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FBI HEADQUARTERS CONSOLIDATION PROJECT - WHAT HAPPENED AND  
WHAT'S NEXT

Wednesday, August 2, 2017

United States Senate

Committee on Environment and Public Works

Washington, D.C.

The committee met, pursuant to notice, at 10:08 a.m. in room 406, Dirksen Senate Office Building, the Honorable John Barrasso [chairman of the committee] presiding.

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

STATEMENT OF THE HONORABLE JOHN BARRASSO, A UNITED STATES  
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 cancelled 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 is 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 peer 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.

[The prepared statement of Senator Barrasso follows:]

STATEMENT OF THE HONORABLE THOMAS R. CARPER, A UNITED STATES  
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.

[The prepared statement of Senator Carper follows:]

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.

STATEMENT OF THE HONORABLE BENJAMIN L. CARDIN, A UNITED STATES  
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 towards 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 seven years ago, eight years ago.

In 2011, the GSA, FBI came to this Committee and said we need help; do something about it. And in 2011, six 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 one 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 monies 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 monies 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. Okay, 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.

[The prepared statement of Senator Cardin follows:]

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 five minutes so that we may have time for questions.

Mr. Gelber.

STATEMENT OF MICHAEL GELBER, ACTING COMMISSIONER, PUBLIC  
BUILDINGS SERVICE, GENERAL SERVICES ADMINISTRATION

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 decision-making 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 cancelation 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:]

Senator Barrasso. Thank you very much, Mr. Gelber.

Mr. Haley.

STATEMENT OF RICHARD L. HALEY II, ASSISTANT DIRECTOR/CHIEF  
FINANCIAL OFFICER, FINANCE DIVISION, FEDERAL 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 cancelled, 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:]

Senator Barrasso. Thank you, Mr. Haley.

Mr. Wise.

STATEMENT OF DAVID WISE, DIRECTOR, PHYSICAL INFRASTRUCTURE TEAM,  
GOVERNMENT ACCOUNTABILITY OFFICE

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, Mass. 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:]

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 and 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. Okay.

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 families 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, okay? 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. Number one, 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. Okay. 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. Okay. 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 upfront, 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 towards 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 exists.

Mr. Haley. Yes, sir.

Senator Rounds. Okay. 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 five and seven 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 accounts. 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 one 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 answer word: 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 follows:]

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 cancelled 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. Okay. 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 five or six 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 six 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 coming 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 one 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, six 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, grey 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 D.C. 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

cost 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 D.C. 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 one 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 cancelling 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 was made by both the GSA and the FBI, and the FBI, at the time, was lacking Senator-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. Okay. And has the GSA had discussions with U.S. Fish and Wildlife Service about migratory bird and endangered species habitat that exist 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.

Secondly, 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 four or five or six 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 follows:]

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. -- 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 of 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 two 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 million 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 two 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.]