

STATEMENT OF MR. MICHAEL GELBER
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SERVICES ADMINISTRATION
BEFORE THE SENATE COMMITTEE ON ENVIRONMENT AND PUBLIC
WORKS

August 2, 2017

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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