

# GAO Highlights

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

## Why GAO Did This Study

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

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

## What GAO Recommends

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

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

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## FEDERAL REAL PROPERTY

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

## What GAO Found

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

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

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

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