member Carper, and Committee Members, I thank you for this opportunity to testify on the new FBI headquarters project. We appreciate your interest and support. I am happy to answer any questions you might have.

QUESTIONS FOR THE RECORD

**RICHARD L. HALEY II**  
**ASSISTANT DIRECTOR**  
**FEDERAL BUREAU OF INVESTIGATION**

**BEFORE THE**  
**COMMITTEE ON THE ENVIRONMENT AND PUBLIC WORKS**  
**UNITED STATES SENATE**

**FOR A HEARING ENTITLED**  
**"FBI HEADQUARTERS CONSOLIDATION PROJECT — WHAT HAPPENED AND WHAT'S NEXT"**

**AUGUST 2, 2017**

**Questions from Senator Cardin:**

1. **Mr. Haley, what internal conversations have taken place within the FBI about the future of this project since the July 10th cancellation announcement? Have you had any formal or informal conversations with GSA staff? Have you had any formal or informal conversations with OMB staff?**

**Response:**

Between the July 10, 2017 cancellation and the August 2, 2017 hearing, the FBI participated in conversations with both the General Services Administration (GSA) and OMB staff. Since that time, the team worked diligently to craft the "120-day report" committed to during the hearing and delivered that report to the EPW Committee on February 12, 2018.

2. **Mr. Haley, the FBI's 2011 project building report recommended a Public-Private Partnership lease approach and the EPW Committee authorized a lease transaction which would result in eventual ownership. Can you explain how the FBI's preference was not reflected in the final procurement strategy?**

**Response:**

While all funding options were evaluated, Congress's enactment of a bill to lift the budget caps provided an unprecedented opportunity to fully fund the project. Therefore, the Administration submitted a revised FY 2018 request including \$2.175 billion to fund the project.

3. Mr. Haley, Congress has already appropriated \$823 [million] towards this project. Would the FBI be willing to accept a smaller building on a smaller lot that would accommodate fewer employees and not result in full consolidation if it meant getting the project started immediately and with significantly less uncertainty? If yes, would the FBI be willing to consider new sites or prefer the sites which were previously identified?

**Response:**

The purpose of a new headquarters facility is to provide the FBI with a modern, secure facility that will enable the FBI to fulfill its critical national security, criminal investigative, and criminal justice services missions and meet the expectations of the American public. To accomplish this goal, the FBI seeks to consolidate vital personnel currently housed in the J. Edgar Hoover building with other crucial staff spread throughout the national capital region in various leased locations. The FBI and GSA considered a range of options to meet the FBI's requirements. Toward that end and to best accomplish its mission, the FBI made the decision that staying in the Nation's capital and reconstructing a new headquarters facility on the existing J. Edgar Hoover site was the optimal alternative.

4. Mr. Haley, I met recently with the FBI Director-nominee and he said that the last time he worked in the building was from 2001 - 2005 "and even then the status quo was not remotely acceptable." Mr. Wray also said "One reason that the FBI has a different perspective about this process then GSA is because the FBI folks have to live and work in the building. I am looking forward to getting briefed on this project." Mr. Haley, have you discussed the headquarters issue with Mr. Wray? Do you have any preliminary direction from Mr. Wray?

**Response:**

I have had an opportunity to speak in-depth with Director Wray about the New Headquarters project and he is committed to working with the Department of Justice, the GSA, the Administration, and Congress on a path forward.

Senator BARRASSO. Thank you, Mr. Haley.  
Mr. Wise.

**STATEMENT OF DAVID WISE, DIRECTOR, PHYSICAL INFRA-  
STRUCTURE TEAM, U.S. GOVERNMENT ACCOUNTABILITY OF-  
FICE**

Mr. WISE. Chairman Barrasso, Ranking Member Carper, and members of the Committee, thank you for the opportunity to discuss our work on GSA's efforts to consolidate the FBI's headquarters and the challenges funding large real property projects. My statement will discuss three key points: the status of the FBI's Hoover Building, GSA efforts to implement real property swap exchanges, and alternative approaches to funding real property projects.

In November 2011 we reported that over the preceding decade FBI and GSA studies determined that the Hoover Building no longer fully supported the FBI's long term security space and building condition requirements. Due to the lack of space, FBI functions have been disbursed in various annexes around the national capital region and other locations. In the 2011 report, we also noted that the condition of the Hoover Building was deteriorating, and GSA assessments identified significant recapitalization needs.

In 2017 we reported that several FBI field offices are in facilities owned by foreign entities, which could present an added security risk.

GSA proposed exchanging the Hoover Building, plus cash, to a developer in exchange for construction of a new headquarters building in one of three locations: Greenbelt, Maryland; Landover, Maryland; and Springfield, Virginia. However, in July 2017 GSA canceled the procurement because, according to GSA and FBI officials, they lacked the funding necessary to proceed. GSA officials stated that GSA and the FBI would continue to work together to address the space requirements of the FBI.

GSA continues to face challenges related to funding new construction projects due in part to budget constraints. Using available legal authorities, GSA has proposed exchanging title to some federally owned real property for other properties or construction services, known as swap exchanges. This was the plan for replacing the Hoover Building. Such exchanges can be of equal value or can include cash to compensate for a difference in value between the Federal property and the asset or services to be received by the Federal Government.

GSA has limited experience successfully completing swap exchanges and has only completed a few relatively small exchanges since 2001, both under \$10 million. In our 2014 report, we reviewed five projects where GSA proposed and subsequently canceled swap exchange procurements. For example, GSA officials told us that there was little or no market interest in Baltimore and Miami properties. From 2012 to 2015 GSA pursued a large swap exchange potentially involving up to five properties in the Federal Triangle South area of Washington in order to finance construction of GSA headquarters and other Federal properties. In 2013 GSA decided to focus on exchanging only two buildings, the GSA Regional Office Building and the Cotton Annex. In February 2016

GSA canceled the procurement, stating that private investor valuations for the two buildings fell short of the Government's estimated values, as well as the amount GSA required to complete its other projects.

Subsequently, GSA officials noted that they planned to improve the swap exchange process, including property appraisals and outreach to stakeholders. However, several factors may continue to limit GSA. For example, the viability of swap exchanges may be affected by specific market factors, such as the availability of alternative properties. In addition, swap exchanges can require developers to spend large sums before receiving title to the Federal property used in the exchanges.

In a potentially successful effort in January 2017, GSA agreed to a swap exchange with MIT for the DOT's aging Volpe Center in Cambridge, Massachusetts. Per the agreement, MIT will construct a new DOT facility on a portion of the 14 acre site and will receive title to the remaining site. GSA indicated that the project, once completed, will provide \$750 million in value to the Federal Government.

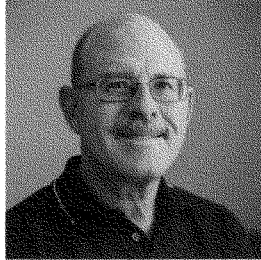
Our prior work also identified a number of alternative approaches to funding real property projects, including long term operating leases, land swaps, retained fees such as user fees, and enhanced use leases. In March 2014 we reported that up front funding is the best way to ensure recognition of commitments made in budgeting decisions and to maintain fiscal controls. However, obtaining up front funding can be challenging. Congress has provided some agencies with specific authorities to use alternative funding mechanisms for the acquisition, renovation, or disposal of Federal real property without full up front funding.

Projects with alternative funding mechanisms may present risks that are shared between the agency and the partner. Some of these mechanisms allow the private sector to provide the project's capital at their cost of borrowing, which is normally higher than the Government's. In some cases, factors such as lower labor costs or fewer requirements could potentially help balance the higher cost of borrowing.

Our previous work also identified options for changes within the discretionary and mandatory sides of the budget structure. Alternative budgetary structures may change budgetary incentives for agencies and therefore help Congress and the agencies make more prudent long term fiscal decisions.

Chairman Barrasso, Ranking Member Carper, and members of the Committee, this concludes my prepared statement, and I would be happy to answer any questions.

[The prepared statement of Mr. Wise follows:]



**Dave Wise**  
**Director, Physical Infrastructure Team**  
**U.S. Government Accountability Office**

Dave Wise is a director in GAO's Physical Infrastructure team. Dave's main issue areas are federal real property, VA construction, and automotive technology. Dave began his career with GAO in 1981. From 1985-1989 he was assigned to GAO's

Far East Office, based in Honolulu, HI. In 1990, Dave left GAO for the Department of State's Office of Inspector General, where he focused on Department counternarcotics programs. From 2000 to 2006, Dave served as a Foreign Service Officer, completing three overseas tours, including (1) political officer, Embassy Hanoi, Vietnam; (2) director, Narcotics Affairs, Embassy Vientiane, Laos; and (3) political advisor, Provincial Reconstruction Team, Helmand Province, Afghanistan. Dave returned to GAO in 2007 for the senior executive training program, graduating in 2009. Dave has both bachelors and masters degrees from the University of Pittsburgh. He also studied abroad in England.



---

United States Government Accountability Office



Testimony  
Before the Committee on Environment  
and Public Works, U.S. Senate

---

For Release on Delivery  
Expected at 10:00 a.m. ET  
Wednesday, August 2, 2017

## FEDERAL REAL PROPERTY

Status of FBI  
Headquarters  
Consolidation and Issues  
Related to Funding Other  
Future Projects

Statement of Dave Wise, Director,  
Physical Infrastructure

## GAO Highlights

Highlights of GAO-17-783T, a testimony before the Committee on Environment and Public Works, U.S. Senate

### Why GAO Did This Study

GSA, which manages federal real property on behalf of other federal agencies, faces challenges in funding new construction projects due to budget constraints—including obtaining upfront funding—among other reasons. One type of transaction called a swap exchange, enables GSA to apply the value of federal property to finance construction without relying on appropriated funds. Under such an exchange, GSA transfers the title of the unneeded property to a private investor after receiving the agreed upon construction services at another location. GSA proposed a swap exchange procurement for construction of a new FBI headquarters building in exchange for the Hoover Building and appropriations to compensate for the difference in value between the Hoover Building and the new building. GSA cancelled this procurement in July 2017 due to lack of funding.

This statement addresses (1) GSA's and FBI's assessments of the Hoover Building, (2) GSA efforts to implement swap exchanges, and (3) alternative approaches to funding real property projects. It is based on GAO's body of reports on real property from 2011 to 2017, and selected updates from GSA.

### What GAO Recommends

GAO has made recommendations in the past to GSA on various real property issues, including to develop additional guidance for swap exchanges and to evaluate its approach to maintaining the Hoover Building. GSA agreed with these two recommendations and addressed them.

View GAO-17-783T. For more information, contact Dave Wise at (202) 512-2834 or [wise@gao.gov](mailto:wise@gao.gov).

August 2, 2017

## FEDERAL REAL PROPERTY

### Status of FBI Headquarters Consolidation and Issues Related to Funding Other Future Projects

### What GAO Found

In November 2011, GAO reported that, according to General Services Administration (GSA) and Federal Bureau of Investigation (FBI) assessments, the FBI's headquarters building (Hoover Building) and its accompanying facilities in Washington, D.C., did not fully support the FBI's long-term security, space, and building condition requirements. Since GAO's report, the assessments have not materially changed, for example:

- **Security:** GAO's prior work noted that the dispersion of staff in annexes creates security challenges, including where some space was leased by the FBI and other space was leased by nonfederal tenants. Earlier this year, GAO reported the FBI is leasing space in D.C. from foreign owners.
- **Space:** In 2011, GAO reported that FBI and GSA studies showed that much of the Hoover Building is unusable. GSA noted in its fiscal year 2017 project prospectus for the FBI headquarters consolidation that the Hoover Building cannot be redeveloped to meet the FBI's current needs.
- **Building Condition:** In GAO's 2011 report, GAO noted that the condition of the Hoover Building was deteriorating, and GSA assessments identified significant recapitalization needs. Since GAO's report and in response to GAO's recommendation, GSA has evaluated its approach to maintaining the building and completed some repairs to ensure safety.

GSA has limited experience in successfully completing swap exchange transactions and chose not to pursue several proposed swap exchanges, most recently the planned swap exchange for the Hoover Building. GSA has developed criteria for determining when to solicit market interest in a swap exchange, in response to recommendations in GAO's 2014 report. In addition, GSA officials told GAO that they planned to improve the swap exchange process, including the property appraisal process, outreach to stakeholders to identify potential risks associated with future projects, and to the extent possible, mitigate such risks. Nevertheless, several factors may continue to limit use of swap exchanges, including market factors, such as the availability of alternative properties and an investor's approach for valuing properties. For example, in reviewing a proposed swap exchange in Washington, D.C., GAO found in a 2016 report that the proposals from two firms valued the two federal buildings involved in the proposed swap substantially less than GSA's appraised property value.

In a 2014 report, GAO identified a number of alternative approaches to funding real property projects. Congress has provided some agencies with specific authorities to use alternative funding mechanisms—including the use of private sector funds or land swaps—for the acquisition, renovation, or disposal of federal real property without full, upfront funding, though GAO has previously reported that upfront funding is the best way to ensure recognition of commitments made in budgeting decisions and maintain fiscal controls. GAO has reported that projects with alternative funding mechanisms present multiple forms of risk that are shared between the agency and any partner or stakeholder. In addition, alternative budgetary structures could be established, such as changing existing or introducing new account structures to fund real property projects.

---

Chairman Barrasso, Ranking Member Carper, and Members of the Committee:

Thank you for the opportunity to discuss our work on the General Services Administration's (GSA) efforts to consolidate the Federal Bureau of Investigation's (FBI) headquarters operations into a new location and the broader challenges associated with funding and budgeting for similarly large real property projects. GSA, which manages federal real property on behalf of other federal agencies, continues to face challenges related to funding new construction projects due to budget constraints—including obtaining upfront funding—among other reasons. According to GSA officials, funding has not kept pace with GSA's need to replace and maintain the approximately 1,500 owned buildings under its control. Using various available legal authorities, GSA has begun to exchange title to some federally owned real property for other properties or construction services.<sup>1</sup>

One type of transaction, called a "swap construct" exchange (or swap exchange), enables GSA to apply the value of federal property to finance construction needs without relying on appropriated funds. Under such an exchange, GSA transfers the title of the unneeded property to a private investor after receiving the agreed-upon construction services at another location. For example, in 2012 GSA exchanged a 5-acre property in San Antonio, Texas, for the construction of a new parking structure at a different location. Swap exchanges can be of equal value or can include federal appropriations to compensate for a difference in value between the federal property and the asset or services to be received by the federal government.

GSA had proposed using a swap exchange for consolidation of the FBI headquarters operations into a new location in exchange for the existing FBI headquarters building (Hoover Building) in Washington, D.C., and its underlying land, but cancelled that procurement in July 2017. Specifically, GSA proposed construction of a new 2.1 million square foot consolidated headquarters building in one of three locations—Greenbelt, Maryland; Landover, Maryland; or Springfield, Virginia. As part of a swap exchange, the developer chosen to design and construct the new headquarters building would, in exchange, receive the Hoover Building site and

---

<sup>1</sup>See 40 U.S.C. § 3304(a); 40 U.S.C. § 3305(a)(1); 40 U.S.C. § 3305(a)(2); 40 U.S.C. § 581(c)(1); 40 U.S.C. § 543; Consolidated Appropriations Act of 2005, Pub. L. No. 108-447, div. H, tit. IV, § 412, 118 Stat. 2809 (2004).

---

appropriated funds to compensate for the difference in value between the Hoover Building and the new building. However, in July 2017, GSA cancelled the project because, according to GSA and FBI officials, they lacked the amount of funding necessary to proceed with the procurement.<sup>2</sup>

The cancellation of the proposed FBI swap exchange has highlighted the continuing challenges GSA and federal agencies face for budgeting and funding real property construction projects. My testimony will address (1) GSA's and FBI's assessments of the status of the Hoover Building, (2) GSA efforts to implement swap exchanges to facilitate real property actions, and (3) alternative approaches to funding real property projects. My testimony summarizes the results of a number of our previous reports on real property utilization and management issued from 2011 to 2017. Detailed information on our scope and methodologies for this work can be found in these published products, which are cited throughout this testimony. In addition, this testimony includes some updates based on our follow-up with GSA on the status of our recommendations and information posted on GSA's website on the project's status. The work on which this statement is based was conducted in accordance with generally accepted government auditing standards. Those standards require that we plan and perform audits to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provided a reasonable basis for our findings and conclusions based on our audit objectives.

---

<sup>2</sup>GSA requested \$1.4 billion for this project in its fiscal year 2017 budget request. Congress appropriated \$523 million in fiscal year 2017 for the project.

**Prior GSA and FBI Assessments Showed That FBI Headquarters Facilities Did Not Fully Support the FBI's Long-Term Requirements**

In November 2011, we reported that over the previous decade, the FBI and GSA conducted a number of studies to assess the Hoover Building and its other headquarters facilities' strategic and mission needs.<sup>3</sup> Through these studies, they determined the condition of the FBI's current assets and identified gaps between current and needed capabilities, as well as studied a range of alternatives to meet the FBI's requirements. According to these assessments, the FBI's headquarters facilities did not fully support the FBI's long-term security, space, and building condition requirements. Since our report, the assessment of the Hoover Building has not materially changed. For example:

- **Security:** Since September 11, 2001, the FBI mission and workforce have expanded, and the FBI has outgrown the Hoover Building. As a result, the FBI also operates in annexes, including some located in the National Capital Region. During our 2011 review, FBI security officials told us that they have some security concerns—to varying degrees—about the Hoover Building and some of the headquarters annexes. In our report, we noted that the dispersion of staff in annexes created security challenges, particularly for at least nine annexes that were located in multitenant buildings, where some space was leased by the FBI and other space was leased by nonfederal tenants. While this arrangement did not automatically put FBI operations at risk, it heightened security concerns. In addition, in January 2017, we found that the FBI occupies space leased from foreign owners in at least six different locations, including one in Washington, D.C.<sup>4</sup> Further, federal officials who assess foreign investments told us at that time that leasing space in foreign-owned buildings could present security risks, such as espionage and unauthorized cyber and physical access.
- **Space:** In 2011, we reported that FBI and GSA studies showed that much of the Hoover building's approximately 2.4 million gross square feet of space is unusable, and the remaining usable space is not designed to meet the needs of today's FBI. Moreover, the Hoover

<sup>3</sup>GAO, *Federal Bureau of Investigation: Actions Needed to Document Security Decisions and Address Issues with Condition of Headquarters Buildings*, GAO-12-96 (Washington, D.C.: Nov. 8, 2011).

<sup>4</sup>GAO, *Federal Real Property: GSA Should Inform Tenant Agencies When Leasing High-Security Space from Foreign Owners*, GAO-17-195 (Washington, D.C.: Jan. 3, 2017). We recommended that GSA should determine whether the beneficial owner of high-security space that GSA leases is a foreign entity and, if so, share that information with the tenant agencies so they can adequately assess and mitigate any security risks. GSA agreed with our recommendation.

---

Building's original design is inefficient, according to GSA assessments, making it difficult to reconfigure space to promote staff collaboration. For example, in its fiscal year 2017 prospectus for the proposed FBI headquarters consolidation project, GSA noted that the Hoover Building was designed at a time when FBI operated differently, and it cannot be redeveloped to provide the necessary space to consolidate the FBI Headquarters components or to meet the agency's current and projected operational requirements. As a result, the FBI reported facing several operational and logistical challenges. We similarly noted in our prior work in 2011 that space constraints at the Hoover Building and the resulting dispersion of staff sometimes prevented the FBI from physically locating certain types of analysts and specialists together, which in turn hampered collaboration and the performance of some classified work.<sup>5</sup>

- *Building condition:* In our 2011 report, we noted that the condition of the Hoover Building was deteriorating, and GSA assessments had identified significant recapitalization needs. At that time, we found that GSA had decided to limit investments in the Hoover Building to those necessary to protect health and safety and keep building systems functioning while GSA assessed the FBI's facility needs. We found that this decision increased the potential for building system failures and disruption to the FBI's operations. Given that the FBI would likely remain in the building for at least several more years, we recommended that GSA evaluate its strategy to minimize major repair and recapitalization investments and take action to address any facility condition issues that could put FBI operations at risk and lead to further deterioration of the building. In 2014, in response to our recommendation, GSA evaluated its strategy for the Hoover Building and determined it needed to complete some repairs to ensure safety and maintain tenancy in the building. For example, in 2014, GSA funded contracts to waterproof portions of the building's mezzanine level to prevent water intrusion into the building and repair the concrete facade, small sections of which had cracked and fallen from the building.

In July 2017, GSA and FBI officials stated that they cancelled the procurement for the new FBI headquarters consolidation project, noting that there was a lack of funding necessary to complete the procurement. GSA added that the cancellation of the procurement did not lessen the need for a new FBI headquarters, and that GSA and the FBI

---

<sup>5</sup>GAO-12-96.

---

would continue to work together to address the space requirements of the FBI.

---

### **GSA Has Limited Successes in Completing Recent Swap Exchanges, but Has Plans to Improve the Process**

In July 2014, we reported that the swap exchange approach can help GSA address the challenges of disposing of unneeded property and modernizing or replacing federal buildings.<sup>6</sup> GSA officials told us that swap exchanges can help GSA facilitate construction projects given a growing need to modernize and replace federal properties, shrinking federal budgets, and challenges obtaining funding. Specifically, GSA officials noted that swap exchanges allow GSA to immediately apply the value of a federal property to be used in the exchange to construction needs, rather than attempting to obtain funds through the appropriations process. In our 2014 report, GSA officials stated that the exchanges can be attractive because the agency can get construction projects accomplished without having to request full upfront funding for them from Congress. In addition, because swap exchanges require developers or other property recipients to complete the agreed-upon GSA construction projects prior to the transfer of the title to the current property GSA is exchanging, federal agencies can continue to occupy the property during the construction process for the new project, eliminating the need for agencies to lease or acquire other space to occupy during the construction process.

GSA has limited experience in successfully completing swap exchange transactions and has cancelled several recently proposed swap exchanges. More specifically, in 2016 we reported that GSA had only completed transactions using the swap exchange authority for two small (under \$10-million each) swap exchanges completed in Atlanta, Georgia, in 2001 and in San Antonio, Texas, in 2012.<sup>7</sup> Furthermore, GSA has faced a number of obstacles in its use of this authority. For example, for our 2014 report, we reviewed five projects identified since August 2012 in which GSA solicited market interest in exchanging almost 8-million square feet in federal property for construction services or newly constructed assets. However, GSA chose not to pursue swap-exchanges in all five of these projects, including the proposed FBI headquarters

---

<sup>6</sup>GAO, *Federal Real Property: GSA Should Better Target Its Use of Swap-Construct Exchanges*, GAO-14-586 (Washington, D.C.: July 24, 2014).

<sup>7</sup>GAO, *Federal Real Property: Observations on GSA's Canceled Swap Exchange Involving Buildings in the Federal Triangle South Area*, GAO-16-571R (Washington, D.C.: June 16, 2016).

---

consolidation project. For example, GSA officials told us that there was little or no market interest in potential swap exchanges in Baltimore, Maryland, and Miami, Florida, and that GSA chose to pursue different approaches. Respondents to the solicitations for these two GSA swap exchanges noted that GSA did not provide important details, including the amount of investment needed in the federal properties and GSA's specific construction needs. In addition, from 2012 to 2015, GSA pursued a larger swap exchange potentially involving up to 5 federal properties located in the Federal Triangle South area of Washington, D.C., to finance construction at GSA headquarters and other federal properties. In 2013, GSA decided to focus on exchanging two buildings, the GSA Regional Office Building and the Cotton Annex, based on input from potential investors. On February 18, 2016, GSA decided to end its pursuit of the exchange, saying in a memorandum supporting this decision that private investor valuations for the two buildings fell short of the government's estimated values.<sup>8</sup>

After the discontinuation of the Federal Triangle swap exchange project, we reported in 2016 that GSA officials noted they planned to improve the swap exchange process, including the property appraisal process, outreach to stakeholders to identify potential project risks for future projects, and to the extent possible, mitigate such risks. However, we also reported that several factors may continue to limit the applicability of the agency's approach. Specifically, the viability of swap exchanges may be affected by specific market factors, such as the availability of alternative properties. In addition, the specific valuation approach used by appraisers or potential investors may reduce the viability of the swap exchange. For example, in reviewing the proposed Federal Triangle project, we found in 2016 that the proposals from two of the investment firms valued the two federal buildings involved in the proposed swap substantially less than GSA's appraised property value.<sup>9</sup> In addition, swap exchanges can require developers to spend large sums on GSA's construction needs before receiving title to the federal property used in the exchanges. We found in 2014 that GSA's solicitations have not always specified these construction needs in sufficient detail.<sup>10</sup> Consequently, developers may be unable to provide meaningful input, and GSA could miss swap

---

<sup>8</sup>GAO-16-571R. In April 2017, GSA formally transferred the title for the Cotton Annex to the highest bidder for the property, who submitted a bid of approximately \$30 million.

<sup>9</sup>GAO-16-571R.

<sup>10</sup>GAO-14-586.



---

exchange opportunities. In 2014, we recommended that GSA develop criteria for determining when to solicit market interest in a swap exchange. GSA agreed with the recommendation and has since updated its guidance to include these criteria.

In January 2017, GSA agreed to a swap exchange for the U.S. Department of Transportation Volpe Center in Cambridge, Massachusetts. After a competitive process, GSA selected the Massachusetts Institute of Technology (MIT) as its exchange partner for the existing Department of Transportation (DOT) facility. Per the agreement, MIT will construct a new DOT facility on a portion of a 14 acre site to which DOT has title and, in exchange, will receive title to the remaining portion of the site that will not be used by DOT, which is located near its main campus. GSA indicated that, once completed, the project will provide \$750 million in value to the federal government in the form of the design and construction services and value-equalization funds from MIT.

---

### Various Alternative Funding Mechanisms for Federal Property Exist

Our prior work has identified a number of alternative approaches to funding real property projects.<sup>11</sup> In March 2014, we reported that upfront funding is the best way to ensure recognition of commitments made in budgeting decisions and to maintain fiscal controls.<sup>12</sup> However, obtaining upfront funding for large acquisitions such as the Hoover Building replacement can be challenging. Congress has provided some agencies with specific authorities to use alternative funding mechanisms for the acquisition, renovation, or disposal of federal real property without full, upfront funding. Table 1 outlines selected funding mechanisms, and considerations for each mechanism we identified in our 2014 report. Some of these alternative mechanisms allow selected agencies to meet their real property needs by leveraging other authorized resources, such as retained fees or land swaps with a private sector partner. Funding mechanisms leverage both monetary resources, such as retained fees, and non-monetary resources, such as property exchanged in a land swap

---

<sup>11</sup>GAO, *Capital Financing: Alternative Approaches to Budgeting for Federal Real Property*, GAO-14-239 (Washington, D.C.: Mar. 12, 2014).

<sup>12</sup>GAO-14-239.

---

or space offered in an enhanced use lease.<sup>13</sup> In some cases, the funding mechanism may function as a public-private partnership intended to further an agency's mission by working with a partner to leverage resources. Some of these mechanisms allow the private sector to provide the project's capital—at their cost of borrowing. The U.S. federal government's cost of borrowing is lower than the private sector's. When the private sector provides the project capital, the federal government later repays these higher private sector borrowing costs (e.g., in the form of lease payments). In some cases, factors such as lower labor costs or fewer requirements could potentially help balance the higher cost of borrowing, making partner financing less expensive. Our 2014 report also identifies budgetary options—within the bounds of the current unified budget—to meet real property needs while helping Congress and agencies make more prudent long-term decisions.

---

<sup>13</sup>An enhanced use lease allows an agency to lease out property and receive payment in cash or in kind (goods or services that result in direct cost savings to the government) from the lessee. GAO has done previous work on the Department of Veterans Affairs (VA) use of enhanced use leases to redevelop underutilized federal real property. For more information, see GAO, *Homeless Veterans: Management Improvements Could Help VA Better Identify Supportive-Housing Projects*, GAO-17-101 (Washington D.C.: Dec. 21, 2016), and GAO, *Federal Real Property: Improved Cost Reporting Would Help Decision Makers Weigh the Benefits of Enhanced Use Leasing*, GAO-13-14 (Washington, D.C.: Dec. 19, 2012).

**Table 1: Selected Alternative Mechanisms for Funding Federal Real Property Projects and Considerations for Using Them**

| Mechanism                                   | Description  | Considerations based on prior GAO work   |
|---|--|--|
| Operating lease used to meet long-term need | An operating lease gives the federal government the use of an asset for a specified period of time, but the ownership of the asset does not change. While there are no specific time limits, an operating lease is not intended to be used for long-term property needs. | When used as intended for short-term needs, operating leases are not alternative funding mechanisms. However, operating leases—or successive operating leases—have been used to help acquire assets for which there is a long-term need, resulting in inefficient resource allocation decisions.<br><br>Operating leases used to consolidate space may require upfront costs (i.e., moving, space reconfiguration, furniture) but may result in long-term cost savings from decreased rental costs.                      |
| Land swap                                   | A real property swap is an exchange of property owned by the federal government with either a private entity or a state or local government for another property.  | Use of land swaps is limited by the need for well-aligned mutual needs. Land swaps are generally non-cash transactions and thus are not recognized in the budget. Property swaps can relieve the federal government of maintenance and/or renovation costs and result in a real asset that may be used immediately with no additional appropriations required. However, determining fair value for the properties exchanged is not always a clear-cut process and congressional oversight of these exchanges is limited. |
| Retained fees                               | Proceeds that result from business-type or market-oriented activities with the public, such as the collection of user fees.  | The legislation authorizing these fees may assign them for a specific purpose without further Congressional action or require them to be appropriated in annual appropriation acts before they can be spent. In some cases, agencies have been authorized to retain earned fees to fund capital projects and improvements.   |
| Enhanced use lease                          | An enhanced use lease allows an agency to lease out property and receive payment in cash or in kind (goods or services that result in direct cost savings to the government) from the lessee.  | The agency acts as the lessor—rather than lessee. The project is limited by the need to find an appropriate partner.   |

Source: GAO | GAO-17-783T

Note: For more information on alternative funding mechanisms, and examples from our prior work, see GAO, *Capital Financing: Alternative Approaches to Budgeting for Federal Real Property*, GAO-14-239 (Washington, D.C.: Mar. 12, 2014).

In 2014, we reported that projects with alternative funding mechanisms present multiple forms of risk that are shared between the agency and any partner or stakeholder.<sup>14</sup> Further, we noted project decisions should reflect both the likely risk and the organization's tolerance for risk. Incorporating risk assessment and management practices into decisions can help organizations recognize and prepare to manage explicit risks (e.g. financial and physical) and implicit risks (e.g. reputational). For

<sup>14</sup>GAO-14-239.

---

example, clearly defined lease terms may help agencies manage risks of costs for unexpected building repairs. Further considerations we noted in our 2014 report include the availability of an appropriate partner—and that partners should bring complementary resources, skills, and financial capacities to the relationship—and management of the relationship with that partner.

While different funding mechanisms have been used as an alternative to obtaining upfront funding for federal real property projects, changes to the budgetary structure itself—within the bounds of the unified budget that encompasses the full scope of federal programs and transactions—may also help agencies meet their real property needs. Such alternatives may include changing existing or introducing new account structures to fund real property projects. Our previous work identified options for changes within the current discretionary budget structure and options on the mandatory side of the budget.<sup>15</sup> Alternative budgetary structures may change budgetary incentives for agencies and therefore help Congress and agencies make more prudent long-term fiscal decisions.

Chairman Barrasso, Ranking Member Carper, and Members of the Committee, this concludes my prepared statement. I am happy to answer any questions you may have at this time.

---

## GAO Contact and Staff Acknowledgments

If you or your staff members have any questions concerning this testimony, please contact me at (202) 512-2834 or [wised@gao.gov](mailto:wised@gao.gov). In addition, contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this statement. Individuals who made key contributions to this testimony are Mike Armes (Assistant Director), Colin Ashwood, Matt Cook, Joseph Cruz, Keith Cunningham, Alexandra Edwards, Carol Henn, Susan Irving, Hannah Laufe, Diana Maurer, John Mortin, Monique Nasrallah, Matt Voit, Michelle Weathers, and Elizabeth Wood.

---

<sup>15</sup>GAO-14-239. For discretionary budget programs, Congress provides budget authority for programs in annual appropriations acts. For mandatory budget programs, Congress provides budget authority for programs in laws other than annual appropriations acts.

---

---

This is a work of the U.S. government and is not subject to copyright protection in the United States. The published product may be reproduced and distributed in its entirety without further permission from GAO. However, because this work may contain copyrighted images or other material, permission from the copyright holder may be necessary if you wish to reproduce this material separately.

**GAO's Mission**

The Government Accountability Office, the audit, evaluation, and investigative arm of Congress, exists to support Congress in meeting its constitutional responsibilities and to help improve the performance and accountability of the federal government for the American people. GAO examines the use of public funds; evaluates federal programs and policies; and provides analyses, recommendations, and other assistance to help Congress make informed oversight, policy, and funding decisions. GAO's commitment to good government is reflected in its core values of accountability, integrity, and reliability.

**Obtaining Copies of GAO Reports and Testimony**

The fastest and easiest way to obtain copies of GAO documents at no cost is through GAO's website (<http://www.gao.gov>). Each weekday afternoon, GAO posts on its website newly released reports, testimony, and correspondence. To have GAO e-mail you a list of newly posted products, go to <http://www.gao.gov> and select "E-mail Updates."

**Order by Phone**

The price of each GAO publication reflects GAO's actual cost of production and distribution and depends on the number of pages in the publication and whether the publication is printed in color or black and white. Pricing and ordering information is posted on GAO's website, <http://www.gao.gov/ordering.htm>.

Place orders by calling (202) 512-6000, toll free (866) 801-7077, or TDD (202) 512-2537.

Orders may be paid for using American Express, Discover Card, MasterCard, Visa, check, or money order. Call for additional information.

**Connect with GAO**

Connect with GAO on Facebook, Flickr, LinkedIn, Twitter, and YouTube. Subscribe to our RSS Feeds or E-mail Updates. Listen to our Podcasts. Visit GAO on the web at [www.gao.gov](http://www.gao.gov) and read The Watchblog.

**To Report Fraud, Waste, and Abuse in Federal Programs**

Contact:

Website: <http://www.gao.gov/fraudnet/fraudnet.htm>

E-mail: [fraudnet@gao.gov](mailto:fraudnet@gao.gov)

Automated answering system: (800) 424-5454 or (202) 512-7470

**Congressional Relations**

Katherine Siggerud, Managing Director, [siggerudk@gao.gov](mailto:siggerudk@gao.gov), (202) 512-4400, U.S. Government Accountability Office, 441 G Street NW, Room 7125, Washington, DC 20548

**Public Affairs**

Chuck Young, Managing Director, [youngc1@gao.gov](mailto:youngc1@gao.gov), (202) 512-4800, U.S. Government Accountability Office, 441 G Street NW, Room 7149, Washington, DC 20548

**Strategic Planning and External Liaison**

James-Christian Blockwood, Managing Director, [spel@gao.gov](mailto:spel@gao.gov), (202) 512-4707, U.S. Government Accountability Office, 441 G Street NW, Room 7814, Washington, DC 20548



Please Print on Recycled Paper.

## Enclosure

**Senate Environment and Public Works Committee**  
**Hearing entitled, “FBI Headquarters Consolidation Project – What Happened and**  
**What’s Next”**  
**August 2, 2017**  
**Questions for the Witness David Wise**

**Chairman Barrasso:**

1. **Mr. Wise, GSA recently auctioned the Cotton Annex in Washington, D.C. GSA had previously included this building as part of a swap exchange. However, GSA ultimately diverted from this approach because private investor valuations for the building fell short of the government’s estimated value of the building. Is this an indication that direct sales of unneeded properties are a better approach for GSA to acquire value for its properties than swap exchanges?**

**GAO Response:**

GSA’s use of the swap-exchange and public sale represent two differing approaches to acquiring value for excess federal real property. The swap-exchange approach allows GSA to transfer title of the federal property to the private investor as part of the transaction to finance construction services without relying on appropriated funds. However, GSA has limited experience in completing swap-exchange transactions. Moreover, as was the case during the proposed swap-exchange of the Cotton Annex, a swap-exchange transaction can be affected by competing valuations of the property. Similarly, the value received from the public sale of excess property, as part of the prescribed process for the disposal of federal properties, relies upon the market’s valuation of the property. However, we have reported that this process can take years to complete. Furthermore, a public sale may not necessarily be the outcome of the disposal process, which may result in the transfer of the property for homeless housing use or other public benefit before the property is made available for public sale.

2. **Mr. Wise, what are alternative approaches that might be available for the government to capture the full value of the Hoover Building in exchange for construction of the FBI’s new headquarters?**

**GAO Response:**

If GSA determines that it is unlikely to get maximum value from the Hoover Building in a swap-exchange, it might consider a different approach. An approach that separates construction of the new FBI headquarters from the sale/disposal of the Hoover Building may help GSA obtain maximum value from the building. Pursuing upfront funding for construction of the new headquarters would position the agency to maintain fiscal control over the cost of constructing

a new headquarters building. We have previously reported that upfront funding is the best way to ensure recognition of commitments made in budgeting decisions and to maintain fiscal controls.

**Senator Cardin**

3. **Mr. Wise, in October of 2015 the GSA's Inspector General issued a report summarizing the most significant management and performance challenges facing GSA including "significant challenges from the risks related to large-scale exchanges of real property." The IG noted that GSA has only conducted small-scale property exchanges in the past and both took several years to complete despite the advanced selection of the private sector developer. The report also noted that GSA is pursuing several large-scale exchanges, including for the FBI headquarters, which the IG viewed as "high risk projects" due to the "risks associated with being completed on time, on budget and in scope." "Exchanges may not be the most cost-effective option for the government due to their complexities, extended timeframes and associated risks. The federal government could potentially obtain a better deal for a new asset or construction services and potentially larger proceeds for the disposed federal property if it were to use traditional acquisition and disposal methods."**
  - a. **Mr. Wise, in your opinion, what should the GSA have done with the concerns and recommendations which the IG listed?**
  - b. **Should these concerns have been factored into the structure of the procurement process?**

**GAO Response:**

GSA faces some key challenges in managing its federal real property portfolio, especially in disposing of unneeded federal property and financing the replacement or modernization of aging and underutilized properties. In some cases, the swap-construct approach discussed in our 2014 report might be a useful means through which GSA can more readily achieve these property-related goals. However, as we reported in 2014, GSA has limited experience in completing swap-exchange transactions. In addition, we reported that GSA's recent solicitations for market interest in swap-construct have not always been well received by potential bidders. One concern for potential bidders was the lack of detail regarding the construction services that GSA hoped to gain in return for an asset it would cede to the bidder. We found that in developing initial proposals for a swap-construct exchange GSA often focused on identifying assets to dispose of and gave less attention to what it needed in exchange for those assets. Construction services or a newly constructed asset are fully half of any swap-construct exchange, yet GSA has not always clearly identified its needs when requesting feedback from potential bidders. Furthermore, because GSA did not have screening criteria to make its choices, we reported that GSA may have been pursuing swap-construct exchanges with less potential for success, and potentially delaying time that it could be spending on traditional disposal and appropriation processes. As a result, in 2014, we recommended that GSA include, to the extent possible, details on what GSA is seeking in exchange for



federal property in its solicitations, including requests for information, for potential swap-construct exchanges and develop criteria for determining when to solicit market interest in a swap-construct exchange. In response, GSA stated it would include detailed information on what it was seeking for swap-construct exchanges in requests for information whenever possible and updated its guidance to include criteria for determining when the agency should propose swap-construct exchanges.

**4. Mr. Wise, neither the Federal Property And Administrative Services Act of 1949 nor the Public Buildings Act of 1959 regulates how GSA makes decisions about choosing financing vehicles, deciding which authorities to use, why and how to cancel procurements – and in the case of the FBI headquarters - how to re-start the project and which of the components of the last process will be included in the next process. It is my understanding that decisions about the structure of the procurement and the process are internal discussions at GSA. In your opinion, are current federal laws sufficient to securing transparency and accountability from GSA?**

GAO Response:

GSA has been provided with a number of statutory authorities to acquire and dispose of federal real property and has the discretion to determine which is most appropriate to use in a specific circumstance. For leases and construction and acquisition projects above a certain dollar threshold, GSA is required to notify its oversight committees, and provide information regarding costs and risks of these high value transactions. If Congress believes there should be more oversight over innovative financing mechanisms, such as swap construct arrangements, it could impose, for example, additional congressional notification requirements for certain decision points pertaining to high value swap transactions.

Senator BARRASSO. Well, thank you to all three of you. We will start with rounds of questioning.

I would like to start with you, Mr. Gelber. So the project originally began in 2004. FBI Director Robert Mueller requested the GSA recommend a strategy for consolidating the FBI Headquarters. In 2011 this Committee passed a resolution directing the GSA to investigate the feasibility and the need to construct or acquire a new consolidated headquarters facility for the FBI. So it has been more than a decade.

With the decision now to abandon the current procurement, are we back at square one?

Mr. GELBER. Not quite at square one. We have learned quite a bit about the FBI's requirements and the ability of the surrounding community—the District, Maryland, and Virginia—to support this requirement. But from a procurement standpoint we will need to initiate a new procurement.

Senator BARRASSO. So then I guess Members of Congress and the public would want to know what happens to the millions of dollars that Congress has appropriated for this project.

Mr. GELBER. Those funds are retained in the project budget. They are currently not being spent, and they are only able to be spent either on this project or in the event that either the GSA or the FBI come to Congress with a request to reallocate those funds. With congressional consent, we could then do that. But the money that has been allocated to this project can only be spent on this project.

Senator BARRASSO. And since the process to exchange the Hoover Building for a new headquarters facility, since that began, that whole process for the exchange began, I think it has been unclear to many what the total cost for the project actually is, because it was a property exchange.

So given the FBI's requirements, in your best approximation, what is the actual current cost of the project, without a potential exchange factored into it?

Mr. GELBER. I think our cost estimate centered around \$1.6 billion and up. We have always been reluctant to express a specific cost because of the valuation of Hoover was something we wished the market to determine. But that would be a fair minimum.

Senator BARRASSO. At \$1.6 billion. OK.

Mr. Wise, I understand the GSA used build-to-suit leases to acquire some of the FBI's field offices across the country. Could GSA use a similar approach for the FBI Headquarters?

Mr. WISE. Senator, yes, that is possible, but there are constraints to using that process as well, because one never quite knows who the owner is. As you heard in my statement, in 2017 we reported that there were several FBI leased buildings that were owned by foreign entities that were maybe or maybe not they were aware of. So that is an issue that certainly needs to be studied, especially in a sensitive agency like the FBI.

Senator BARRASSO. Thank you, Mr. Wise.

Mr. Haley, you know, considering that the Federal budget rules mandate that capital investments must be, I think, fully funded in advance and that OMB initially recommended that this project be rolled out in phases, would the FBI consider a phased approach for

this consolidation as a means to limit cost and comply with the Federal budget rules?

Mr. HALEY. Sir, it was a topic early on we have talked about a lot. I think the concern with this project—and we are familiar with a number of the construction projects that our appropriations committees have provided us funding for. You would be familiar with our SEGUS facility out in West Virginia, our operations down at Quantico where you are talking about large thousand acre sites where you can segregate off or partition off areas where construction and laydown can occur.

These sites, in some ways, are so small, all three of them, that to put a building into place and to operate that building with top secret and classified information, and at the same time be trying to run a construction site, that was always a concern for us. It was also a concern that we not necessarily get to a full consolidation, that somehow that partially be completed and in some state of completion, and that doesn't necessarily get us to a better situation than we are right now with facilities. So incremental funding was not necessarily a problem, where we got money over multiple years and then to execute the project, but we were concerned about a partial moving forward through phases.

Senator BARRASSO. And Mr. Gelber, news of the decision to cancel the procurement first broke through various media outlets the day before GSA gave an official notice to the Members of Congress and the staff. It is unfortunate that members of this Committee, the authorizing body for GSA on this project, had to learn of this sudden decision in the press. Do you agree that GSA should have alerted its authorizing committee in advance, and would you pledge to keep us informed of major decisions in the future?

Mr. GELBER. Yes. But I will also add that the disclosure to the media prior to the official announcement to the various congressional committees was not an authorized disclosure and was not part of GSA's plan to inform individuals about our decision.

Senator BARRASSO. Senator Carper.

Senator CARPER. Thanks for your testimony here today.

I mentioned earlier the project and consolidating much of Department of Homeland Security at a site called St. Elizabeth's in Washington, DC, and I am trying to draw a parallel between that project and this project. In that project, the decision was made, with the help of GSA, to bring many of the far flung assets and operations of GSA not under one roof, but at one site, St. Elizabeth's, St. Elizabeth's campus, which used to be, for many years, a psychiatric hospital for a long time. And that project is being funded over several years. It actually goes through a couple different appropriation committees for GSA and partly for the Department of Homeland Security.

I am trying to figure out what could be an analogy. For example, after having invested hundreds of millions of dollars in this project, we can actually see the end not too far down the line for actually completing it, if the Administration were to come in and say zero funding, we are asking for zero funding to complete this project, that would send, frankly, an alarming message to us. The Department says they need the money; GSA says it is a cost effective way to provide their quarters, their operation; and the Administration,

frankly, has not been generous in their request for continuing the St. Elizabeth's redevelopment, but I think at least in one regard they have asked for some money.

This just seems strange to me, the FBI. This just doesn't seem right. And everybody acknowledges that the Hoover Building is falling down. I think you can drive by and you see the netting where the pieces are literally coming off of the building. And yet we have an Administration that says after all these years of the work to get us to this point, we don't think we ought to fund it, and it shouldn't go forward, and that is it. I am not aware of any consultation. It just doesn't pass the smell test.

And I would just ask, maybe for Mr. Haley, could you tell the Committee who at OMB was involved in this decision? And do you know if this included anyone maybe from the White House?

Mr. HALEY. First, I would say your analogy with St. Elizabeth, which we looked at quite a bit, from an FBI perspective on that, we saw the Coast Guard, which was a complete effort on that site to be more kind of in link with the FBI. You have an agency that moved on to a department site, but it was a complete agency build more than multiple department pieces. So that is how we looked at it. And our concern was that we end up in a phased approach where we are still all over town, and even maybe stretched in different ways.

The conversations with GSA, which have been the conversations that have led to this decision, and from our standpoint the exchange does make it, the procurement made it very risky from our standpoint. With everything said about needing a new building and the eagerness of the FBI especially to get into a new building as soon as possible was overwhelming. But at the same time, the way the exchange was done, without the full funding up front, and this project, through briefings and our own design and working with GSA, was always getting all that funding to be able to move forward. The exchange only works when we get out of the Hoover Building. As long as we are in the Hoover Building, it depreciates the value, and it also creates complexities in how the developers were going forward.

So that conversation back and forth with GSA leading up to the decision, our conversations with our own direct oversight at OMB, and they were aware of the decision. I am unfamiliar with anything above that within the Administration that occurred, but from an FBI standpoint, GSA is our landlord. We have hundreds of facilities across the country. We are opening up a field office in Atlanta next month. It is going to be an amazing facility. We have operations that have recently opened up in Boston and out in Sacramento. These are amazing buildings. Albeit they are leased facilities; they are amazing buildings, and they allow our operation to go forward.

So this was really a GSA-FBI coordination, and from our standpoint, the risk of either getting a piece of property that would stay dormant for 10 or 15 years—

Senator CARPER. I am going to stop you. I am going to stop you, OK? My time is limited. Can you tell the Committee who at OMB was involved in this decision? Do you know if it included anyone from the White House?

Mr. HALEY. In terms of briefing, it would have been our branch personnel and GSA's branch personnel within OMB would be the individuals that we would have met with.

Senator CARPER. And I have just a yes or no question I would like to ask of Mr. Gelber. As you heard, there were many bipartisan concerns and questions about the GSA decision to end the procurement process for the consolidation of the headquarters, and I imagine you don't have time to answer all those questions today. In fact, I am sure we won't have time to ask or hear answers for all these questions today, so I am just asking you on a yes or no basis, do you commit to fully respond to questions for information from any member of this Committee so that we can perform our oversight duties? Yes or no?

Mr. GELBER. GSA will respond to questions from the Chair, yes.

Senator CARPER. Only the Chair?

Mr. GELBER. GSA's response will be in line with the current Administration's policy on responding to oversight.

Senator CARPER. Let me just say something, if I could. I would say this to my Republican colleagues as well. How would you like it if the Democrats had the White House, the majority in the House and the majority in the Senate, and we had an Administration with a policy that said we are not going to respond to your questions when you try to do your oversight? You would be outraged.

This is outrageous. We cannot stand for this. Our job is to do oversight. And for our colleagues to sit here and just listen to this, I can't believe this. Golden Rule, treat other people the way you would—how would you like to be treated that way? Well, you wouldn't like it. We need to hear your voices on this. This is outrageous.

Senator BARRASSO. Senator Rounds.

Senator ROUNDS. Thank you, Mr. Chairman.

I agree with Senator Carper, we did not like it. Let me begin just by asking—

Senator CARPER. Can I just interrupt for a moment? I want to say I spent a whole lot of time with the last Administration trying to make sure your questions from the Republican side were answered, a lot of time, and I think with some success.

Senator ROUNDS. I appreciate your comments. I agree with your concern, because we did not like it.

Let me continue on and just touch on a couple of items. No. 1, I am just curious. With regard to a desired location, right now is there a specific desired location that has been determined for a new facility?

Mr. GELBER. If the question is directed to me, sir, no, there is no specific location that has been identified.

Senator ROUNDS. So we still have three that we have looked at, but we do not have an identifiable location at this point for a new facility?

Mr. GELBER. That is correct, sir.

Senator ROUNDS. OK. I understand that we are not at square one, but it sounds like we are very close to square one.

If we were to look at the total values involved in this, we would be talking about the value of a new facility, which I assume would allow us to consolidate a number of the FBI facilities that we are

currently leasing, 15 facilities that are involved in this. Would those 15 facilities then be available or not having their leases renewed, is that a fair statement?

Mr. GELBER. It is, sir.

Senator ROUNDS. OK. In doing so, are these owned buildings or are these leased facilities?

Mr. GELBER. The leased facilities are leased by the private sector and leased by the Federal Government, by GSA.

Senator ROUNDS. So GSA is currently making payments on those so that those payments are now reconcilable or at least those are recognized in the process. If we build a new building, and we actually fully fund it up front, those lease payments basically go away, fair to say?

Mr. GELBER. That is correct, sir.

Senator ROUNDS. So there is an ongoing cost savings that can be basically applied toward this new location once it is determined.

Mr. GELBER. That is correct, sir.

Mr. HALEY. Sir, one of the original justifications for the new building in the consolidation, there were tens of millions of dollars in lease payments and other security costs and everything from each of those separate leased sites that we would have been able to stop paying as we would roll those into a campus environment.

Senator ROUNDS. But that still exits.

Mr. HALEY. Yes, sir.

Senator ROUNDS. OK. The value of the Hoover Building, the current value of the Hoover Building today, what is it?

Mr. GELBER. Sir, that is subject to the way that the Hoover Building would be disposed of, and we have been reluctant to speak in a public forum about the value of the building because we feel it may affect any future procurements regarding the disposal of that building.

Senator ROUNDS. If you were to build a new facility today, what is the timeframe for building that type of a facility?

Mr. GELBER. It could take between 5 and 7 years, sir, including the move.

Senator ROUNDS. So we are actually talking about trying to determine what the value of the Hoover Building is at some point in the future in terms of a payback or at least a partial offset of the costs that we are putting in now.

Mr. GELBER. That is one of the factors that is being considered, sir.

Senator ROUNDS. Mr. Gelber, you mentioned that the CBO was involved in the discussions beginning back in 2011. Could you share with us a little bit more about their involvement and share with us once again the concern that they expressed about having resources available? Can you kind of clarify that a little bit, what CBO's position was?

Mr. GELBER. The Congressional Budget Office role is to score or account for these types of major Federal capital investments, and their approach—as similar to budget committees and the Office of Management and Budget—is that a major initiative of this nature must be scored or accounted for in the initial year of the transaction. So even though the Government is making payments in a

lease scenario over a period of 20 years, all the cost of that lease must be accounted for in the original year of the lease.

Senator ROUNDS. Have you ever worked with CBO on other projects similar to this before?

Mr. GELBER. More appropriately, I believe, the Office of Management and Budget works with the Congressional Budget Office, but we have not directly worked with them.

Senator ROUNDS. What was the impact, what was the impact of the CBO determination as to that process in terms of making this project workable or not under the original format?

Mr. GELBER. Under the original format, the project would score, again, all the funding of the entire project scores in the initial year, so we are looking at a up to \$2 billion cost that has to be accounted for in one budget cycle.

Senator ROUNDS. Making it rather difficult to achieve.

Mr. GELBER. Yes, sir.

Senator ROUNDS. Interesting. So part of what we should be talking about is if we are looking at any types of arrangements like this again in the future, we recognize that we have another hurdle that we have to go through in terms of making that type of a process work for other smaller projects. Now, I understand that when you are talking about a case of where you are leasing it, and then you are going to try to sell the property that you have for future value, that most certainly it seems as though the time value here got away from us because of the size of the project.

Mr. Wise, you mentioned that a little bit in terms of if you are looking at actually leaving the Hoover Building for a period of time, it means that whoever was going to buy it from you would not have access to that property for an extended period of time in part because of the large size and extended time for creating this new facility. Fair statement?

Mr. WISE. Yes, sir. And one of the things that I think made the swap exchange idea especially challenging for the Hoover Building is that, as you kind of allude to and what you are saying is there is a long time lag between the time that developers expected to build the new FBI building until he gets title to the FBI's Hoover Building and the site around it. So a developer has to have pretty deep pockets to be able to get engaged in a project like that.

So one of the things that we had talked about in our report was you need to look at trying to tighten or lessen the time lag so that the relative value of the Hoover Building will not deteriorate so much, because it will decline. The longer the time lag, the less value the building is to the developer because he is waiting and waiting and waiting. In the meantime, he is building something.

Senator ROUNDS. I appreciate that. Thank you.

My time has expired, but Senator Carper had mentioned this, and I just want to come back. Long term, if we really want to make sure that these projects are defensible by both the majority and the minority party, I think an effort and an interest in cooperating in giving data back to both the majority and the minority members on any committee most certainly lends to the ability of cooperation that makes things a whole lot easier to get done in this body.

We saw it; it was frustrating for us as well with the previous Administration on a number of counts. It is something that I think

Senator Carper brings up here, and I think it should be something that should be seriously considered with regard to getting these projects moving, because, as the Ranking Member indicated, being able to get data and to feel comfortable with the information you are receiving makes things go a whole lot easier if you are able to get responses back through.

Senator CARPER. Would Senator Rounds yield for just a moment?

Senator ROUNDS. My time has expired, but I will—

Senator CARPER. Mr. Chairman, can I have 1 minute?

I just want to thank you for what you have just said. I can't tell you how many times, especially on the Committee on Homeland Security, which I was privileged to Chair for a couple of years, how many times we said at hearings like this what can we do to help you do your jobs better, whoever was before us as the Federal agency.

More times than I can count, the word was a one word answer: oversight. Do your job. Oversight. And that is what we need to do. And there were times when folks in the Obama administration were not prompt or fully forthcoming in responding, but I don't ever remember an Administration that had a policy from the Administration that said you don't have to respond to anybody doing oversight except the Chairman of a committee. It is a dangerous situation because if the White House, if the President is a Democrat, and the minority are Republicans, the folks that are usually on the outside, not in the White House, they are likely to do better oversight over the Administration. You know that, and I know that. And for us to have a policy from an Administration that says we are only going to respond to inquiries from the Chairman in the majority, that is a dangerous precedent, a very dangerous precedent.

Thank you.

Senator ROUNDS. Well, let me just add, before calling on Senator Cardin, that I stated before the Administration should and has a responsibility to be responsive to requests by all members, and I would note that Marc Short, who is the White House Director of Legislative Affairs, recently wrote to Chairman Grassley of his committee stating, "The Administration's policy is to respect the rights of all individual members, regardless of party affiliation, to request information about executive branch policies and programs."

And I am going to ask unanimous consent that letter be admitted into the record without objection.

Mr. Short's letter goes on to say that "The Administration will use its best efforts to be as timely and responsive as possible in answering such requests."

[The referenced information was not received at time of print.]

Senator BARRASSO. So, Mr. Gelber, does the GSA intend to abide by the policy that is described by Mr. Short's letter of July 20th of this year?

Mr. GELBER. Yes.

Senator BARRASSO. All right, thank you.

Senator Cardin.

Senator CARDIN. Thank you, Mr. Chairman.

Senator CARPER. I just want to say thank you.



Senator CARDIN. Thank you, Mr. Chairman. And I have been on this Committee now almost 11 years, and I don't remember ever having any disagreements in regards to our oversight of GSA, and we have always worked in a non-partisan way because we are trying to get the best deals for the taxpayers of this country. So I expect that will be continued. And I tend to work through staff with Senator Barrasso's and Senator Carper's staff on a request for information from GSA as relates to the FBI procurement, because I think there are additional documents that would be useful for us to see, and I will work with the Chairman so that this will be, I hope, a mutual request.

Mr. Gelber, I want to work with you here. I am really trying to get things done here, and I don't understand "almost square one." If I understand your authority, you could select a site today. There is no problem with the authority to announce a location. I understand because you canceled the procurement, you need to now explain the rules that you are going to operate and give developers an opportunity to come forward. By narrowing it to one of the three locations, the NEPA has already been done, so that expedites the process.

So where am I wrong why you cannot move this a lot faster than you just said?

Mr. GELBER. We could in fact select a site, as you stated. Our concern is without the full funding and the structure of the procurement that we were operating under, we had no assurance of being able to complete—

Senator CARDIN. All right. OK. I just want to make sure you could move quicker. Congress can help you in those decisions. It would have been, I think, very helpful for us if, before you terminated, you would have met with and talked with the people who have been involved in authorizing and funding this program moving forward, because I point out the difference between an operating and capital lease could be defined in different ways, which raises questions as to whether we should approve lease prospectus moving forward where there isn't a full funding throughout the entire term, because you characterize it as an operating lease. We might think it is a capital lease.

So I think you are raising an issue here which could jeopardize the ability of our agencies to have adequate facilities, so work with us. I don't think anybody on this Committee wants to delay the FBI having an adequate facility. No, we don't want to wait 5 or 6 years. We can get it done sooner. But work with us in that regard. We want the best location, the best facility, the most efficient for the taxpayers in this country, and this Committee will work with you in that regard.

I must tell you, do you have any idea how much money has been wasted by what we have done in the last 6 years? Do you have any idea how much money the agencies have invested into the FBI consolidation; how much time has been spent by your agency, by the FBI, by OMB; how much time has been spent by the State of Virginia in their proposals and going through what they had to do, the State of Maryland, Prince George's County; how much money has been spent by the developers to comply with mixed messages com-

ing out of GSA? Do you have any idea how many millions and millions of dollars have been wasted?

Mr. GELBER. We are aware of how much we have spent on the project, and that is around \$20 million to date, sir.

Senator CARDIN. And that is wasted.

Mr. GELBER. Some of that can be repurposed, but the majority, unfortunately, may not be.

Senator CARDIN. Well, I think all of us are concerned about waste. We would like to have that \$20 million spent so the FBI could carry out its mission.

A question was asked to you by several of us working with us to get this done. I want to make sure that it is done in an open and fair manner. I want to certainly make sure that the jurisdictions that are directly involved, that their representatives are fully participating in whatever is done. I want to make that clear.

But I would hope that we could expedite a location. That certainly simplifies things. That we could expedite the NEPA issues, and we could give you confidence through the appropriators and authorizers that we are prepared. We already put up \$800 million. That is a lot of money. More than \$800 million. I don't want to short change this. Nine hundred thirteen million dollars we have already put up that you have. That does not include the Hoover Building.

Senator Rounds, you are right, they will not tell you the value of the Hoover Building. It is worth hundreds of millions of dollars, we know that.

So there is already available well in excess of \$1 billion that has already been appropriated by Congress for this project.

It is clear to me, Mr. Haley, that you do need a new consolidated facility, and I appreciate you can't use the piecemeal approach because of the reasons you just said. So we have to figure out a way, because you hear us nodding our heads. To put \$2 billion in 1 year's appropriation for one building consolidation is not realistic. That is just not realistic. So we have to figure out a way to do it, and I would really hope that we are not getting to the point that we have to hold up every prospectus here not to stop the location, but to make sure that we are not going down a path that, 6 years after we pass a prospectus, we are back to square one.

Senator BARRASSO. Thank you, Senator Cardin.

Senator Ernst.

Senator ERNST. Thank you, Mr. Chair.

Thank you, gentlemen, for being here today. In 2011 GAO reported that FBI and GSA assessments showed that the FBI Headquarters facilities, the Hoover Building and office annexes in the national capital region did not fully support the FBI's long term security, space, and building conditions requirements.

Mr. Haley, how have the conditions changed since 2011, since the GAO's report has come out, and what has been the effect of these changes on the FBI's ability to actually meet its mission?

Mr. HALEY. Thank you, ma'am. Really, nothing has changed; all those issues still exist. If anything, as I mentioned in the opening statement, many of the mechanical parts of the building—I forgot a prop I was going to bring you, one of the pipes that just recently busted. Many of these are rusting from the inside out. You have

thousands of miles of piping. We had Ma Bell phones, gray metal desks, and file cabinets when we moved into the Hoover Building.

It is now a technological hub. Just to move wire from one part of the building to the other, going through concrete, the facility is not designed for that. Everything takes a significant amount of additional funding, a lot of time. There is frustration on the operational side because they need something today, and it may be months or even years before we can get all the pieces in the building.

Having entities spread out all over town means that you are spending much of your day driving from one location to another through DC traffic just to try to get around. So those issues are still there.

Senator ERNST. Right. So the condition of the building is not getting better over time, the IT struggles are still there, and those take time and dollars, right?

Mr. HALEY. Yes, ma'am. We appreciate GSA has recently changed the netting which keeps the concrete from falling off, because the old netting had to be replaced because it had worn out it had been up so long. So those issues are still there, and they just continue to get worse.

Senator ERNST. And you mentioned the time spent traveling back and forth between many of the annex buildings. All of that costs dollars.

Mr. HALEY. Yes, ma'am.

And those leases that you had mentioned, sir, we are having to renew those leases. In some cases that requires us to re-compete them for long term, and additional costs are going in. Some of the mechanicals that we are going to have to replace in the building; you put an HVAC system in, you are expecting it to last 20 years, 20, 30 years. We may only be there another 10. So we have to put infrastructure in that we may not fully amortize or get the full use out of.

Senator ERNST. Right. So a number of issues have been identified today. There is a pathway forward, maybe two steps back.

Mr. Wise, what recommendations would you have for GSA to help move this project forward in a meaningful manner?

Mr. WISE. Well, Senator, thank you. I think in the case of this project, all the options need to be examined closely and analyzed. What are the risks? How long will it take? What are the costs and benefits of one site over another or one method over another in terms of financing the project? And I think that is something that the Committee needs to also look at very closely as the options are presented for moving forward.

It is a complicated arrangement, and clearly the swap exchange was a difficult maneuver, a situation where many pieces had to fall into place. It was kind of a complicated mosaic of effort, and it just didn't really work out, so now it really needs to look at what might be feasible going forward. And keeping in mind, also, the very real security needs that my colleague has brought up here, as well, really has to factor in, which is a serious problem on the current facility, especially on its north side.

Senator ERNST. Exactly. Well, I thank you very much. I think this is going to be a very complicated issue, especially if the swap

exchange is not the alternative moving forward. But we do have to find a way to make sure that the FBI has a usable space, a space that is secure, and where they can actually meet their mission requirements.

With that, Mr. Chair, I will yield back my time.

Senator BARRASSO. Thank you, Senator Ernst.

Senator Capito.

Senator CAPITO. Thank you, Mr. Chairman.

Thank you all for being here. I am sorry I missed your testimony, but I was able to read this. For me, and I think for all of us, you have seen, the collapse of this process for securing a replacement raises serious questions.

Mr. Gelber, as you probably know, I chair the Appropriations Subcommittee on Financial Services and General Government, which oversees the funding for the GSA. And this has been a moving target for us to try to follow. I believe we found out the cancellation of this through the newspaper as well, rather than informing the Appropriations Committee properly, and the rest of Congress in general, as to what was going on.

You already mentioned that the GSA has spent \$20 million. How much has the FBI spent, Mr. Haley, thus far in this project?

Mr. HALEY. I wouldn't want to give you an exact number, ma'am, but it has been a significant investment. Much of that has been our professional staff, individuals who sit behind me. The individual, the engineer that actually built our SEGUS facility originally and our biometric facility that you are well aware of was brought in to DC to lead this project. He is sitting behind me here. So we have invested a lot of educational resources on this.

Now, at the same time, the \$500 million that we have sitting in our account, our appropriations, we hope that this project will take on a similar anatomy like the SEGUS building, where we were able to incrementally bring those funds in, and at the point that the funding was available, we were able to move forward with that capital investment.

Senator CAPITO. Yes, I was going to mention, but with Senator Cardin I didn't want to mention the great FBI facility we have in West Virginia. I didn't want to throw another location into the mix, but we do enjoy, and actually, it is a wonderful facility in our area. So we are very, very pleased about that.

So, we are at a point where how did we get here and how are we going to make improvements. If I heard you correctly, Mr. Gelber, did you say that you need the \$2 billion in 1 year in appropriation before you can move forward?

Mr. GELBER. If we were to move forward with a Federal construction project or a long term lease, that is how the project would be accounted under the Federal—

Senator CAPITO. Is that the reason you went for the swap concept?

Mr. GELBER. At the end of the day, yes. It was not our preferred option, but given our funding constraints that we were operating under, and given the inability to gain full access to the money in the Federal Buildings Fund, that is why we opted for the exchange concept.

Senator CAPITO. Have you done swap projects before to this magnitude?

Mr. GELBER. Nothing of this magnitude.

Senator CAPITO. Well, I think it might have a little black mark by it right now, from what we have seen, the development to this point.

Let me ask you another question, Mr. Wise. In your written testimony you stated that GSA employees told you, as part of the research for your 2014 report, that part of the appeal of the exchange model—and Mr. Gelber just talked about this a little bit—was to avoid reliance upon the appropriations process. And yet the agencies state that this project failed for lack of appropriations sufficient to offset the difference between the value of the Hoover Building and the new headquarters.

I think the approach to try to avoid either oversight or the congressional appropriations process is, I think, not very palatable to those of us who sit here and also those of us who sit on the Appropriations Committee and the authorizing committee.

So would you say that was a primary motivation to work in this manner, or was it something I am not seeing?

Mr. WISE. Well, I will leave the motivations up to my colleague from GSA to describe, but suffice it to say that swap construct is—as I think Michael was saying, it is another way to try to move forward on Federal construction with the knowledge that it is a very—as Senator Cardin said—a very heavy lift to get full funding up front. Now, full funding up front is the most cost effective way to build something. That is pretty clear. I think everybody agrees on that. Lease arrangements, one way or another, normally end up costing more for various reasons.

But in terms of the swap construct, a very key criteria of swap construct is that, you need a situation where the property—it really helps if the Government need is equal to the property that it is giving up. And that was not the case here because it was far in excess, so that is why they were coming back for additional appropriations. And a project of this magnitude is very, very complicated to run under a swap construct because, as we talked about in our testimonies, the previous experience that GSA had in this area was very limited.

One example I can give you in San Antonio was a small piece of land for a parking garage, several million dollars. And it worked out well because they were of commensurate value. The private sector really wanted this piece of Federal land, and GSA really wanted this parking garage, and they were about equal.

This is a magnitude of much, much greater magnitude and complexity. So that was a technique that GSA hoped it could work to make this building happen, make the project happen, but I think the Hoover Building situation just was too difficult to fulfill this way.

Senator CAPITO. Could I ask one more question?

Senator BARRASSO. Yes.

Senator CAPITO. You know, we are throwing \$2 billion around like it is a confirmed number, just \$2 billion. What kind of assurances can you give us here that \$2 billion doesn't lead to \$3 billion? What kind of firm number is that? And are changes being made

to design? I am sure as you look at this, as you move forward, certain needs may change. What kind of confidence do you have that \$2 billion is either (A) sufficient or not enough or too much?

Mr. GELBER. We, with the FBI, had developed that extensive program requirements, which we then developed an independent Government cost estimate around that number. We also have the bids that were submitted for the project that give us a sense of how the market was responding to the request.

Senator CAPITO. And they came in at about \$2 billion then?

Mr. GELBER. If GSA had received the funding requested in the fiscal year 2017 budget, we would have been able to award this project.

Mr. HALEY. Ma'am, I would add, from an FBI perspective, that was one of the factors as we, coordinating with GSA, agreeing to canceling the procurement, was the concern about that with exchange. And as Senator Rounds had mentioned earlier, the developer can't get the building until we get out of it.

So as you extend that period on, there was a potential for those costs, and we have always—and we have been very clear with this with our appropriators, that we were trying to be as transparent and honest with the costs that were going to come out of CJS, and we did not want to see those costs escalate. So as you extend the number of years that this procurement would have had to take, and it wasn't just a building, we were talking about moving facilities from a number of the sites, rose, we were afraid that that cost would come up, and we would have to come back in, and those would look like cost escalations versus just time and just the cost of the dollar going forward.

Senator CAPITO. All right. Thank you.

Thank you, Mr. Chair.

Senator ROUNDS [presiding]. On behalf of Chairman Barrasso, Senator Gillibrand.

Senator GILLIBRAND. Thank you. Thank you, Mr. Chairman.

Mr. Gelber and Mr. Haley, decisions to cancel the procurement were made by both the GSA and the FBI, and the FBI, at the time, was lacking Senate confirmed directors. Is there a reason you could not have waited for a decision of this magnitude to be made once your senior leadership was in place?

Mr. GELBER. The constraints around the project would not have gotten better; the cost of the project would, in our minds, continue to have increased. And as Mr. Haley referenced and Mr. Wise has also referenced, the value of the Hoover property would continue to decrease. So, at the end of the day, the situation we faced was, by waiting, we would not learn anything new in the process, and the cost of the project, if we chose to go forward, would only have increased.

Senator GILLIBRAND. To what extent was OMB and the White House involved in the decision?

Mr. GELBER. As we normally do on major project decisions, we informed our staff level colleagues at the Office of Management and Budget about this matter.

Senator GILLIBRAND. But not the White House specifically?

Mr. GELBER. That is correct. We normally do not engage at that level.

Senator GILLIBRAND. Who was the highest ranking Federal official to personally sign off on the decision to cancel the headquarters procurement?

Mr. GELBER. In terms of the formal approval process within the General Services Administration, that would have been the Acting Administrator.

Senator GILLIBRAND. Do you expect that there will be additional costs associated with the FBI remaining in the Hoover Building and other leased properties for a longer period of time?

Mr. GELBER. Yes. And we are currently evaluating what those costs would be in partnership with the FBI.

Senator GILLIBRAND. And what are the additional costs, and how do you expect those costs to be paid for?

Mr. GELBER. We have some discretionary funds out of what we refer to as below a prospectus level authority, which are projects of under \$3 million for a particular task, so we have those funds to use. The key question for us is how much do we invest in the FBI Hoover Building knowing that we are going to move out of it. So we want to ensure the FBI has a usable, safe facility, but we also don't want to overinvest in the facility.

Senator GILLIBRAND. How do those additional costs compare with the project cost escalations that prompted your agencies to cancel the new headquarters?

Mr. GELBER. The concern with the projected cost escalations is we weren't sure when and where they would stop, and so, given the uncertainty around those escalations, we knew what the costs and risks were for remaining in leased space; we knew what the costs and risks were for remaining in Hoover. Those were—even if they were on par or less than—the concern with going forward with the project was the unknowns around where the costs would go.

Senator GILLIBRAND. Did you include appropriators in those conversations?

Mr. GELBER. We have had a regular cadence of meetings at the authorizer and appropriators level throughout the life of the project and have been regularly reporting where we stood on the project up until our meeting to decide to inform individuals that we had canceled the project.

Senator GILLIBRAND. Prior to the enactment of the fiscal year 2017 appropriations legislation, did you guys communicate to the appropriators that the procurement was at risk if that bill did not include the entire request in the President's budget for \$1.4 billion?

Mr. GELBER. We had regularly communicated that the need for funding was key for this project to move forward. Our last written communication was in March of this year, where we stated that we had met all necessary project milestones to proceed with the project, but were awaiting the resolution of the fiscal year 2017 budget cycle.

Senator GILLIBRAND. Can I just ask you an unrelated question that I would like you to provide for the record about Plum Island? I have been working with my colleagues from New York and Connecticut on legislation to repeal the statutory requirement for selling Plum Island, which I believe unnecessarily ties the Federal Government's hands and prevents you from considering all options

for the use of the island, including continued Federal ownership by a different agency.

That said, I would like to ask you a few questions about the sale process that you are currently undertaking. And if you don't know these answers, just for the record is fine.

What entity will be required to clean up any environmental contamination associated with the Plum Island Animal Disease Center, the Federal Government or the buyer?

Mr. GELBER. Invariably, it is either the Federal Government, or if there is anything that hasn't been addressed, the Government notifies whoever acquires the property that they must be aware of what is on the soil in the property.

Senator GILLIBRAND. And will there be stipulations on when and how the cleanup has to occur?

Mr. GELBER. I am not familiar with the specifics around that particular issue, but we can get back to you on that.

Senator GILLIBRAND. Thank you. And how does GSA propose to use the revenue from the sale of Plum Island?

Mr. GELBER. Normally, the revenues from these sales are returned to, I believe, either the Miscellaneous Receipts Account to the Treasury or the Federal Buildings Fund. And our ability to access either of those accounts, if you will, is subject to congressional approval.

Senator GILLIBRAND. OK. And has the GSA had discussions with U.S. Fish and Wildlife Service about migratory bird and endangered species habitat that exists on the island? And how does that factor into the sale process?

Mr. GELBER. I am assuming we did, but I can confirm. As a part of our disposal process, we engage with a range of Federal agencies whenever we are disposing a particular property.

Senator GILLIBRAND. If Congress repeals the statutory requirement to sell Plum Island, would other Federal agencies like the U.S. Fish and Wildlife Service and the National Park Service have an opportunity to acquire the property if they wanted to, and what process would that occur?

Mr. GELBER. My understanding is the property is currently under the control and custody of the Department of Homeland Security. I may be incorrect about that. But at the point where the Department of Homeland Security no longer requires the property, it is then made available to other Federal agencies.

Senator GILLIBRAND. Great. Thank you so much.

And thank you, Mr. Chairman, for the hearing.

Senator ROUNDS. On behalf of Senator Barrasso, I will recognize Senator Cardin.

Senator CARDIN. Thank you. I just want to make a couple comments.

First, there has been a lot of discussion about lease cost being more expensive than direct appropriations, and that is intuitive and correct, but we would point out that in today's economic environment, with the interest rates being what they are, there are certain advantages to using long term lease purchases, and the cost differential could be not very great. Just point that out from what I understand.



Second, the swap is very unusual for this size. I understand that and the reasons it was done. There were three developers interested in that financing arrangement, producing seven different development alternatives, so there was at least interest out there for the Hoover Building. Whether it was the best deal for the Federal Government we may never know, but there was certainly interest out there.

And I want to just come back to this last point. GSA has the authority to select a location. GSA has the authority to figure out what financing mechanism works best. They can certainly work with Congress in order to get whatever they need. Congress has expressed itself in numerous ways that we want to help you. We know that the overall funding in one fiscal year is going to be extremely challenging. It is even more challenging now that we have terminated the contracts. So we have to find out a way to move this quicker than saying it is going to take another 4 or 5 or 6 years before we get this done, because the FBI can't wait, and taxpayers demand us to be more efficient than this.

So, Mr. Gelber, I just urge you to work with not only authorizing, but the appropriating committees. You have a good deal of information, working with the FBI, working with what has already been developed, to move this project in a fast way, consistent with law that you are now in, using a lot of the information that has already been obtained. I would just urge you to do that so that we can make this project move sooner rather than later.

Thank you, Mr. Chairman.

Senator BARRASSO [presiding]. Well, thank you very much, Senator Cardin.

Any other questions? I know we are in the middle of a vote, at the end of a vote. I appreciate everyone being here and taking the time as you have.

I was going to turn to Senator Carper to see if he had any additional thoughts or questions.

Senator CARPER. Mr. Chairman, I do have. First, I want to say thank you for entering the letter from Senator Grassley, July 20th letter from Senator Grassley, from the White House, actually, to Senator Grassley. Marc Short, Director of Legislative Affairs. It speaks to my concerns about the minority, as well as majority, being able to do our oversight work.

Senator BARRASSO. And let me just say you have been a wonderful partner to work with. I want to continue to work with you, and I want to work with you to make sure we get the answers that all of us are looking for.

Senator CARPER. Thank you very, very much for that, and I return to the compliment to you.

I would also like to ask unanimous consent to enter into the record a letter from Tim Horne, dated June 6th. We had submitted some questions of him. I think those questions that we had asked of him in my letter to him of June 6th, 2017, and we have not received a response.

Senator BARRASSO. Without objection.

Senator CARPER. I would just ask it be made part of the record and renew our request for a timely response from the folks at GSA. Thank you.

[The referenced information was not received at time of print.]

Senator BARRASSO. The other thing I want to do, we have folks from GAO that are here, right? Would you just raise your hands, please? Raise them high. Hold them up. I just want to say, as the former Chairman, now senior Democrat on the Committee of Homeland Security and Governmental Affairs, how much we appreciate the work that you do.

I was in a meeting earlier this morning, and one of the thoughts that came to mind in that meeting in the Capitol was we were talking a bit about budget deficits, and we seem to have taken our eye off the ball there, and they continue to grow. I think the budget deficit is going to grow by another \$100 billion this year alone, and we are looking at about a \$700 billion deficit, up from about \$400 billion a couple years ago. We peaked at \$1.4 trillion and down to \$400 billion. Now we are back up to about \$700 billion, and nobody is really paying any attention to that, and that is a cause for concern to me, and I know it is to folks from Wyoming, including the Senators.

One of the things that I often like to focus on is the work that you do at GAO to the high risk list, and identifying high risk ways of wasting money. It is really important work, and one of the things that I sought to do—Dr. Coburn did that when he was the senior Republican on our Committee, always used that as our to do list. Do we need to raise some evidence? We probably do. Do we need to cut some spending? We probably do. But also, you give us a great roadmap, just a to do list for ways that we can save money.

One of the things that has always confounded me is this issue—and we have worked a lot with you on real property reforms, Dr. Coburn, Senator Portman, and myself and others, and to the extent that the work that was—our work ended up in legislation, signed by the last President, on real property management.

How, if at all, does that address or come in contact with the particular issue that is before us today? We spent a lot of time trying to put together legislation, guidance, and get the Administration to work in a more appropriate way with our input to save money in the way that we handle property, real property. How does that legislation, if at all, affect this issue?

Mr. WISE. Well, Senator, I am sure as you know, real property has been on the high risk list for a long time, I think since 2003, and one of the key things we looked at—this is not necessarily specific to the FBI, but it is certainly related—is that one of the elements that we looked at very hard over the years is the importance of accurate data in order to enable Federal agencies' real property managers to make good decisions in what to do with their excess property or how to best use what resources they have.

And all along we have pushed a number of recommendations to OMB and GSA along these lines, and to the credit of GSA, they made a lot of progress in improving the Federal real property profile. Now, the legislation, your bill from 2016, the Federal Real Property Reform Act that you sponsored, is—

Senator CARPER. Along with Senator Portman and others.

Mr. WISE [continuing]. Along with Senator Portman is certainly an assist because it gets at something that we think is quite important, and that is the ability to give a good break to the taxpayer

and save money is really much more in consolidation of Federal offices into owned facilities versus leased facilities. So that somewhat relates to what we are talking about today. But it is also a general point that I think is very important for overall management of the Federal real property portfolio.

And as a result, we think, and as you mentioned, as the bill specifies, improving the data and also looking at postal facilities as a potential area that we can consolidate Federal offices into where there is space available, because a lot of sorting facilities are not sorting much anymore, although—

Senator CARPER. In fact, the number of mail processing centers is down. A couple years ago we had 600 of them. They are operating now down to about 300 they are operating.

Mr. WISE. Yes. So there is a lot of potential there, although, you know, again, these are more—

Senator CARPER. In fact, my wife and I just drove by one in Rockford, Illinois, over the weekend.

Mr. WISE. The issue with the postal facilities, those are much more like factories than they are like office space, so they need some resources in order to renovate them to make them suitable for office space. But there is a lot of potential for consolidation, but again, you know, until you get really a solid handle on the data and its accuracy, it is very difficult for agencies to make these kinds of decisions.

So, yes, your point is well taken that the issue around management of Federal real property certainly has at least a tangential relationship to the FBI issue at hand today.

Senator CARPER. Last thing I would say, Mr. Chairman, during my time in State government as the Governor of Delaware, we worked then and we still work with a capital budget. We have, actually, three budgets; one is the operating budget, one is the capital budget, and one is the grant and aid budgets to help nonprofit organizations, which is small compared to the other two. But we know that the fiscally smart decision for providing for space, whether it is for the FBI or for anybody else in Federal Government, oftentimes it is for the Federal Government to build and own property. That is the smart way to do it.

It is hard—as Senator Cardin has said and others have inferred—it is hard to get that kind of huge, like a \$2 million appropriation in a year or maybe over 2 years for something like the FBI building. It is just very, very hard to do. In the end we save money, we save money over the long haul. But the way that our budgeting process works, it does not reward that behavior.

I will ask some questions for the record. One will deal with the alternative funding mechanisms that seeks to try to get at this conundrum, and we would appreciate your response to those questions, all of you.

Mr. Gelber, we look to hearing from you folks soon and more consistently in the future. Thank you.

And to our FBI brothers and sisters, God bless you. Thanks.

Senator BARRASSO. Well, as we wrap up, I want to make a couple observations.

It is clear from today's testimony that the FBI does need a new headquarters; that fixing up the Hoover Building with a \$100 mil-

lion backlog of maintenance needs makes little sense; that the elaborate plan to swap the Hoover Building for a new headquarters facility was, in hindsight, not the best option; that we need a new cost effective and achievable plan to get the FBI into a new headquarters facility.

So I would like to ask our witnesses one final question. Will you commit to providing Congress a workable solution to the FBI's headquarter needs within 120 days?

Mr. GELBER. Yes, sir.

Mr. HALEY. Absolutely, sir.

Senator BARRASSO. Mr. Wise, they both said absolutely.

[Laughter.]

Mr. WISE. I think that is the job of the Administration, and we will be happy to come in and evaluate it at some point.

Senator CARPER. Maybe you can give them some advice along the way.

Mr. WISE. Always happy to do that, sir.

Senator BARRASSO. Well, you can expect that this Committee will hold another hearing on this subject before the end of the year.

With that, I want to thank all of you for being here. Other members may submit questions for the record. The hearing record will be open for 2 weeks. I want to thank the witnesses for their time and their testimony today.

The hearing is adjourned.

[Whereupon, at 11:25 a.m. the Committee was adjourned.]

