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ADMINISTRATION
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Good morning Chairman Barrasso, Ranking Member Carper, and Members of the Committee. My name is Daniel Mathews, and I am the Public Buildings Service Commissioner of the U.S. General Services Administration (GSA). Thank you for the opportunity to discuss our joint proposal to replace the headquarters facility for the Federal Bureau of Investigation (FBI).

The purpose of this testimony is to help explain why the previous procurement was cancelled, how the Administration's recommendation changed from a suburban campus to a new facility on the current site, and why this is the preferred solution for meeting the FBI's current mission requirements. While I will discuss the real estate implications of the change in the FBI's requirements, my testimony is not intended to explain why the FBI modified its requirements.

I also want to be clear; this proposal consolidates the FBI's headquarters requirement and reduces its real estate footprint significantly. Currently the J. Edgar Hoover (JEH) building houses approximately 5,600 people. Our proposal will increase that number by almost 50 percent and consolidate a total of 8,300 people into the headquarters. Under this proposal the FBI will improve its utilization rate and occupy approximately 25 percent less space than its current footprint.

On August 2nd of last year, GSA and the FBI committed to provide the Members of this Committee a plan for delivering a new consolidated headquarters that meets the FBI's long-term space requirements, as well as a plan for funding the facility. The following day, I was sworn in as Commissioner of the Public Buildings Service.

Since my arrival, Mr. Haley and I have met on a regular, ongoing basis with our teams to fulfill this requirement. I want to acknowledge the positive and productive relationship we have had with the FBI these past six months. Without this partnership we would not have been able to provide this Committee a joint plan that addresses the key challenges faced in the original procurement, reduces the Federal footprint, consolidates 2,700 additional employees into the facility, and provides a good value for the taxpayer.

In order to understand the evolution of this project, I believe it is important to more fully explain why the previous procurement was cancelled in July of 2017. Although I did not work at GSA at the time, I have been briefed on the subject.

While most public attention has focused on the lack of appropriations as the cause of the cancellation, the exchange component of the previous procurement was also a major contributing factor. The incorporation of an exchange of the existing site into the contract greatly complicated and increased the risk of the procurement. Under the contract, the Federal government was obligated to turn over the existing facility as partial compensation for the new campus. This could not physically take place until the new campus was completed and the FBI had moved into the new location. However, without full funding of the appropriated portion of the project, (i.e. the difference between the total project cost and the agreed upon value of the JEH site) uncertainties regarding when the remaining appropriations would be provided increased risks to bidders and created both upward pressure on their bid prices as well as downward pressure on their estimates of value for the current site.

Moreover, without full appropriations, it could not be known when the new facility would be completed, the FBI would relocate, and the current site would be turned over in accordance with the contract. Thus, the exchange value of the site, as presented in bids, was severely reduced as a result of the procurement structure and the exchange was no longer a prudent financial decision for the taxpayer. As a result, the financial, legal, and operational risks were simply too great to proceed without full funding for such a contract, and GSA decided, in consultation with the FBI, to cancel the procurement.

Although the procurement was terminated, the need and urgency for a new headquarters continues to grow. Major mechanical and infrastructure systems in the current building have exceeded their useful lifespan. Plumbing failures occur on a regular basis, internal and external concrete structures have deteriorated, and other system issues are common. In addition, each year of inaction and delay increases project costs by an estimated \$84 million in short-term repairs and construction cost escalation.

When the project team of GSA and FBI staff regrouped in August, we decided to remove the exchange from the project and to consider all options for bridging the gap between the project costs and the available funding. This meant the FBI would reassess the scope and mission requirements of the headquarters in an effort to lower costs, and GSA would explore alternative methods for financing the project. In addition, the project would need to be executable and deliverable in the near term. This is important because of the costs of delay described above and the risk a significant building failure could occur and require large repair costs or an unplanned relocation from the facility.

The first step in this process was for the FBI to reevaluate its mission requirements and look for opportunities to reduce the scope of the project. From a real estate perspective, the most significant program change to come out of the FBI's review was a reduction in the Washington-based headquarters personnel from 10,600 to 8,300. While there are important operational and resiliency reasons for this strategic consolidation, the real estate implications are also significant. This reduced population can be housed in less office space and therefore requires fewer construction dollars to deliver the office space component of the project.

Initially, GSA and the FBI applied this smaller requirement to a campus construction scenario. While the office building portion of the project was reduced, the overall project cost changed to a lesser degree because the campus infrastructure elements largely remain the same in size and cost regardless of the amount of office space they support. For example, the land costs, perimeter security, guard posts, separate truck inspection facility, separate visitors entrance, central utility plant, access roads, and other campus infrastructure costs are essentially the same for a campus housing 10,600 or 8,300 people. This limited impact on the overall project costs led to the consideration of other, smaller sites in an effort to reduce land acquisition, perimeter security, and other campus specific costs. Most significantly, the reduction in the personnel requirement, coupled with a willingness of the FBI to reconsider certain campus elements, made the current Pennsylvania Avenue location a viable option for housing the consolidated headquarters function. In other words, 10,600 people forced a larger suburban site while 8,300 people can be housed at the current site.

The FBI and GSA began to review and seriously consider the possibility of staying at the current location. From a real estate perspective, there are several distinct advantages of the current site over other potential locations. These include the following:

- The site is Federally-owned and under GSA's custody and control.
- Demolition costs were assessed as part of the previous procurement and are considerably less than other site acquisition, preparation, and/or relocation costs.
- A separate central utility plant would be unnecessary.
- A new truck inspection facility would not be required as the current facility would meet FBI's needs.
- The site is served by several metro lines and existing road and bus networks, eliminating the need for substantive improvements to the transportation infrastructure.
- A separate vehicle parking garage for thousands of vehicles would be unnecessary.
- Classified communications cabling necessary to serve the facility already exist.
- Major utility feeds are already in place to the site.

- The FBI's departmental headquarters is across the street at the Department of Justice headquarters building.
- The site is located in the geographical center of the FBI's key mission partners.

As part of its evaluation of the current site, the FBI and GSA considered three options: a phased renovation of the existing building, a renovation of a fully vacant facility, and a demolition of the current facility and construction of a new building on the site. A four phase renovation of the building is estimated to cost \$3.8 billion, require 15 years to occupancy, and only house 7,750 people. A demolition-rebuild is estimated to cost \$3.3 billion, require 6 years to occupancy, and house 8,300 people.

A renovation of the existing facility also introduces new inadequacies and risks to the project. Compliance with current construction and security standards will be difficult to achieve and the utilization rate of the renovated facility will be worse by approximately 18 percent. A renovation will not allow the FBI to consolidate all 8,300 employees into one facility, requiring additional lease procurement and related costs. In a phased renovation scenario, additional costs will be incurred from delays, re-competing each phase, as well as remobilization. As we have seen in recent history, the uncertainty of Federal appropriations for large phased construction projects often leads to schedule delays, cost escalations, and Federal agencies receiving a facility that does not meet their housing needs and mission requirements. GSA has experienced these risks at the Department of Homeland Security's St. Elizabeth's Headquarters consolidation in Washington, D.C. and the Department of Health and Human Services - Food and Drug Administration's campus in White Oak, Maryland.

New construction has several other advantages over a renovation besides cost and speed of delivery. For example, a new facility will have a much more efficient floor plan than a renovation and house more people in less space. Specifically, a new facility will achieve a 182 usable square foot per person utilization rate as opposed to a 220 usable square foot per person utilization rate in a renovated facility. In addition, new construction can mitigate security threats more effectively with tailored designs, newer materials, and current construction techniques than is possible with the constraints of retrofitting an outdated building. Modern features and materials will be incorporated into the new construction. The FBI and I are available to discuss any security and countermeasure concerns the Members of this Committee may have in a private setting.

In short, demolishing the current building and replacing it with a newly-constructed facility enables GSA to deliver a more secure and efficient FBI Headquarters faster, cheaper, and with less risk than a renovation. From a real estate perspective, this is the preferred alternative for reusing the Pennsylvania Avenue location.

The joint report submitted to the Committee presents several different funding mechanisms and acquisition strategies to deliver a new FBI Headquarters on the JEH site. As directed by the Committee, GSA and the FBI considered a variety of funding mechanisms including lease construction, lease with a purchase option, a ground lease leaseback arrangement, phased appropriations, and a full funding appropriations approach.

The traditional and preferred approach is Federal construction. Under this scenario, Congress would appropriate approximately \$2.175 billion and authorize construction in a single phase. While alternatives were discussed at length, the Bipartisan Budget Act of 2018 provides a unique opportunity to secure appropriations for a new FBI Headquarters.

The Administration's proposal is for the funding to be provided through the Commerce, Justice, Science Appropriations subcommittees. We have chosen this funding strategy in order to maximize the funding available to the Financial Services and General Government subcommittees for other Federal construction needs. Specifically, the additional funding will be used to fund design and construction of: courthouses in Harrisburg, Pennsylvania, Huntsville, Alabama, Fort Lauderdale, Florida, and Chattanooga, Tennessee; land ports of entry in Alexandria Bay, New York, Otay Mesa, California, San Luis I, Arizona, and Calexico West, California, and twelve additional land ports of entry along the northern and southern borders; the construction of additional buildings and infrastructure at St. Elizabeth's for the consolidated headquarters for the Department of Homeland Security in Washington, D.C.; and an FBI field office in St. Louis, Missouri; with the balance of funds going toward maintaining the current Federal inventory and addressing years of deferred maintenance.

While the decision to demolish the current JEH building and construct a new FBI Headquarters on the site is different than the approach of the previous procurement, the Administration believes there are numerous advantages to re-utilizing this Federally-owned site. The FBI will be able to rectify glaring infrastructure and facility needs and deliver the project approximately \$500 million cheaper than the original procurement, all while remaining near its established mission partners. The JEH site is already connected to secured intelligence data feeds, utilities, and benefits from the robust existing transportation network afforded by the Pennsylvania Avenue location. The proposed campus sites would have necessitated costly transportation and utility infrastructure spending by state and local governments to meet Federal requirements. The existing transportation network, with many points of access for FBI employees, will reduce spending by decreasing thousands of parking spaces to hundreds, resulting in a cost reduction of more than \$100 million.

GSA understands that there may be differences in opinion surrounding the site selection and acquisition strategy for a new FBI Headquarters, but what we can all agree on is that the JEH building is not meeting the mission and housing requirements of the FBI and delivering a headquarters that will meet those needs is critical.

In closing, GSA is committed to carrying out its mission of delivering the best value in real estate for the Federal government and the American taxpayer. The need for a modern headquarters remains a priority for all stakeholders. GSA will continue to work with Members of this Committee, the FBI, and others in both 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.