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FEDERAL BUREAU OF INVESTIGATION

Actions Needed to Document Security Decisions and Address Issues with Condition of Headquarters Buildings

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Why GAO Did This Study

Since September 11, 2001, the Federal Bureau of Investigation's (FBI) mission and workforce have expanded, and the FBI has outgrown its aging headquarters, the J. Edgar Hoover Building (Hoover Building). As a result, the FBI also operates in over 40 annexes, the majority located in the National Capital Region. In the explanatory statement accompanying the 2009 Omnibus Appropriations Act, GAO was directed to examine the FBI's headquarters facilities. In response, GAO examined the extent to which (1) these facilities support the FBI's security, space, and building condition requirements and (2) the FBI and the General Services Administration (GSA)—the real property steward for the Hoover Building—have followed leading capital decision-making practices in identifying alternatives for meeting the FBI's facility needs. GAO reviewed security, space, and condition assessments and planning studies; visited FBI facilities; and interviewed FBI and GSA officials.

What GAO Recommends

The FBI should document decisions about, and track its implementation of, all security recommendations for the Hoover Building and the FBI's headquarters annexes. GSA should reassess its decision to limit recapitalization investments in the Hoover Building, since the FBI is likely to stay in it for several more years while its long-term facility needs are being planned. The FBI agreed with these recommendations. GSA indicated it is working to implement GAO's recommendation.

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What GAO Found

According to FBI and GSA assessments, the FBI's headquarters facilities—the Hoover Building and the headquarters annexes—do not fully support the FBI's long-term security, space, and building condition requirements. The FBI has addressed many **security** concerns at the Hoover Building by implementing protective measures. Furthermore, in response to a recommendation GAO made in a law enforcement sensitive version of this report issued in July 2011, the FBI has updated its security assessment of the Hoover Building in accordance with security standards issued in 2010. The assessment includes recommendations but does not indicate whether recommended actions will be implemented. While this is reasonable given the short period of time since GAO's July 2011 report, documentation of decisions on the recommendations and tracking implementation is important because of facility planning and budget implications—for both the Hoover Building and a new headquarters—and time needed to coordinate with GSA. FBI officials told GAO that the annexes will be assessed against the 2010 security standards. The officials noted, though, that the dispersion of staff in annexes creates security challenges. The Hoover Building's original design is inefficient, according to GSA assessments, making it difficult to reconfigure **space** to promote staff collaboration. Staff dispersion across annexes likewise hampers collaboration and the performance of some classified work. Furthermore, the **condition** of the Hoover Building is deteriorating, and GSA assessments have identified significant recapitalization needs. However, GSA has decided to limit investments in the Hoover Building to those necessary to protect health and safety and keep building systems functioning while GSA assesses the FBI's facility needs. This decision increases the potential for building system failures and disruption to the FBI's operations.

Through studies conducted over the past decade, the FBI and GSA have considered three broad alternatives, each with variations, to try to meet the FBI's facility needs—(1) modernize the Hoover Building, (2) demolish the Hoover Building and construct a new headquarters on the existing site, and (3) acquire a new headquarters on a new site. In doing so, the FBI and GSA thus far have generally followed leading practices for capital decision making. To varying degrees, these alternatives would improve security, space, and building conditions, but each would take several years to implement. Estimates of the alternatives' costs, developed in the studies, are not comparable because they were prepared at different times and for different purposes. The FBI and GSA plan to discuss the FBI's facility needs with the Office of Management and Budget, and GSA and the FBI will need to present a business case, including current, comparable cost estimates, to support the choice of a preferred alternative and financing strategy. The FBI's 2011 security assessment of the Hoover Building, as well as information on any security improvements that may be needed at the annexes, could inform the agencies' decisions and help ensure that limited budgetary resources are allocated effectively.

This is a public version of a law enforcement sensitive report that GAO issued in July 2011, which has been updated, including a modification to a recommendation, to reflect recent FBI actions. Information that the FBI and the Department of Homeland Security deemed sensitive has been omitted.

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Abbreviations

DHS	Department of Homeland Security
FBF	Federal Buildings Fund
FBI	Federal Bureau of Investigation
FPS	Federal Protective Service
FSL	facility security level
GSA	General Services Administration
ISC	Interagency Security Committee
LEED	Leadership in Energy and Environmental Design
NCPC	National Capital Planning Commission
OMB	Office of Management and Budget
SCIF	sensitive compartmented information facility

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G A O

Accountability * Integrity * Reliability

United States Government Accountability Office
Washington, DC 20548

November 8, 2011

The Honorable Barbara A. Mikulski
Chairwoman
The Honorable Kay Bailey Hutchison
Ranking Member
Subcommittee on Commerce, Justice,
Science and Related Agencies
Committee on Appropriations
United States Senate

The Honorable Frank Wolf
Chairman
The Honorable Chaka Fattah
Ranking Member
Subcommittee on Commerce, Justice,
Science and Related Agencies
Committee on Appropriations
House of Representatives

The Federal Bureau of Investigation (FBI), within the Department of Justice, acts to protect and defend the United States against crime, terrorism, and foreign intelligence threats. Since September 11, 2001, the FBI's antiterrorism mission has greatly expanded and its efforts in other areas—such as cyber crime—have also grown. The agency's total headquarters workforce has increased by approximately 5 percent annually since 2001. As a result, the FBI has outgrown its main headquarters facility, the J. Edgar Hoover Building (Hoover Building) in Washington, D.C. Headquarters staff who cannot be accommodated in the Hoover Building are dispersed in over 40 leased annexes (annexes), the majority of which are located in the National Capital Region. FBI officials report that the dispersion of staff, combined with condition deficiencies at the Hoover Building and site, affects security and creates operational inefficiencies. In addition, these security, space, and building condition issues have raised congressional concerns about how well the Hoover Building and annexes meet the FBI's security requirements and operational needs. In its 2005 Asset Management Plan, the FBI identified the need for a new headquarters facility to support its strategic objectives, which include providing security for personnel and information in an efficient and cost-effective workspace. To meet these objectives, the FBI has taken steps to document its headquarters facility requirements and, in collaboration with the General Services Administration (GSA), the

government's real property steward, has studied a number of alternatives for meeting its needs.

Congress directed us, in the explanatory statement accompanying the 2009 Omnibus Appropriations Act,¹ to review the Hoover Building and associated off-site locations in light of its concerns about the security posture of the Hoover Building and its inability to house the current FBI Headquarters workforce. We examined (1) the extent to which the Hoover Building and annexes support the FBI's operational requirements for security, space, and building condition and (2) the extent to which the FBI and GSA have followed leading capital decision-making practices in identifying alternatives for meeting the FBI's operational requirements and the extent to which each alternative would address these requirements.

This report is a public version of a law enforcement sensitive report that we issued in July 2011. It communicates the publicly releasable aspects of our findings while omitting information that the FBI and DHS considered sensitive about the FBI's operations, the security posture of the FBI's facilities, and measures the FBI has put in place to protect its workforce. The overall methodology used for both reports is the same.

To determine the extent to which the Hoover Building and annexes support the FBI's operational requirements for security, space, and building condition, we visited the Hoover Building and five annexes—which we selected to illustrate different facility security levels and degrees of staff fragmentation—to examine conditions firsthand and interview on-site representatives from FBI divisions (programs) and security officials about those conditions. More specifically:

- For security, we compared past site-specific facility security assessments (security assessments) for the Hoover Building and 15 of the annexes to federal security standards. For the Hoover Building, we also assessed whether recommendations to improve security were implemented. We spoke with agency security officials about the security assessments, risks, and challenges resulting from dispersed operations. Following our issuance of the law enforcement sensitive

¹Explanatory statement in the 2009 Committee Print of the House Committee on Appropriations on H.R. 1105, at 1764 accompanying the 2009 Omnibus Appropriations Act, Pub. L. No. 111-8, Div. B, Title II, 123 Stat. 524, 574 (2009).

version of this report in July 2011, the FBI updated its security assessment of the Hoover Building, which we reviewed.

- For space, we reviewed the size and location of current facilities and programs, and we interviewed FBI program officials to understand the effects on operations of having different programs housed in several locations. We also compared attributes of the Hoover Building—such as its efficiency (how much of its space is usable for mission needs)—to GSA standards and guidance.
- For building condition,² we analyzed assessments of the Hoover Building’s physical condition and compared this information to GSA policies for building condition. In addition, we examined GSA’s asset business plan for the building³ and other studies to identify completed maintenance projects, deferred maintenance, and planned major repair and recapitalization projects, and we asked FBI and GSA officials about their assessments of the Hoover Building’s condition.⁴

To determine the extent to which the FBI and GSA have followed leading capital decision-making practices in identifying alternatives for meeting the FBI’s operational requirements, we compared the FBI’s and GSA’s planning actions against leading practices we have reported on in this

²GAO has reported that buildings require adequate maintenance, repair, and recapitalization—replacing systems at the end of their useful life—to keep them in good condition. See GAO, *Federal Real Property: Government’s Fiscal Exposure from Repair and Maintenance Backlogs Is Unclear*, [GAO-09-10](#) (Washington, D.C.: Oct. 16, 2008).

³An asset business plan is a repository for critical facts about a GSA asset and is used to guide business decisions and to track the asset’s financial performance and progress toward mandated building performance criteria.

⁴Since 1994, GSA has delegated routine maintenance and operations authority for the Hoover Building to the FBI, but GSA retains responsibility for major capital repair and replacement projects in the building. One of GSA’s objectives as the government’s real property steward is that the physical condition of federal buildings will be maintained to reflect market standards. In general, the responsibility for maintenance and repair of the annexes resides with the building landlord, and therefore we did not assess the physical condition of annex spaces.

area.⁵ In addition, we reviewed FBI and GSA studies of the FBI's facilities and operational requirements and identified the alternatives discussed in these studies for meeting the requirements. We determined that the alternatives fell into three broad categories—(1) modernize the Hoover Building, (2) demolish the Hoover Building and construct a new headquarters on the existing site, and (3) construct a new headquarters on a new site—each of which included a number of variations. For our analysis, we focused on the categories, since the appropriateness of the variations could not be determined without further study and would depend on site-specific conditions. We then assessed the extent to which each alternative would address the FBI's security, space, and building condition requirements.

We did not independently analyze the FBI's requirements for security, which are based on its assessments of the threats it faces and their probability of occurrence; its requirements for space, which are based on its projections of each FBI program's future staffing and space needs, such as the need for secure conference rooms; or its process for deciding which programs to house in a new consolidated facility. In our view, such analyses were outside the scope of our review and would require extensive reviews of classified intelligence on threats and hostile groups, as well as of programmatic mission justifications for FBI branches and their associated staffing levels. We did, however, determine that the FBI senior leadership was involved in deciding which FBI programs should be colocated. Furthermore, because the FBI and GSA are still in the early stages of the facility planning process and had not finalized cost estimates for budgetary purposes at the time of our review, we did not validate cost estimates for new construction or past cost estimates for modernizing or redeveloping the Hoover Building and site. Appendix I contains a more detailed discussion of our scope and methodology.

We conducted this performance audit from July 2010 to November 2011, in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain

⁵Our assessment was based on past GAO work, including *Executive Guide: Leading Practices in Capital Decision-Making*, [GAO/AIMD-99-32](#) (Washington, D.C.: Dec. 1, 1998); *Public-Private Partnerships: Factors to Consider When Deliberating Governmental Use as a Real Property Management Tool*, [GAO-02-46T](#) (Washington, D.C.: Oct. 1, 2001); and *Budget Issues: Alternative Approaches to Finance Federal Capital*, [GAO-03-1011](#) (Washington, D.C.: Aug. 21, 2003).

sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

In 1964, the National Capital Planning Commission (NCPC) approved the design concept for FBI headquarters. Construction started in 1967, and in 1974, FBI personnel began moving into the new building, which was named for the FBI's first director, J. Edgar Hoover (see fig. 1). Situated on one entire city block in downtown Washington, D.C., and containing approximately 2.4 million gross square feet of space, the building is bounded by four major city streets—9th, 10th, and E Streets and Pennsylvania Avenue—all of which are open to public traffic (see fig. 2). The building is a concrete structure, 7 stories high on its Pennsylvania Avenue side and 11 stories high on its E Street side. A dry moat⁶ protects the building in addition to numerous antivehicular barriers.

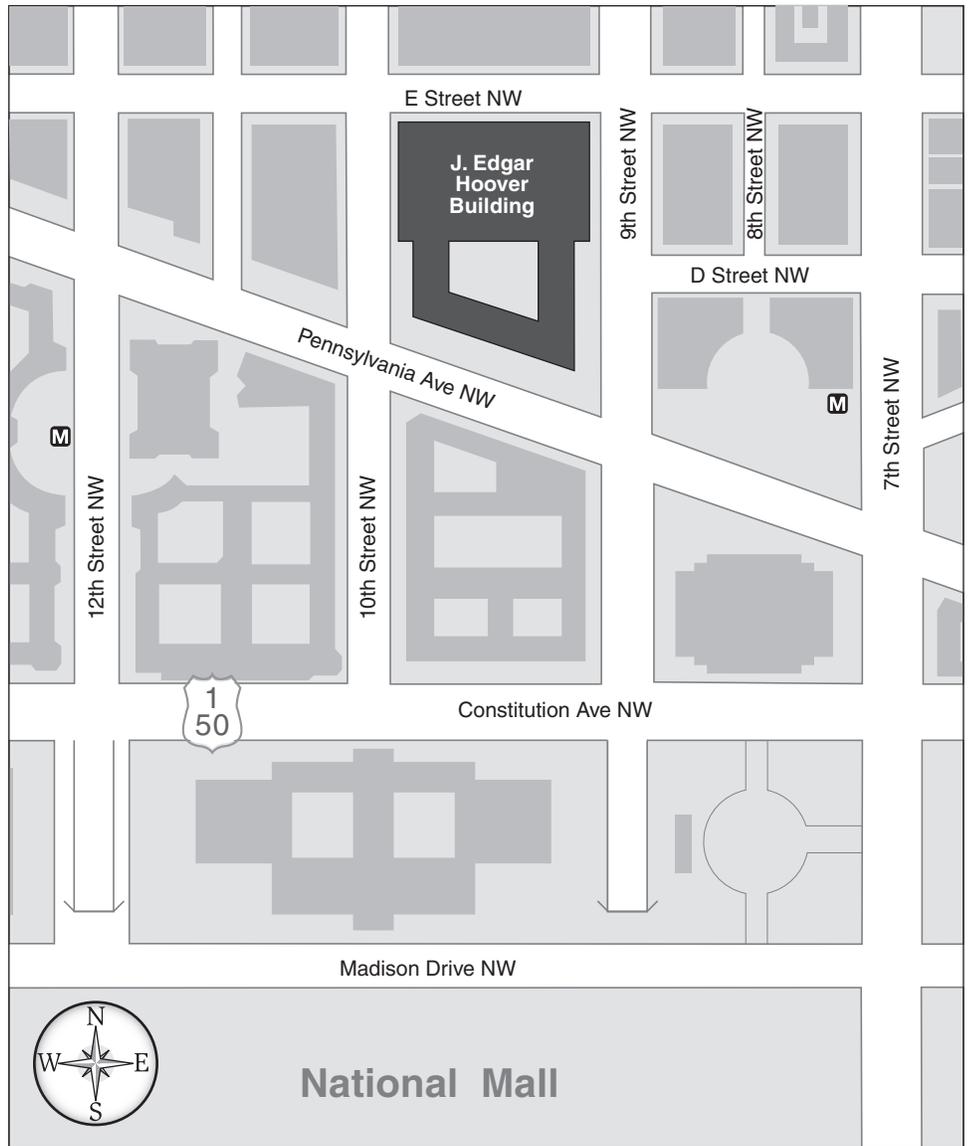
⁶This moat is a trench that helps to limit how close pedestrians and vehicles can get to the building and directs access to specific entry points.

Figure 1: J. Edgar Hoover Building Facing Pennsylvania Avenue and 10th Street



Source: GSA.

Figure 2: Map Showing the J. Edgar Hoover Building and Surrounding Streets



Source: National Park Service.

When the FBI first occupied the Hoover Building, it was primarily a law enforcement organization. Since then, its mission has grown in response to evolving threats and now includes counterterrorism, counterintelligence, weapons of mass destruction deterrence, and cyber security. Accordingly, use of the Hoover Building has changed to support

new programs in these areas. For example, the Hoover Building originally housed a crime laboratory, and more space was dedicated to records storage. These functions have since been transferred to off-site locations, making space available for new programs in the Hoover Building.

The FBI's headquarters workforce has grown as the agency has assumed new mission responsibilities. In 2001, the FBI had 9,700 headquarters staff,⁷ working in 7 locations. Today, the FBI has 17,300 headquarters staff, including those housed in more than 40 annexes, the majority of which are located within the National Capital Region.⁸ According to the FBI, programs in 21 of these off-site locations and in the Hoover Building should be colocated to meet the agency's mission requirements.⁹ In projecting its staffing levels from fiscal year 2010 through fiscal year 2018, the FBI estimated that its headquarters workforce will grow by a total of 7 percent during that period.

The FBI's headquarters facilities, like all facilities in the United States occupied by federal employees for nonmilitary activities, are subject to the Interagency Security Committee's (ISC) baseline facility security standards. The ISC, chaired by the Department of Homeland Security (DHS) and composed of representatives from all major federal departments and agencies, is tasked with coordinating federal agencies' facility protection efforts, developing security standards, and overseeing the implementation of security measures.¹⁰ In 2004, the ISC issued security criteria for federally owned facilities and space leased by agencies (hereafter referred to as the 2004 ISC standards),¹¹ establishing facility security standards for space owned or leased by the federal government. In 2010, the ISC issued new standards that superseded the 2004 standards. The new security criteria (hereafter referred to as the

⁷Staff counts include both federal and contractor positions.

⁸A few FBI headquarters annexes are located outside the National Capital Region.

⁹The other FBI annexes that are not proposed to be colocated house functions such as warehousing, records management, continuity of operations, and a van shop.

¹⁰Following the bombing of the Alfred P. Murrah federal building in Oklahoma City, Executive Order 12977 was issued and called for the creation of an interagency security committee to address the quality and effectiveness of physical security requirements for federal facilities by developing and evaluating security standards.

¹¹ISC, "2004 ISC standards" (Washington, D.C.: 2004).

2010 ISC standards) were intended to make security an integral part of the operations, planning, design, construction, renovation, or acquisition of federal facilities—whether in owned or leased space.¹² The 2010 ISC standards establish a baseline set of protective measures (countermeasures) to be applied at each facility according to its security level and outline a risk management process for agencies to follow as they assess the security of their facilities.¹³

To determine the security level of a federal facility, the ISC uses criteria that it issued in 2008. Factors considered in determining the facility security level (FSL) include the criticality of an agency's mission, the symbolism of the facility, and the building's size and population. The Hoover Building is categorized at the same FSL applied to the headquarters facilities of other agencies with national security missions, such as the Central Intelligence Agency and the Department of Defense. The FSLs of the FBI's annexes in the National Capital Region vary.

In meeting its needs for office space, the FBI generally works through GSA, although it has received direct appropriations to construct specialized facilities, such as the FBI laboratory and academy training facilities,¹⁴ and has entered into leases on its own. GSA can use government-owned or leased facilities to meet an agency's space needs.¹⁵ If a facility is not available to meet the agency's needs and the estimated cost of a new facility exceeds a defined dollar threshold,¹⁶ GSA can request congressional authorization to construct or lease a new

¹²ISC, "2010 ISC standards" (Washington, D.C.: 2010).

¹³The ISC released its 2010 standards as an interim standard with a 24-month validation period. The validation period is intended to allow for user input to inform the final standard.

¹⁴In those instances, the facilities were constructed on a Department of Defense site in Quantico, Virginia.

¹⁵40 U.S.C. § 584 provides that the Administrator of General Services may assign or reassign space for an executive agency in any federally owned or leased building after consultation with the head of the affected agency and a determination by the Administrator that the assignment or reassignment is advantageous to the government in terms of economy, efficiency, or national security.

¹⁶The fiscal year 2011 threshold for proposed new construction, alterations, and leases was \$2.79 million.

facility by submitting a project prospectus.¹⁷ GSA typically funds new federal construction and the acquisition of leased space from the Federal Buildings Fund (FBF).¹⁸ Agencies occupying GSA-controlled space (owned or leased) pay rent to GSA, which GSA deposits into the FBF. GSA then pays the landlord from the FBF for those buildings it leases.¹⁹ In addition to federal construction or leasing, GSA has the authority to enter into a sale-leaseback²⁰ or a ground lease and leaseback²¹ arrangement through which GSA sells or leases federal land to a developer that builds a facility on the site and leases it back to GSA.²² We have previously reported that the FBF is not large enough to meet GSA's construction and major repair needs²³ and that alternative financing

¹⁷A prospectus is a document containing project and cost information that GSA submits to the Office of Management and Budget and Congress for approval as part of the authorization process for new construction or leasing projects.

¹⁸The FBF is a revolving fund managed by GSA that finances—from rent charged to occupants of GSA-controlled space—real property management and related activities of GSA's Public Buildings Service. Principal activities include the operation, maintenance, and repair of GSA-owned and -leased buildings and the construction of new federal facilities. The FBF also provides for the rental of space in privately owned buildings. In this report, we refer to property that is owned by the federal government and under the control and custody of GSA as GSA-owned property.

¹⁹If an agency enters into a lease with a private building owner or through another federal agency, the agency would pay rent directly to one of those entities and not to GSA.

²⁰Under a sale-leaseback arrangement, a federal agency sells an asset and then leases back some or all of the asset from the purchaser.

²¹Under a ground lease and leaseback arrangement, a federal site is leased to a developer and a facility is constructed to government specifications and leased back to the government. The title to the parcel never leaves government ownership. At the expiration of the lease, the title to the building passes to the United States.

²²40 U.S.C. § 585(c) authorizes GSA to lease a federal site to a developer and then pay rent for space, for a period of not more than 30 years, in buildings erected on land owned by the government. Also, Section 412 of Pub. L. No. 108-447 118, Stat. 2809, 3259, enacted in 2004, provides GSA with additional authority to dispose of and use its real property by various means, including leaseback arrangements.

²³GAO, *Federal Buildings: Funding Repairs and Alterations Has Been a Challenge—Expanded Financing Tools Needed*, [GAO-01-452](#) (Washington, D.C.: Apr. 12, 2001).

strategies may be viable options for GSA to meet agencies' facilities needs.²⁴

GSA has generally provided space in leased facilities for the FBI's expanded headquarters staff. We have also reported that GSA has used operating leases extensively to meet agencies' long-term space needs, even though building ownership is generally less costly.²⁵ Both GSA and the FBI have generally concluded that the FBI has long-term space needs and that its operations should be consolidated to achieve greater security and efficiency. Working with GSA, the FBI has studied a number of alternatives for consolidation.

FBI Headquarters Facilities Present Security, Space, and Condition Challenges

The Hoover Building Does Not Meet the FBI's Long- Term Security Requirements

According to FBI officials, the Hoover Building does not meet the FBI's long-term security requirements.²⁶ We found that planning for the FBI's headquarters security requirements has evolved over time. A 2005 GSA study and a 2009 FBI study cited different planning assumptions about the security requirements for a new FBI headquarters. The 2010 ISC standards do not prescribe security requirements for federal facilities like the Hoover Building or new facilities that an agency proposes to construct or lease. Instead, the 2010 standards indicate that, in establishing requirements for existing or new facilities, agencies should determine what combination of countermeasures would provide an appropriate level of protection against identified threat scenarios that the ISC refers to as

²⁴GAO, *Public-Private Partnerships: Pilot Program Needed to Demonstrate the Actual Benefits of Using Partnerships*, [GAO-01-906](#) (Washington, D.C.: July 25, 2001). In addition, Congress may also appropriate moneys from the General Fund of the Treasury to the FBF as it deems necessary.

²⁵GAO, *Federal Real Property: Reliance on Costly Leasing to Meet New Space Needs Is an Ongoing Problem*, [GAO-06-136T](#) (Washington, D.C.: Oct. 6, 2005).

²⁶Our previously issued law enforcement sensitive report contains additional information on the security posture of the Hoover Building and the FBI's security requirements.

the “design-basis threat.” Furthermore, the 2010 ISC standards indicate that whenever an agency-determined threat level deviates from the ISC design-basis threat baseline, the factors that influenced the agency’s threat assessment must be documented and fully supported by detailed information as part of the assessment.

In addition to the Hoover Building not meeting the FBI’s long-term security requirements, FBI security officials told us on our site visits that they have some security concerns—to varying degrees—about some of the headquarters annexes, including the following:

- **Proximity of non-FBI tenants to FBI employees performing sensitive operations.** At least nine annexes are located in multitenant buildings, where some space is leased by the FBI and other space is leased by nonfederal tenants. While this arrangement does not automatically put FBI operations at risk, it heightens security concerns.
- **Lack of control over common areas.** FBI security officials also cited a lack of control over common areas in multitenant buildings. For example, at one annex we visited, FBI officials told us that the building’s landlord denied the FBI’s request to implement some recommended countermeasures made in 2007 and in 2009 by DHS’s Federal Protective Service (FPS), which conducts security assessments of facilities under the control or custody of GSA. The landlord chose not to implement the countermeasures, citing costs and concerns about inconveniencing nonfederal tenants in the building.²⁷
- **FBI Police response.** According to FBI officials, security at the annexes is primarily handled by contract guards, local police, or the FBI’s internal police force, the FBI Police, depending on the location and circumstances. The FBI Police does not physically station its personnel at the annexes; rather, it periodically conducts patrols of annexes.

²⁷We have previously reported on the challenges associated with protecting leased space in facilities with nonfederal tenants, such as the lack of control over common areas like building lobbies and elevators. This lack of control stems, in part, from the inability of federal tenants to negotiate changes to those areas, such as the installation of X-ray machines, because private landlords frequently believe that such countermeasures would inconvenience other tenants and the public. See GAO, *Building Security: New Federal Standards Hold Promise, But Could Be Strengthened to Better Protect Leased Space*, [GAO-10-873](#) (Washington, D.C.: Sept. 22, 2010).

FBI Has Implemented Several Countermeasures to Improve the Security of the Hoover Building

Over the past several years, the FBI has implemented countermeasures at the Hoover Building to improve security, including

- upgrading the building's exterior windows;
- moving and upgrading the security of the FBI business visitor center so that it now provides internal queuing for identification checks, an X-ray screening area, a badge office, and a secure waiting area;
- strengthening barriers to prevent unauthorized access;
- installing new doors to the building to meet the FBI's requirements for protection against forced entry;
- securing air intakes to keep airborne contaminants out of the building; and
- paying the District of Columbia government to restrict public metered parking along one side of the building in order to prevent unscreened vehicles from parking or idling near the building.

Although the FBI has implemented these countermeasures, others have yet to be implemented, and FBI officials did not provide historical documentation of the agency's rationale for not implementing them. FBI security officials we spoke with were not part of the earlier decision making, but suggested that some past recommendations were not implemented because of their high cost and potential impact on operations. A 2005 GSA study concluded that some of the recommendations would have been costly and disruptive to the FBI's operations within the building. Because FBI officials did not provide historical documentation of the FBI's rationale for not implementing some recommendations, it is difficult for us to determine why the FBI and GSA did not pursue them. More recently, in 2008, the FBI received approval from NCPC for one security project at the Hoover Building, but FBI officials reported they were unsuccessful in obtaining funding for the project before NCPC's approval expired. The FBI said it intends to resubmit its request for NCPC approval at the end of fiscal year 2011, and if the request is approved, it may attempt to obtain funding in fiscal year 2012.

While implementing recommended countermeasures may not always be feasible—because of physical limitations or budgetary restrictions, for example—the 2010 ISC standards require agencies to document any

decision to reject or defer the countermeasures' implementation, including whether the agency is willing to accept risk and whether there are any alternative strategies to meet the agency's required level of protection. This ISC standard is consistent with a component of our risk management framework that calls for agencies to identify and evaluate alternatives to mitigate risk, taking into account the alternatives' likely effect on risk and their cost.²⁸

FBI Recently Performed a Comprehensive Security Assessment of the Hoover Building and Intends to Have the Security of Its Annexes Assessed against the 2010 ISC Standards

FBI officials performed a comprehensive security assessment of the Hoover Building in 2011 using the 2010 ISC facility security standards. This assessment, which the FBI provided to us after we issued our law enforcement sensitive version of this report in July 2011, was the FBI's first comprehensive review of the building's security since 2002, although FBI officials told us they had assessed the security of selected portions of the building during the interim. For federal buildings under the control or custody of GSA, such as the Hoover Building, FPS normally conducts periodic security assessments unless the tenant agency waives the requirement for FPS to do so. The FBI waived the requirement for FPS to conduct security assessments of the Hoover Building, acknowledging that it would assume responsibility for conducting the assessments itself. However, the FBI did not conduct a comprehensive assessment of the Hoover Building from 2002 until 2011 because, according to FBI officials, the FBI had concluded that an updated assessment would be unlikely to yield new information.

Under the current ISC standards, agencies are to conduct security assessments of their facilities at regular intervals, depending on the building's FSL. The requirement for the Hoover Building is every 3 years. The ISC also requires agencies to document their security assessment findings in a report, including the threats and vulnerabilities they have identified and the specific countermeasures they have recommended based on their building's FSL. Conducting regular security assessments is also an important component of one of our key practices in protecting federal facilities—allocating resources using a risk management approach. This practice emphasizes the need to identify threats and

²⁸GAO, *Homeland Security: Further Actions Needed to Coordinate Federal Agencies' Facility Protection Efforts and Promote Key Practices*, [GAO-05-49](#) (Washington, D.C.: Nov. 30, 2004).

assess vulnerabilities in order to develop countermeasures and to prioritize the allocation of resources as conditions change.²⁹

In July 2011, we reported that an updated security assessment would allow the FBI to fully assess the building against the 2010 ISC standards, evaluate if additional security technologies could be implemented, and document decisions about whether to implement certain recommendations or accept risk going forward. We also noted that an updated security assessment would provide the FBI with current information to help prioritize its allocation of security-related resources across all of its facilities. We recommended that the FBI update the Hoover Building's security assessment using the 2010 ISC standards, including (1) documenting threats, (2) analyzing the building security requirements, and (3) indicating whether recommendations would be implemented.

Subsequent to our July 2011 law enforcement sensitive report, the FBI completed a security assessment of the Hoover Building. This security assessment was conducted by the FBI's Physical Security Unit and coordinated with the FBI Police and the FBI's Facilities and Logistics Services Division. FBI security staff evaluated security conditions against specific criteria outlined in the 2010 ISC standards. According to our analysis, the assessment covered some areas that were not covered in the 2002 assessment. Moreover, the assessment documented both the security posture of the Hoover Building and the FBI's building security requirements in relation to baseline ISC requirements. Where appropriate, the assessment included recommendations, and those recommendations were recently forwarded to the FBI's executive management for consideration. Currently, the FBI is in the process of determining its response to these recommendations, some of which would require capital investments in the building. FBI needs time to make final decisions on some recommendations and may need to reach agreement with GSA as the federal steward for the building. As the FBI determines its response to the recommendations, it is important that it document decisions because of their budget implications and effect on the planning for its long-term facility needs.

²⁹GAO, *Homeland Security: Greater Attention to Key Practices Would Improve the Federal Protective Service's Approach to Facility Protection*, [GAO-10-142](#) (Washington, D.C.: Oct. 23, 2009).

According to FBI security officials, they were not aware of any countermeasures that needed to be implemented at the annexes. Although they indicated that they do have security concerns about headquarters annexes, such as lack of control over building common areas, the officials told us the annexes generally meet the 2004 ISC standards for leased space.

We received security assessments or other security-related information—from both FPS and the FBI—for most, but not all, of the 21 annexes.³⁰ According to the FBI, it intends to request that FPS assess the annexes' compliance with the 2010 ISC standards when the new standards are fully implemented and then evaluate the need for any additional countermeasures.³¹ Tracking the implementation status of all countermeasures recommended in FPS or FBI security assessments will provide the FBI with complete, current information on any security vulnerabilities at its annexes, and help it determine the extent to which the annexes meet the 2010 ISC standards and the FBI's security requirements.

The Hoover Building's Design Limits Space Efficiencies and Hampers Collaboration; Dispersion of Staff Causes Operational and Logistical Challenges

Although the Hoover Building is large, occupying an entire city block, much of its approximately 2.4 million gross square feet of space is unusable, and the remaining usable space³²—according to a 2007 study conducted for GSA and the FBI—is not designed to meet the needs of today's FBI.³³ According to a 2008 GSA market appraisal of the building, its design is inefficient and functionally obsolete.³⁴ According to the FBI,

³⁰For those FBI annexes under the control or custody of GSA, the extent to which FPS assesses the security of the building depends on whether the FBI is the sole tenant or one of several federal tenants. In cases where the FBI is the sole tenant in the facility, the FBI usually signs a waiver stating that the FBI is responsible for conducting its own assessments. FPS officials stated that for multitenant buildings, FPS normally assesses the security of the facility's exterior and the common areas within the building, but does not enter the office space in which the FBI conducts its operations.

³¹See footnote 13.

³²Usable square footage is space that is generally assignable for the tenant's use, such as office space, conference rooms that are not shared, computer server rooms, and tenant storage areas. It does not include nonassignable space, such as vertical ducts and public elevators and stairs.

³³GSA, "Space study" (unpublished study, 2007).

³⁴GSA, "Real estate appraisal" (unpublished opinion, 2008).

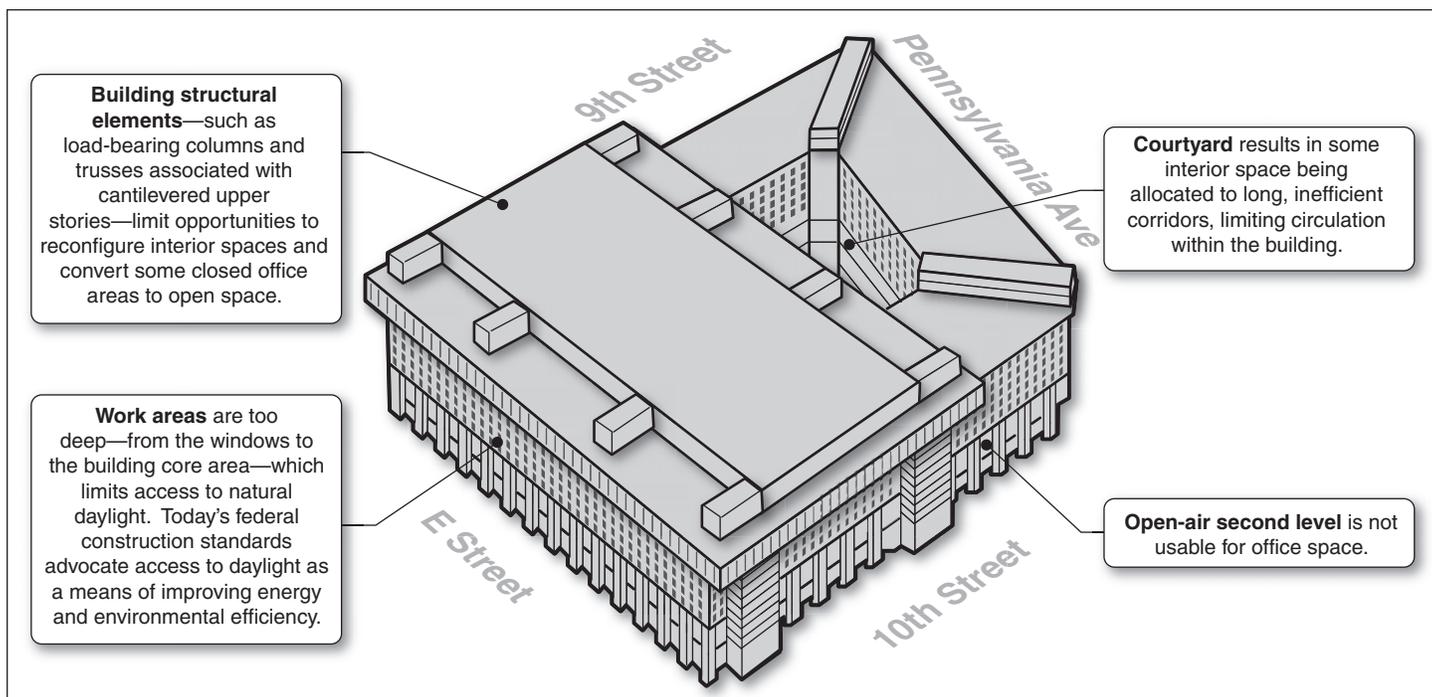
the space is laid out as efficiently as possible, but the original design of the building's floor plates is inefficient.³⁵ For example, the building provides a lower percentage of usable square footage for office and mission functions than a federal office building built to current design standards. In its 2010 facilities standards,³⁶ GSA established a space efficiency target of 75 percent for new federal office buildings, based on the ratio of usable to gross square footage.³⁷ The Hoover Building's efficiency ratio is 53 percent. Figure 3 illustrates some of the features that limit the building's efficiency.

³⁵A floor plate refers to the entirety of the floor layout, including both the usable space and the nonassignable space. The design of the nonassignable space and the size of the building elements within that space, such as elevators and stairs, influence the space efficiency of the building.

³⁶GSA, *Facilities Standards for the Public Buildings Service* (November 2010).

³⁷GSA defines space efficiency as the minimum necessary space for an agency's desired functions to be properly accommodated, with minimum "waste" between usable area and gross area.

Figure 3: Design Features That Limit the Hoover Building's Efficiency



Source: GAO analysis of a GSA-commissioned space effectiveness study and GSA facility design standards.

To accommodate additional staff at the Hoover Building, the FBI has reconfigured parts of the building's interior, including converting about 200,000 square feet of basement, cafeteria, and storage space to offices. Renovations were implemented reactively as the agency's mission grew. Some areas could not be renovated as open spaces, as desired, because the building's original design hampered such changes. While converting building support space has provided the FBI with some additional offices in the Hoover Building, GSA's facility condition assessment³⁸ indicates that those offices may not be adequately ventilated and cooled. As a result, some space may provide an uncomfortable working environment for staff. GSA has a project planned to address ventilation requirements. While the project was proposed as early as 2004, we found that GSA has been unable to get the design approvals needed to implement the

³⁸GSA, "Building evaluation" (unpublished study, 2011).

project.³⁹ FBI officials we spoke with also indicated that the building lost some functionality—for example, they said less space was available for meetings—after those spaces were converted to offices to accommodate the agency’s rapid growth.

The FBI and GSA have concluded that the Hoover Building’s interior design remains a significant barrier to staff collaboration and information sharing across teams.⁴⁰ Furthermore, GSA has concluded that the building’s structure constrains further increases in its efficiency.⁴¹ For example, a 2007 study for GSA and the FBI found that the Hoover Building’s long corridors and closed office suites result in significant fragmentation among working groups that hampers communication and collaboration and that the building’s inflexible design is incompatible with changing mission needs. FBI officials told us that whereas newer office buildings with modular designs can be quickly and cost-efficiently reconfigured to accommodate new missions or staff growth, the Hoover Building would likely require months of modernization work to achieve similar results.⁴² According to senior FBI and GSA officials, space restrictions at the Hoover Building limit the FBI’s ability to meet two GSA workplace goals for the next decade—to improve collaboration and communication and to make more efficient use of space.⁴³

Because the Hoover Building cannot readily be modified to accommodate new mission needs and staff growth, and because core headquarters

³⁹In 2007, the Commission of Fine Arts requested that GSA revise the proposed design to address the commission’s concerns about proposed architectural details. Established in 1910 by an act of Congress, the commission reviews and approves designs for buildings erected by the federal government in the nation’s capital.

⁴⁰GSA, “Space study” (2007).

⁴¹FBI space-programming studies show that if the FBI were to consolidate into more efficient, modern space, it would need approximately 2.2 million rentable square feet compared with the 3.1 million rentable square feet that it occupies today in the Hoover Building and 21 off-site annexes.

⁴²At one location we visited, where the FBI leases space from another intelligence agency, FBI officials identified “smart walls” that can easily be modified to meet new task forces’ operational and security requirements. For example, one official said that the FBI transformed a conference room area into secure office space for 15 workstations within a week.

⁴³GSA, *The New Federal Workplace: A Report on the Performance of Six Workplace 20-20 Projects* (Washington, D.C.: June 2009).

staff are therefore dispersed among multiple annexes, the FBI now faces several operational and logistical challenges. According to FBI officials, space constraints at the Hoover Building and the resulting dispersion of staff sometimes prevent the FBI from physically locating certain types of analysts and specialists together. For example, according to an FBI report, one FBI division within the Hoover Building is not able to embed analysts within other offices—to facilitate greater collaboration—because of the lack of available space. During our site visits, FBI officials reported logistical challenges as well, including a lack of facilities at a few annexes for discussing some classified information, known as sensitive compartmented information facilities (SCIF). As a result, some FBI personnel told us they have to travel to meetings in different locations across the National Capital Region, resulting in inefficient use of their time and the FBI's transportation resources. Furthermore, FBI officials at three annexes we visited reported that the private landlords responsible for building maintenance at their sites were often slow to respond to maintenance requests from the FBI, such as requests for repairs to malfunctioning heating and cooling systems.

To mitigate the operational and logistical challenges of dispersion and to avoid further complications as its workforce continues to grow, the FBI has centralized its real property management functions for headquarters and has begun to take a more focused approach to managing its space needs. In 2005, the FBI established a central Space Management Unit⁴⁴ and started assessing its headquarters space needs twice a year. In addition, it initiated an interim phased plan to consolidate some leases into fewer facilities based on the lease expiration dates until it can obtain a facility designed to consolidate operations in the Hoover Building and in the 21 annexes it has determined should be colocated.

⁴⁴In 2004, the FBI Director proposed the establishment of a Facilities and Logistic Services Division to consolidate and standardize real property management throughout the FBI. In June 2005, the Attorney General approved the establishment of this division. Within that division, a headquarters Space Management Unit was created to better manage the growth in FBI headquarters space needs by standardizing and formalizing space assignments, allocations, and projections, and by coordinating new leasing actions.

The Hoover Building Is Aging and Showing Signs of Deterioration, but Needed Repairs and Recapitalization Projects Have Been Deferred

Although the Hoover Building is nearing its life-cycle age and exhibiting signs of deterioration,⁴⁵ GSA has decided to limit major repair and recapitalization investments to those systems or components that affect life safety and building functionality until it is determined whether the FBI will remain a long-term occupant of the building.⁴⁶ According to GSA, its investments have been appropriate to ensure that FBI operations are not at risk. For example, since 2004, GSA has spent approximately \$22 million to upgrade components and systems in the Hoover Building.⁴⁷ Nevertheless, a 2009 GSA physical condition survey estimated that the building requires about \$80.5 million in further repairs and upgrades. The condition survey identifies repair needs to the building's air-handling distribution systems and ductwork (\$44.2 million), electrical switchgear (\$23.3 million), and elevators (\$2.3 million), among other systems.⁴⁸ GSA officials told us these repairs have been deferred. GSA also has plans to repair the building's concrete façade (\$8.9 million)⁴⁹ and to replace the entire fire alarm system (\$22 million), but has not yet obtained funding for either project. GSA officials indicated that the fire alarm system replacement would most likely be included in any future renovation of the Hoover Building.

During a tour of the Hoover Building given by FBI officials, we observed several signs of exterior and interior deterioration. One FBI official stated

⁴⁵The National Research Council has reported that facilities and their building systems—such as the electrical system—generally have a finite, expected useful life, over which time proper maintenance should occur and after which time the systems may need to be replaced. Most buildings are designed for a minimum service life of 30 years, but with proper maintenance may perform for 40 to 100 years.

⁴⁶In 2010, GSA awarded a maintenance contract that provides for routine operations and maintenance of the heating, ventilation, and cooling systems in the Hoover Building.

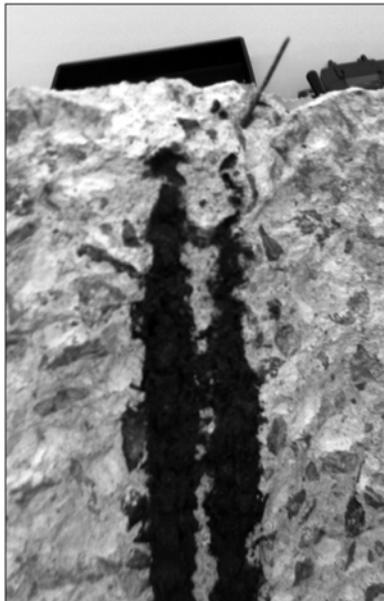
⁴⁷Since 2004, GSA has completed or is in the process of completing several recapitalization projects at the Hoover Building, including an \$11.4 million chiller replacement, a \$5 million upgrade to the building's electrical closets, and a \$5.2 million project to install energy-efficient lighting.

⁴⁸GSA's Public Buildings Service assesses the physical condition of GSA assets regularly through the use of a physical condition survey. Every 2 years, a team of Public Buildings Service associates, including the asset manager and the property manager, physically inspect a building to assess its current condition and needs and to document changes in condition over time using a series of questions contained in the survey.

⁴⁹GSA plans to treat the building's concrete façade with a chemical consolidant to make it less porous and thus less susceptible to deterioration.

that some areas of the upper-level exterior façade have deteriorated over time, heightening the risk that pieces of concrete could fall and strike pedestrians below. As a precautionary measure, GSA and the FBI have installed netting around the upper level of the building to catch any falling debris. In addition, water infiltration from the courtyard has corroded parts of the parking garage ceiling. The basement is also prone to flooding from the interior courtyard during periods of rain. Figure 4 depicts conditions we observed during our tour.

Figure 4: Conditions GAO Observed at the Hoover Building



Source: GAO.

Concrete material that was part of the building's exterior facing—the building envelope or skin—that came loose and was removed from the building.



Source: GAO.

Recycling bin rigged with a plastic chute to direct rainwater runoff that infiltrated the basement.

At the time of our review, the Hoover Building was categorized as a “core asset” in GSA’s asset business plan.⁵⁰ However, this categorization was inconsistent with GSA’s decision to limit major repair and recapitalization investments in the building. GSA core assets generally have a long-term holding period of at least 15 years. For buildings with a long-term holding

⁵⁰GSA, “Asset Business Plan for the J. Edgar Hoover Building” (unpublished plan, May 24, 2010).

period, GSA policy states that reinvestment will be funded to ensure maintenance of the building's quality and condition at levels appropriate to meet continuing mission and customer needs.⁵¹ This includes all preventative maintenance, necessary upgrades, and enhancements to the building and its systems to maintain the asset in appropriate condition. GSA's near-term maintenance policy for the Hoover Building is more consistent with GSA's policy for a "transition asset." A transition asset typically has a 6- to 15-year holding period as its tenant prepares for relocation to a new federal building or a leased building. For such an asset, GSA funds projects that meet basic needs in transition, but avoids any major reinvestment. In its technical comments on our draft law enforcement sensitive report, GSA reported that it has recently recategorized the Hoover Building as a transition asset to reflect the FBI's concerns about the building's security, condition, and efficiency, as well as GSA's own decision to limit investments in the building. GSA further reported that its categorization of the building may change again if the FBI moves or further study of the asset points to a change. Regardless of how the building is categorized, it will likely be used for several more years, and its large backlog of deferred maintenance, major repairs, and recapitalization requirements increases the potential for systems or components to fail and potentially disrupt FBI operations.

⁵¹GSA, "FY10 Asset Management Plan" (unpublished plan, 2010).

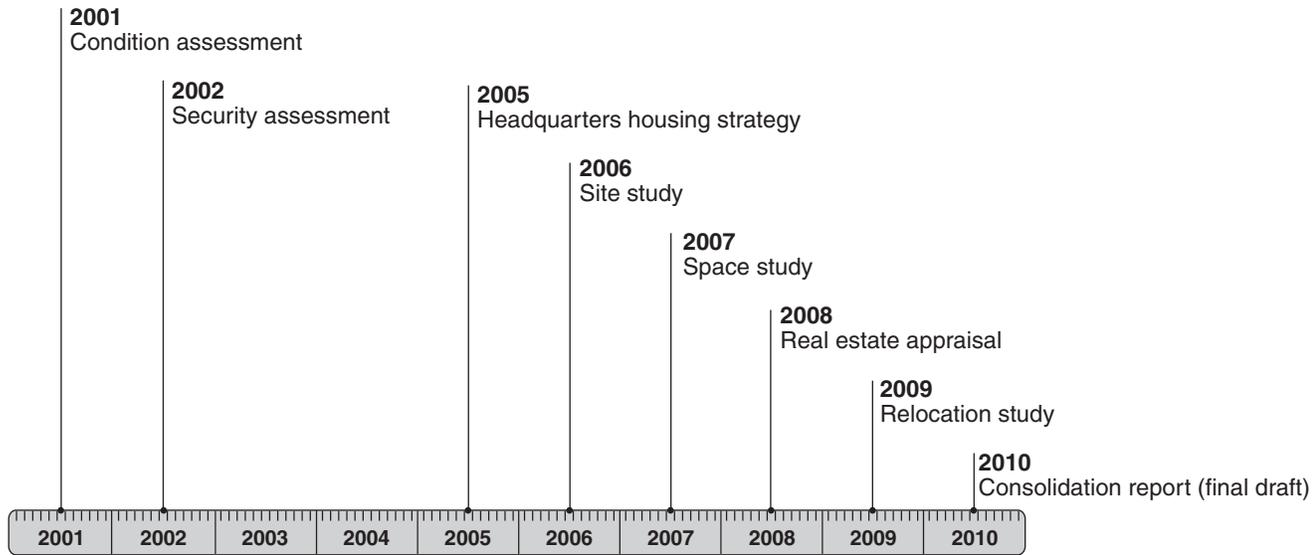
Consistent with
Leading Practices
Thus Far, the FBI and
GSA Have Identified
Alternatives for Better
Meeting the FBI's
Facility Needs and
Are Developing an
Approach for Moving
Forward

FBI and GSA Planning
Actions Have Been
Generally Consistent with
Applicable Leading
Practices in Capital
Decision Making

Over the past decade, the FBI and GSA have conducted a number of studies (see fig. 5) to assess the FBI headquarters facilities' strategic and mission needs. Through these studies, they have determined the condition of the FBI's current assets and identified gaps between current and needed capabilities, as well as studied a range of alternatives to meet the FBI's requirements. (See app. II for more detail on the studies undertaken by the FBI and GSA.) These activities are consistent with applicable GAO leading practices in capital decision making.⁵²

⁵²See [GAO/AIMD-99-32](#). We developed our leading practices for use in conjunction with the Office of Management and Budget's Capital Programming Guide, a supplement to its Circular A-11, which provides detailed guidance to federal agencies on planning, budgeting, acquiring, and managing capital assets.

Figure 5: Timeline of FBI and GSA Studies of FBI Facility Requirements



Source: GAO analysis.

GAO Capital Decision-Making Practices 1 and 2: Assess Requirements and Determine Gaps between Current and Needed Capabilities

Consistent with our first two leading practices in capital decision making—to conduct a comprehensive assessment of needs to meet an agency’s mission goals and objectives and to identify the current capabilities and condition of existing assets (i.e., facilities) to meet those needs—the FBI and GSA conducted facility condition and security assessments of the Hoover Building in 2001 and 2002⁵³ and identified recommendations in both areas. For example, the poor condition of the Hoover Building was identified as a gap in the FBI’s need for a functional headquarters. In addition, as noted, the FBI’s 2005 Asset Management Plan⁵⁴ identified

⁵³As we discussed earlier in this report, the FBI updated its security assessment of the Hoover Building in 2011.

⁵⁴Executive Order 13327, Federal Real Property Asset Management, issued February 4, 2004, required agencies to develop and implement an agency asset management plan that would identify actions to be taken to improve the operational and financial management of the agency’s real property inventory and give consideration to a number of real property issues. These issues include the (1) acquisition costs of real property assets; (2) operating, maintenance, and security costs at federal properties; (3) disposal of real property excess to agencies’ needs; (4) opportunities for cooperative arrangements with the commercial real estate community; and (5) enhancement of federal agency productivity through an improved working environment.

the need for a new headquarters facility to safeguard personnel and information within efficient and cost-effective workspace, and the FBI has worked with GSA to identify its strategic facility and space requirements. Also in 2005, the FBI Director and a Deputy FBI Director—with input from assistant directors—decided which FBI programs should be colocated in a headquarters facility to meet the agency’s strategic and mission requirements. According to their analysis, the FBI Director; the National Security Branch, including its counterterrorism and intelligence divisions; the Criminal, Cyber, Response, and Services Branch; and other FBI headquarters functions, such as the Information Technologies Branch, would need to be colocated. Throughout the decision-making process, FBI senior officials have consulted with senior GSA regional and national officials to discuss the FBI’s requirements and the range of alternatives to meet the FBI’s needs. In 2007, GSA and the FBI found that the need to colocate certain FBI programs—to better enable collaboration and facilitate information sharing⁵⁵—could not be met in the Hoover Building and the annexes and that the FBI’s operations in the Hoover Building and 21 of its annexes in the National Capital Region should be consolidated.⁵⁶ This decision to consolidate is also consistent with a 2010 presidential memorandum directing federal agencies to eliminate lease arrangements that are not cost-effective, pursue consolidation opportunities, and identify reductions when new space is acquired, as the FBI pointed out in its 2010 consolidation report.⁵⁷

In the studies they conducted from 2005 through 2009, the FBI and GSA identified security requirements for a consolidated FBI headquarters facility. Our previously issued law enforcement sensitive report describes these security requirements. The 2005 through 2009 planning studies also identified space requirements for an FBI headquarters facility. For example, a formal space programming study performed by the FBI’s architectural consultant established space requirements for approximately 11,600 personnel and for support headquarters spaces, such as conference rooms and SCIF space. This personnel figure was based on current staffing levels

⁵⁵According to the FBI, efforts to improve collaboration and communication also respond to recommendations—made to the nation’s intelligence community—by the National Commission on Terrorist Attacks Upon the United States and the Commission on the Intelligence Capabilities of the United States Regarding Weapons of Mass Destruction.

⁵⁶GSA, “Space study” (2007).

⁵⁷Presidential Memorandum—*Disposing of Unneeded Federal Real Estate* (June 10, 2010).

for the functions that the FBI had determined should be colocated in a headquarters facility, adjusted to allow for limited future growth. To further identify the FBI's headquarters space requirements, the architectural consultant and staff from the FBI's Facilities and Logistics Services Division met with representatives from the FBI's branches and their divisions to assess their operational needs, such as access to SCIF space or proximity to another organization or function. In addition, the FBI Facilities and Logistics Services Division established space standards for staff after reviewing GSA and industry benchmarks.⁵⁸ According to the FBI, it requires modern, open-plan office space for its operations and shared team spaces to promote collaboration and information sharing across mission teams⁵⁹ and to permit easy reconfiguration to meet changing needs, such as space for newly formed internal and interagency task forces.⁶⁰ The FBI also identified requirements for large SCIFs to fully support its divisions' classified discussion and processing needs.

⁵⁸The FBI's space standards call for an average workstation of 49 square feet (7 feet by 7 feet).

⁵⁹Our review of FBI planning documents shows that the FBI considered using alternative workplace strategies—such as teleworking—to help address its space needs but determined that because most of its work is highly classified, teleworking is not a practical option and also does not support its mission need to bring teams together.

⁶⁰GSA's federal workplace goals for the next decade call for open-space floor plans that promote collaboration and provide greater flexibility to reconfigure space to meet the changing needs of building occupants.

GAO Capital Decision-Making
Practice 3: Identify Alternatives
to Close Gaps

Consistent with our third leading practice in capital decision making—decide how best to meet a gap by identifying and evaluating alternative approaches—the FBI and GSA, in their 2005 through 2009 planning studies, identified and analyzed a range of alternatives, together with their estimated costs and benefits, for meeting the gap between the FBI’s current and needed space. These alternatives fall into three categories: (1) modernizing the Hoover Building;⁶¹ (2) demolishing the building and constructing a new facility on the existing site;⁶² and (3) acquiring a new consolidated headquarters facility—through federal construction or lease—on a new site.⁶³ Figures 6 and 7 provide summary information about these three alternatives and the status quo, which we include because the Office of Management and Budget (OMB) requires agencies to submit baseline information when they propose a major capital acquisition.⁶⁴

⁶¹GSA, “Site study” (unpublished study, 2006).

⁶²GSA, “Site study” (2006).

⁶³GSA, “FBI headquarters housing strategy” (unpublished study, 2005); FBI, “Relocation study” (unpublished study, 2009); and FBI, “Consolidation report” (unpublished, final draft report, 2010).

⁶⁴Some alternatives included variations. For example, the modernization alternative included four variations that ranged from vacating the entire building during the renovation to renovating the occupied building floor by floor.

Figure 6: The Baseline Status Quo and Alternative 1 Consider Continued Use of the Hoover Building

Baseline: FBI remains in the Hoover Building and annex offices and implements upgrades over time	Alternative 1: The Hoover Building modernized, leases consolidated
<p>🔒 Security: The FBI's security concerns about its headquarters facilities would remain.</p> <p>👤 Operations: Operations would remain fragmented. Fragmentation could increase if the FBI headquarters workforce grows by an estimated 7 percent total by 2018.</p> <p>🔧 Condition: The Hoover Building would continue to age, and system deterioration would continue if major projects were not initiated.</p> <p>💰 Costs: Total annex lease costs would increase if more leased space were needed to meet FBI's growing needs.</p> <p>🕒 Time to implement: Life-cycle, life-safety, and security upgrades would be implemented over time as needed and as funding became available.</p>	<p>🔒 Security: The FBI's security concerns about its headquarters facilities would remain.</p> <p>👤 Operations: Operations would remain fragmented because usable space within the Hoover Building would not greatly increase. Fragmentation could increase and disruption would occur during implementation of the building modernization as staff move into swing space—outside the Hoover Building—during renovation. Also during renovation, staff could have difficulty accessing space suitable for classified work. After the renovation, fragmentation would continue but might be alleviated as leases at the annexes expire and if FBI and GSA could consolidate those annexes into fewer, but larger, facilities. However, FBI's projected growth would likely result in more staff being located in annexes outside of the Hoover Building.</p> <p>🔧 Condition: The Hoover Building's physical condition would improve with modernization. A modernization could meet some Leadership in Energy and Environmental Design (LEED)^a standards, but it would not be comparable to a new building meeting LEED gold criteria as GSA requires for newly constructed federal facilities.</p> <p>💰 Costs: GSA's preliminary cost estimate for modernization is about \$1.7 billion based on 2007 construction cost factors.</p> <ul style="list-style-type: none">- The costs did not include any additional leased annex space that would be required to meet the FBI's projected staffing growth by 2018.- According to a report by one of GSA's consultants, modernization costs would significantly exceed new construction costs.- According to GSA officials, generally, the cost of providing similar levels of security to an existing building is more expensive than including those items in the construction of a newly designed building.- According to GSA officials, the Hoover Building could be modernized at less cost for another federal agency—one without the FBI's high security needs—if the FBI vacated the facility and the construction contractor renovated the building before the new tenant moved in. <p>🕒 Time to implement: This project is estimated to take approximately 14 years to complete assuming a phased approach with swing space provided for FBI operations during construction.</p>

Source: GAO analysis.

^aThe U.S. Green Building Council's Leadership in Energy and Environmental Design green building rating system defines sustainable features for buildings and includes a set of performance standards that can be incorporated into the design and construction of buildings. When the standards are met during facility design and construction, credits are earned to enable buildings to be certified in accordance with an established four-level scale—certified, silver, gold, and platinum.

Figure 7: Alternatives 2 and 3 Consider New Construction on the Existing Hoover Site or a New Site

Alternative 2: The Hoover Building is demolished, new building built on existing site	Alternative 3: New consolidated headquarters facility built on new site
<p>🔒 Security: The FBI's security concerns about its headquarters facility would remain.</p> <p>👤 Operations: Operations would remain fragmented because any new facility on the Hoover Building site would still not have enough square footage to meet the FBI's operational needs. The new building would likely be smaller than the existing facility. Fragmentation would also increase while FBI staff were relocated during construction. Finding appropriate swing space, including space for classified work, could be difficult.</p> <p>📄 Condition: The facility would be designed to meet LEED certification requirements and GSA design and workplace standards.</p> <p>💰 Costs: In 2006, a GSA contractor estimated construction costs of \$850 million. The estimate does not include the costs of:</p> <ul style="list-style-type: none"> - tenant-specific operations (e.g., the costs of constructing SCIF space in the new building), leasing swing space for employees, moving twice, and constructing temporary SCIFs in swing space; and - additional leased annex space that would be required to meet the FBI's projected staffing growth by 2018. <p>🕒 Time to implement: This project is estimated to take approximately 9 years to complete.</p>	<p>🔒 Security: The new consolidated headquarters facility should be able to fully meet the FBI's security requirements based on the 2010 ISC security standard.</p> <p>👤 Operations: Efficiency would increase because the new facility would allow for the optimal organization of divisions to include FBI's projected staffing growth. Space within the new facility would be designed, using an open-plan concept, to allow for future reconfiguration in response to changes in FBI's mission.</p> <p>📄 Condition: The new facility would be located on about 50 acres of land and accessible to public transportation systems. The facility would be designed to meet LEED certification requirements and GSA design and workplace standards.</p> <p>💰 Costs: In 2010, the FBI and GSA estimated a project cost of approximately \$1.2 billion to acquire a new site and design and construct a new headquarters facility on it. The estimate does not include the costs of:</p> <ul style="list-style-type: none"> - meeting FBI requirements for equipment, system furniture, moves, and other items; - private financing incurred by a private developer—such as the costs of securing a construction loan and paying any interest on it—should GSA contract with a developer to construct the building and lease it to GSA; and - the developer's return on investment and a possible lease increase when the lease was renewed. <p>🕒 Time to implement: This project is estimated to take approximately 7 years to complete.</p>

Source: GAO analysis.

The cost estimates in figures 6 and 7 cannot be compared because the studies and estimates were completed at different times, for different purposes, by different consultants, using different methodologies and facility specifications.

GAO Capital Decision-Making
Practice 4: Establish a Review
and Approval Framework

As the FBI and GSA continue to advance through the capital planning process, our leading practices in capital decision making can help guide their efforts, as well as inform decision makers' evaluations of any preferred alternative and other alternatives considered. Our fourth leading practice—establish a review and approval framework that is supported by analyses⁶⁵—encourages management reviews and approvals, supported by the proper financial, technical, and risk analyses that are critical in making sound capital investment decisions.

OMB's guidance, together with GSA's Capital Planning Program Guide, provides a capital asset review framework such as our fourth leading practice describes. OMB's guidance requires GSA—if GSA constructs or leases a headquarters facility for the FBI's use—to submit a capital asset business case in support of the project. According to OMB's guidance, the FBI and GSA need to partner to develop the business case—providing input on the estimated project costs and financing strategies⁶⁶—but the design and construction budget request would be part of GSA's annual budget submission to OMB if the construction is to be funded through the FBF. (See app. III for information on the FBF.) This business case should include the total estimated life-cycle costs—for the preferred alternative and the other alternatives the agencies considered⁶⁷—including the costs of acquisition, operations, maintenance, and disposal.⁶⁸ In addition, GSA's guide directs GSA to conduct a variety of reviews, such as site feasibility studies and environmental analyses, designed to ensure that projects are feasible and in compliance with all federal construction requirements.

⁶⁵See [GAO/AIMD-99-32](#).

⁶⁶The FBI would also need to identify its contributions to the other related project costs that are not part of the design and construction estimate—such as the costs of moving, systems furniture, and security equipment. Funding for these costs would be requested separately through the FBI's budget submission.

⁶⁷OMB Circular A-11, Part 7, "Planning, Budgeting, Acquisition, and Management of Capital Assets" indicates that in selecting the best capital asset, agencies should identify at least three viable alternatives in addition to a baseline representing the status quo. In addition, agencies should identify specific qualitative benefits, as well as quantitative costs and benefits, to be realized.

⁶⁸GSA would need to consult with OMB as to whether the disposition or reuse of the Hoover Building and site should be factored into the business case analysis.

GAO Capital Decision-Making
Practice 5: Rank and Select an
Alternative

As GSA develops a capital asset business case for OMB with input from the FBI, it will have to rank the alternatives the agencies considered and select a preferred alternative. This ranking, when weighed against other relative priorities that the FBI and GSA will have to evaluate, would be consistent with our fifth capital decision-making practice—rank and select projects based on established criteria. FBI officials have preliminarily concluded that their security and space requirements can be met only through the construction of a new headquarters facility on a new site. GSA officials have thus far generally concluded that the FBI has long-term space needs and that FBI operations should be consolidated to achieve greater security and efficiency, but have not finalized their construction cost estimates. According to GSA officials, the FBI and GSA will discuss the FBI's needs with OMB, and a final decision will be based on the results of a more comprehensive analysis that GSA will complete with FBI input for OMB. For the preferred alternative, GSA officials said they will need to undertake a final due diligence process to revalidate the FBI's program requirements, update costs, and initiate feasibility studies—such as an assessment of the likelihood that sites are available in the National Capital Region—so as to develop a detailed prospectus for formal OMB approval and congressional consideration.⁶⁹

Our leading practices state that prudent decision makers also should consider various funding options available to them. In the case of real property, that means considering other funding alternatives in comparison to funding new construction or a modernization through the FBF. In separate interviews, both GSA's Deputy Administrator and Director of the Office of Real Property Asset Management indicated that GSA will undertake a thorough analysis of a range of financing strategies as part of its due diligence. (See app. III for a description of some of the financing strategies that GSA may consider.) According to GSA, it almost always recommends federal construction using the FBF because this is usually the lowest cost alternative. However, GSA reports that in the current budgetary environment, it believes that alternative strategies such as the ground lease and leaseback arrangement—providing for eventual

⁶⁹The prospectus shall include, among other things, a brief description of the space, the location of the space, an estimate of the maximum cost to the United States, and a statement of how much the government is already spending to accommodate the employees who will occupy the space. Prospectus requirements also apply to alterations of public buildings. For large federal construction projects, GSA typically submits an initial prospectus to request authorization for site acquisition and design funding and a second prospectus for construction funding. See 40 U.S.C. § 3307.

ownership of the building by the government—may need to be considered.⁷⁰

After GSA and the FBI identify a preferred alternative and financing strategy, and if the alternative entails constructing a new federal facility through the FBF, GSA will have to rank the need for any FBI headquarters capital project against other FBI and governmentwide facility needs. GSA ranks projects from all agencies that have identified requirements—first by GSA region and then nationally. The GSA Administrator decides which major prospectus projects to propose within GSA's budget based on recommendations and input from the Commissioner of the Public Buildings Service, among others. While GSA has general criteria for prioritizing capital construction and major modernization needs, it does not specifically include security among its ranking criteria. Instead, according to a GSA official, the agency relies on its customers to convey their mission-critical needs in a way that reflects which issues, such as security, are critical to them. At this time, GSA officials could not indicate how a new FBI headquarters facility—or a major modernization of the Hoover Building—might be ranked in relation to other competing federal asset needs. FBI staff we spoke with indicated that a new headquarters project has the support of the FBI Director, but it is unclear whether a new headquarters is the most important facility need for the FBI or whether regional field office facility needs may be more important.

The FBI and GSA plan to continue working together to reach a decision with OMB on how best to meet the FBI's needs. GSA reports that fiscal year 2014 is likely the earliest that any budget request and prospectus might be put forth for congressional consideration. Based on that insight and our review of preliminary FBI and GSA schedules, we estimate that the earliest that any project could be completed would be fiscal year 2020.

⁷⁰If a facility were constructed by a developer and leased for the FBI's use, annual rent would be requested by the FBI in the appropriate budget year to coincide with its occupancy of the new facility. Rent is then paid to GSA and deposited into the FBF. GSA then pays the landlord from the FBF.

Conclusions

With its employees dispersed throughout the National Capital Region and many of them housed in the aging and inefficient Hoover Building—a facility constructed prior to current ISC standards governing security countermeasures—the FBI is under pressure to find an alternative that will meet its security, space, and building condition requirements. Any alternative will take years to implement and is likely to cost over a billion dollars. It is therefore important that the choice of an alternative be based on up-to-date assessments of the FBI’s security, space, and building condition needs. In the interim, the FBI and GSA may have opportunities to further enhance security and address condition deficiencies at the FBI’s current facilities.

For the next several years or more, the FBI’s headquarters workforce will be dispersed between the Hoover Building and the headquarters annexes. During this time, it is important that the FBI and FPS conduct security assessments of the annexes, as required by the 2010 ISC standards, and that the FBI track the implementation status of recommended countermeasures for all its headquarters facilities. For the FBI, documentation of decisions to implement recommendations—whether made in its 2011 security assessment of the Hoover Building or in future assessments of its headquarters annexes against the 2010 ISC standards—could inform decisions on how best to meet the FBI’s long-term headquarters facility needs. Complete, current information on security needs and the status of recommended countermeasures—some that have budget implications—at both the Hoover Building and the annexes could indicate to the FBI whether it is allocating its security resources as efficiently as possible to mitigate risks. Such information could also help the FBI and GSA evaluate alternatives to the FBI’s current dispersed headquarters structure and develop a business case to support a budget request for the alternative that they determine would best meet the FBI’s security needs.

Given the likelihood that FBI employees will be housed in the Hoover Building for several more years no matter which alternative is ultimately selected, and that the building may remain in GSA’s portfolio whether it is occupied by the FBI or another federal tenant, it is important to ensure that GSA’s current strategy for maintaining the facility is appropriate. The deferred maintenance, repairs, and recapitalization projects that have accumulated under this strategy could lead to system or component failures and potentially disrupt FBI operations. Allowing the building to deteriorate further could also make it difficult to house another agency in the Hoover Building if the FBI moves to a different location.

Ultimately, decisions about the future of the FBI's headquarters facilities will require careful consideration of policy matters related to the FBI's mission and security needs and competing budget priorities, as well as other factors, such as the availability of a suitably sized site in the National Capital Region where the FBI's headquarters operations could be colocated. Currently, planning for a new FBI headquarters is ongoing, and GSA has yet to submit a business case for a preferred alternative to OMB, which is essential in the decision as to which specific alternative and financing strategy to pursue.

Recommendations for Executive Action

To ensure that complete, current security information is being used to minimize risks to FBI facilities, operations, and personnel and to inform a final decision on how best to meet the FBI's long-term facility requirements, we recommend that the Attorney General direct the FBI Director to take the following two actions:

- Document whether any recommendations from the FBI's 2011 security assessment will be implemented at the Hoover Building.
- Track the implementation status of all recommendations made in FPS or FBI security assessments—of both the Hoover Building and the FBI's headquarters annexes—using the 2010 ISC standards. Where recommendations are not implemented, document the rationale for accepting risk, including any alternate strategies that are considered.

Given that the FBI will likely remain in the Hoover Building for at least the next several years, we also recommend that the GSA Administrator direct the Commissioner of the Public Buildings Service to take the following action:

- Evaluate GSA's current strategy to minimize major repair and recapitalization investments and take action to address any facility condition issues that could put FBI operations at risk and lead to further deterioration of the building, potentially affecting continued use of the Hoover Building by the FBI or any future tenant.

Agency Comments and Our Evaluation

We provided a draft of the law enforcement sensitive version of this report to the Department of Justice, GSA, and DHS for review and comment. In that law enforcement sensitive report we also recommended that the Attorney General direct the FBI Director to update the Hoover Building's security assessment using the 2010 ISC standards—to include undertaking an analysis of its building security requirements, documenting if threat scenarios exceed the ISC design-basis threat, and indicating whether recommendations would be implemented. Given that the FBI took action to address part of the recommendation—subsequent to our July 2011 law enforcement sensitive report but prior to this public version—we modified the recommendation to reflect the FBI's recent security assessment. Specifically, the security assessment documents threats and analyzes building security requirements consistent with ISC security standards, but does not indicate whether recommended actions will be implemented. This is reasonable given the short period of time since our report and the FBI's ensuing analysis. We therefore revised the first recommendation above to focus on the need for the FBI to document decisions on the 2011 security assessment's recommendations.

Our July 2011 law enforcement sensitive report also recommended that the FBI track the implementation status of all recommendations in FPS or FBI security assessments. We will continue to monitor the FBI's decisions and actions related to its security assessment of the Hoover Building—and the security assessments of the FBI headquarters annexes—as indicated in the recommendations above.

For security reasons and for clarity, we made additional modifications to the language used in the above recommendations to the Attorney General compared to the language we used in our July 2011 law enforcement sensitive report.

We received written comments from the FBI on our law enforcement sensitive report on behalf of the Department of Justice. We also received written comments from GSA and DHS on that report. The FBI concurred with our recommendations and said that its primary concern in finding a long-term solution for its headquarters facility needs is to mitigate the operational impact of a fragmented workforce located at multiple sites across a wide geographic area. The FBI also cited concerns that its current headquarters housing is inefficient and expensive, and stated that a new, consolidated headquarters facility is one of the FBI's highest priorities. GSA indicated that it is currently taking appropriate action to implement our recommendation and remains committed to making all necessary investments in the Hoover Building to ensure ongoing

operations until a long-term solution for the FBI can be developed. Written comments—on our law enforcement sensitive report—from the FBI, GSA, and DHS are reprinted with sensitive information redacted in appendixes IV through VI, respectively. The FBI, GSA, and DHS provided additional clarifying and technical comments, which we incorporated throughout the report as appropriate in consideration of sensitivity concerns.

In addition, we provided a draft of this public report to the FBI, GSA, and DHS for review. Those agencies provided no additional comments.

We are providing copies of this report to appropriate congressional committees, the Attorney General, the Director of the Federal Bureau of Investigation, the Administrator of the General Services Administration, the Secretary of Homeland Security, and other interested parties. In addition, this report will also be available at no charge on the GAO Web site at <http://www.gao.gov>.

If you or your staffs have any questions about this report, please contact David C. Maurer at (202) 512-9627, maurerd@gao.gov, or David J. Wise at (202) 512-2834, wised@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made key contributions to this report are listed in appendix VII.



David C. Maurer
Director, Homeland Security and Justice Issues



David J. Wise
Director, Physical Infrastructure Issues

Appendix I: Objectives, Scope, and Methodology

Congress directed us, in the explanatory statement accompanying the 2009 Omnibus Appropriations Act, to review the J. Edgar Hoover Building (Hoover Building)—the main headquarters building for the Federal Bureau of Investigation (FBI)—and the FBI’s off-site locations (annexes), which support headquarters and are dispersed throughout the National Capital Region.¹ We conducted our review to examine (1) the extent to which the Hoover Building and annexes support the FBI’s operational requirements for security, space, and building condition and (2) the extent to which the FBI and the General Services Administration (GSA) have followed leading capital decision-making practices in identifying alternatives for meeting the FBI’s operational requirements and the extent to which each alternative would address these requirements.

To determine the extent to which the Hoover Building and annexes support the FBI’s operational requirements for security, space, and building condition, we visited the Hoover Building and five annexes. We selected the five annexes to represent different facility security levels (FSL); different FBI divisions, such as Cyber and Counterterrorism; and varying degrees of staff fragmentation. While visiting these annexes, we examined security, space, and building condition issues firsthand and interviewed on-site program and security officials about the FBI’s operational requirements and the extent to which the annexes do, or do not, meet those needs.

For security-related issues at the five annexes, we reviewed site-specific facility security assessments (security assessments) that were conducted by either FBI security officials or the Department of Homeland Security’s Federal Protective Service (FPS) in relation to Interagency Security Committee (ISC) security standards that are applicable to owned and leased federal buildings. We also discussed with FBI officials the extent to which countermeasures recommended in those security assessments had been implemented. In our July 2011 law enforcement sensitive report, we recommended that the FBI conduct a new security assessment in accordance with updated security standards issued in 2010. In response to our recommendation, the FBI conducted such an assessment, which we also reviewed.

¹Explanatory statement in the 2009 Committee Print of the House Committee on Appropriations on H.R. 1105, at 1764 accompanying the 2009 Omnibus Appropriations Act, Pub. L. No. 111-8, Div. B, Title II, 123 Stat. 524, 574 (2009).

During our site visits, we interviewed FBI security officials about the security assessments, security risks and challenges, and actual security incidents or breaches at each facility. We also asked FBI officials whether any security challenges at the annexes were a direct result of operations not being colocated at the Hoover Building. To learn more about security issues at the Hoover Building, we toured the building while FBI officials reported on security vulnerabilities and some countermeasure improvements that had been implemented, and we interviewed FBI security, police, and facilities officials with knowledge of these improvements.

In addition, we interviewed FBI security and facility officials about outstanding security projects to determine why they had not been implemented. To identify these projects, we reviewed FBI, FPS, GSA, and National Capital Planning Commission documents, including the FBI's 2002 security assessment of the Hoover Building, as well as numerous FBI and GSA planning studies that identified security requirements for the building. We interviewed FPS security officials about the security standards for federal facilities, both past and present, and the FSL determination process. We reviewed FPS's 2000 Policy Handbook and the ISC standards from 2004 and 2010. Furthermore, we reviewed and analyzed GSA's design standards related to security.² In addition, we relied on internal security experts from GAO's Office of Security and Forensic Audits and Investigative Service to verify security assumptions and requirements.

For space-related issues, we reviewed the size and location of current facilities and programs; reviewed FBI and GSA reports that tracked annex leases, space use, and the Hoover Building's efficiency (how much of its space is usable for mission needs) and how the existing space does, or does not, meet the FBI's operational needs; and interviewed FBI program officials to understand the effects on operations of having different programs housed in several annexes. We reviewed FBI and GSA planning studies that identified which FBI programs or functions should be colocated. We compared attributes of the Hoover Building, such as its efficiency, to GSA standards and compared the Hoover Building to other agency headquarters in the National Capital Region. We asked FBI officials about the systems they use to manage their real property data

²GSA, *Facilities Standards for the Public Buildings Service* (November 2010).

and how frequently they update their leasing and space planning data. We used GSA's asset business plans to cross check the real property data reported to us by the FBI to ensure reasonable consistency in the facility data, such as the ownership status and size (i.e., square footage) of facilities. Furthermore, we reviewed and analyzed GSA's design standards related to building efficiency and space planning.

For building condition issues, we analyzed assessments of the Hoover Building's physical condition and compared this information to GSA policies for building condition. We also asked GSA how often it conducts facility condition assessments of owned buildings. We examined GSA's asset business plan and other studies of the Hoover Building to identify completed maintenance projects, deferred maintenance, and planned major repair and recapitalization projects. We also asked FBI and GSA officials about their assessments of the Hoover Building's condition.

To determine the extent to which the FBI and GSA have followed leading capital decision-making practices in identifying alternatives for meeting the FBI's operational requirements, we compared the FBI's and GSA's planning actions against leading practices we have reported on in this area.³ In addition, we reviewed FBI and GSA studies of the FBI's facilities and operational requirements, identified the alternatives discussed in these studies for meeting the requirements, and reviewed relevant laws relating to real property. We determined that the alternatives fell into three broad categories, each of which included a number of variations. For our analysis, we focused on the categories, since the appropriateness of the variations could not be determined without further study and would depend on site-specific conditions. We then assessed the extent to which each alternative would address the FBI's security, space, and building condition requirements.⁴

We did not independently analyze the FBI's requirements for security, which are based on its assessments of the threats it faces and their probability of occurrence; its requirements for space, which are based on its projections of each FBI program's future staffing and space needs; or the FBI's process for deciding which programs need to be colocated at a

³See GAO, *Executive Guide: Leading Practices in Capital Decision-Making*, [GAO/AIMD-99-32](#) (Washington, D.C.: Dec. 1, 1998).

⁴See [GAO-03-1011](#).

single location. In our view, such analyses were outside the scope of our review and would require extensive reviews of classified intelligence on threats and hostile groups, as well as of programmatic mission justifications for FBI branches and their associated staffing levels. We did, however, determine that the FBI senior leadership was involved in deciding which FBI programs should be colocated. Furthermore, because the FBI and GSA are still in the early stages of the facility planning process and have not yet prepared final cost estimates for the Office of Management and Budget (OMB), we did not validate preliminary cost estimates for new construction or past cost estimates for modernizing or redeveloping the Hoover Building and site.

We conducted this performance audit from July 2010 to November 2011 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Appendix II: FBI and GSA Studies Related to FBI Headquarters Planning

This appendix provides summary information about eight studies that provide information on the condition of the Hoover Building and the FBI's facility needs. The studies, issued from 2001 through 2010, are presented in chronological order.

1. Condition assessment, 2001

In 2001, a facility engineering consultant conducted a facility condition assessment for GSA of the Hoover Building and identified numerous building deficiencies including deferred maintenance and life-cycle replacement projects. The study concluded the building was in poor condition. The contractor prepared three funding scenarios to provide GSA with insight into how the condition of the building would be affected based on various investment assumptions over 20 years. One scenario included improving the building condition to an industry-acceptable level.

2. Security assessment, 2002

In 2002, the FBI conducted a security assessment of the building, and with the assistance of two consultants, identified recommendations to further improve the building's security.

3. Headquarters housing strategy, 2005

In 2005, a real estate services consultant contracted by GSA studied the FBI's facility needs. According to the consultant, the FBI's mission was impaired by a fragmented headquarters organization that caused staff to be dispersed across the Hoover Building and 16 annexes at that time in the National Capital Region. In addition, the consultant documented space inefficiencies in the Hoover Building. To address these deficiencies, the consultant developed a strategic housing plan and facility requirements for FBI headquarters. These requirements included

- meeting ISC security standards,
- making maximum use of open-plan office space,
- providing enough secure space for handling classified information,
- planning building systems to support current and future information technology needs, and
- providing extensive emergency backup power as well as state-of-the-art air filtration systems.

The consultant developed three consolidation alternatives¹ for addressing identified deficiencies and meeting the FBI's headquarters facility needs based on projected 2011 staffing levels:²

- one-site consolidation with both headquarters national security and law enforcement located together;
- two-site consolidation (option A) with national security functions at one site and law enforcement functions at a second site; and
- two-site consolidation (option B) with a more even distribution of FBI headquarters elements (compared to option A) and no split between national security and law enforcement functions.

A preliminary financial analysis, which estimated the net present value of savings for each alternative over 30 years, showed that each alternative was more economically beneficial than the status quo. The savings were largely due to the planned consolidation of 3.1 million rentable square feet into 2.3 million rentable square feet.³

According to a draft timeline, it would take nearly 3 years for GSA to complete its analysis, develop a project prospectus for congressional authorization, and identify a site. Another 3 years was estimated for design, construction, and move-in.

Citing detailed cost estimates for a project of similar size for another intelligence agency, the consultant predicted a total project cost of over \$1.5 billion.

¹Each of the three consolidation alternatives would provide approximately 2.3 million rentable square feet of space. Each of the three consolidation alternatives also included a small downtown Washington, D.C., location for elements that need to coordinate closely with Congress, the Department of Justice, or the White House as well as an administrative annex outside the downtown area.

²Staffing projections assumed an annual growth rate of 5 percent during fiscal years 2005 through 2011. The projected fiscal year 2011 staffing level was 9,500 personnel. In January 2011, the FBI reported that if a move to a consolidated campus occurred in January 2011, an estimated 10,000 staff—500 more than projected in 2005—would be relocated to the new headquarters.

³To provide an equal-size comparison, the status quo baseline in the plan considered that GSA would acquire an additional 610,000 rentable square feet of leased space to accommodate the FBI's projected growth during fiscal years 2005 through 2011.

4. Site study, 2006

In 2006, another real estate services consultant hired by GSA studied a range of scenarios for use of the Hoover Building and site. This study was intended to inform GSA management decisions on optimizing the value of the Hoover Building as a GSA real property asset and was not necessarily performed to identify alternatives for meeting the FBI's headquarters facility needs. The study did, however, consider the impact on operations if the FBI remained as the building tenant. The consultant identified five scenarios:

- maintain and operate the building “as is,”
- vacate the building and sell the asset,
- modernize the building,⁴
- vacate and demolish the building and redevelop the site,⁵ and
- partially demolish the building to redevelop the front side facing Pennsylvania Avenue and renovate the back portion that faces E Street.⁶

Estimated costs to modernize the Hoover Building ranged from \$850 million to \$1.1 billion. Estimated costs to demolish the Hoover Building and redevelop the site ranged from \$853 million to \$1.4 billion.⁷

The study concluded that no alternative was a definite best option for GSA.

⁴Four variations were considered, including (1) vacating the building and renovating it; (2) renovating by floor; (3) renovating by quadrant; and (4) renovating by floor and building out the open-air second floor and mezzanine.

⁵Two variations were considered, including (1) constructing a single secure building and (2) constructing three buildings.

⁶The front of the Hoover Building is triangular in shape and includes the building's central courtyard. The concept envisioned a more efficient structure built on this portion of the site.

⁷The cost estimates do not include costs for swing space to house personnel while construction takes place.

The study reported that a modernization, in general, would not improve the building's gross and rentable square footage. In addition, this alternative would create a demand for swing space and could adversely affect the FBI's operations if the FBI remained as the building's tenant during the modernization. According to the study, the modernization would be least costly if the FBI vacated the entire building to give the construction contractor unrestricted access.

According to the study, redeveloping the site with a new building or buildings would not meet GSA's required rate of return on investment, and constructing a new secure facility would sacrifice tremendous value associated with a highly marketable location.

5. Space study, 2007

In 2007, GSA hired an architectural design and planning consultant to assess the condition of the Hoover Building and determine the extent to which it supports the FBI's mission. The consultant assessed the Hoover Building's design and use of space against industry standards and compared the Hoover Building to facilities used by other intelligence agencies.

According to the report, the FBI's work process is dynamic, requiring intelligence gathered by one team to be shared with multiple teams for whom the intelligence may also be relevant. To respond to the FBI's work process and mission, the consultant determined that the FBI's workplace should promote collaboration and communication among staff and be easily reconfigured. The study found that the Hoover Building does not generally meet these criteria because of its structural characteristics and inherent inefficiencies. For example, the study found that aspects of the building—including the location of structural elements and hard wall partitions—result in an inherently inefficient use of space. According to the consultant, these characteristics limit the degree to which the FBI can reconfigure space to optimize its operations and respond to mission changes. The consultant concluded that the Hoover Building is a significant barrier to the FBI's performance and operational effectiveness and no longer effectively supports the FBI's mission.

The consultant also indicated that the renovations necessary to make the Hoover Building viable, feasible, and desirable may be unjustifiable given the costs and disruption they would entail. The consultant concluded that relocating the FBI to a new facility would likely lead to a significant improvement in performance at a lower cost.

6. Real estate appraisal, 2008

In 2008, GSA hired a real estate appraisal firm to develop a market-value opinion of the Hoover Building and site to inform GSA's asset management strategy. The appraisal firm considered three valuation approaches: (1) a cost approach; (2) a sales comparison approach; and (3) an income capitalization approach.⁸

The appraisal firm described the construction quality of the existing building as average and the condition of the building as below average. It also found the building inferior to other office buildings constructed during the same period. In particular, the consultant reported the building windows are very small compared to modern office building windows and that larger windows are generally required to attract tenants to higher-priced leased space. The firm reported that GSA had estimated a cost of over \$200 million to modify the structure and replace its windows.

GSA provided the appraisal firm with a list of planned recapitalization projects totaling over \$460 million, to be implemented over 10 years; however, the appraiser reported that GSA's Property Manager had indicated that, for lack of funds, none of the planned capital expenditures would likely be made. Therefore, the appraiser did not consider the value of any planned recapitalization projects in the estimated value. However, the appraiser reported that even if the planned capital expenditures were made, the Hoover Building would not be considered a Class A office building.⁹

The appraiser reported that the site was zoned to permit retail, office, housing, mixed, and public uses, and the appraiser concluded that no reasonably probable use of the site would be likely to generate a higher

⁸The cost approach assumes a buyer would pay no more for a property than what it would cost to construct a like property with the same utility. The sales comparison approach assumes a buyer would pay no more than what it would cost to acquire a similar existing property. The income capitalization approach reflects the market's perception of a relationship between a property's potential income and its market value.

⁹The Building Owners and Management Association International defines Class A office buildings as the most prestigious buildings that compete for premier office users with rents above average for the area. Such buildings have high-quality standard finishes, state-of-the-art systems, exceptional accessibility, and a definite market presence. Class B office buildings compete for a wide range of users with rents in the average range for the area. Building finishes are fair to good for the area, and systems are adequate.

value than office use. Accordingly, the appraiser identified office use, developed to the level permitted by the zoning, as the highest and best use of the property.

The appraiser reported that the site, if redeveloped, could accommodate a building area of approximately 2.5 million gross square feet based on the current zoning regulations. The appraiser also noted that the existing Hoover Building is 2.4 million gross square feet and therefore a building on the redevelopment site would likely be similar in size. The appraiser noted that the existing building is set back farther from Pennsylvania Avenue greater than is typical for a commercial office building downtown but not far enough where demolishing the building to capture the space would be cost-effective. Redevelopment would enable a developer to construct a new Class A office building.

7. Relocation study, 2009

In 2009, the FBI contracted with an architectural and planning firm to develop a housing plan, space requirements program, and conceptual site plans for consolidating its headquarters in a new facility onto a single site. While the 2005 GSA study examined space requirements at a macro level, it did not provide a detailed housing plan and space requirements program. Thus, to more fully define its requirements, the FBI established goals for the 2009 study. These goals were to

- develop a housing plan that identified the FBI branches and divisions to be located on-site;
- summarize staffing levels by branch and division, including both FBI personnel and contractors;
- summarize future staffing growth factors;
- develop space-planning standards and workspace types;
- develop a space requirements program for branches and divisions based on those staffing and space standards;
- identify required adjacencies;
- outline common shared support spaces and special space requirements;

- recommend an ideal floor plate size for a new building that would maximize future flexibility;
- identify circulation factors for the building;
- calculate total gross and usable square footage of a new facility;
- develop conceptual site plans; and
- identify design criteria, including Leadership in Energy and Environmental Design, security, and building code requirements.

The consultant collected data by walking through the FBI's headquarters spaces, using a space requirements questionnaire, and interviewing FBI personnel in the facilities, security, and information technology groups to verify information from the questionnaire. Each FBI branch and division reviewed the consultant's data.

Using FBI personnel counts from 2008 with projections for future growth through 2013 and 2018, the consultant derived overall square footage tabulations. FBI's Resource Planning Office provided the personnel counts and growth projections.

Based on the space and security requirements for the main headquarters building, the consultant developed planning estimates for the site acreage required.

The consultant developed two site concepts: (1) a suburban office campus and (2) a more urban site located near the Washington beltway. Preliminary cost estimates for a new headquarters were developed based on the consultant's analyses of space and security requirements. FBI costs for special security equipment, communications and information systems, modular systems furniture, and moving were not included in the construction-related costs but were separately estimated and are not considered GSA project costs.

Land costs were estimated on the basis of comparable land sales over the past several years in a variety of locations inside and outside the beltway. The suburban and beltway property costs were each averaged to determine average expected prices. The land costs were added to the GSA project cost summary and increased by 10 percent to reflect potential increases in land value, which may occur before a property is acquired.

The study identified a need for a headquarters facility containing an estimated 2.6 million gross square feet—including 2.1 million useable square feet—to house nearly 11,600 personnel. Required site sizes were estimated at between 55 and 65 acres based on zoning assumptions for suburban and more urban locations.

8. Consolidation report (Final Draft), 2010

In 2010, the FBI's Facilities and Logistic Services Division prepared an executive-level report to summarize past FBI and GSA findings and conclusions about the Hoover Building and both agencies' studies of the need for a new headquarters facility. The report was intended to update FBI leadership on the current headquarters planning, costs, and recommendations prior to discussions with GSA and OMB. The report outlines a range of acquisition strategies that GSA and the FBI could use to acquire a new consolidated headquarters and identifies the FBI's preferred strategy.

According to the report, the FBI's mission-critical headquarters operations are dispersed in 22 separate locations including the Hoover Building, up from 17 when GSA first studied the issue in 2005. Citing space and staffing requirements, the report identifies the need for a facility with 2.5 million gross square feet, 2.2 million rentable square feet, and 1.9 million usable square feet to house an estimated 11,500 personnel. The report further anticipates a reduction of approximately 873,400 rentable square feet when the 22 current locations are consolidated, as well as an estimated annual savings of at least \$30 million in leased housing costs.

Appendix III: Financing Strategies Available for Capital Projects

This appendix describes potential financing strategies that may be considered in acquiring a new headquarters for the FBI.

Federal Construction Using the Federal Buildings Fund

- Construction or modernization is funded through GSA's Federal Buildings Fund (FBF).
- We have previously reported that although ownership through federal construction is often the most cost-effective option,¹ pursuant to budget scoring rules, the full cost of construction of a capital project is recorded up front in the budget.
- The FBF is the primary means of financing the operating and capital costs associated with federal space owned or managed by GSA. GSA's Public Buildings Service charges federal agencies rent, the receipts of which are deposited in the FBF. Congress exercises control over the FBF through the annual appropriations process, setting annual limits on how much of the fund can be used for various activities. In addition, Congress may appropriate additional amounts for the FBF. Among the activities the FBF is used for are new construction, building repairs and alterations, building operations, and rental of space.

Lease of Federal Site to a Developer Who Constructs a Facility On-site and Leases It Back to the Government (i.e., Ground Lease and Leaseback)

- GSA officials report that lease construction by a developer could be pursued using GSA real property authorities in 40 U.S.C. § 585(c) or Section 412 of Public Law 108-447 (hereafter referred to as Section 412).²
- 40 U.S.C. § 585(c) authorizes GSA to lease federal property—for not more than 30 years—to a developer who would build a facility on a site owned by the government and lease it back to GSA. The title to the parcel never leaves government ownership, and at the expiration of the lease, the title to the building passes to the United States.

¹GAO, *Federal Real Property: Reliance on Costly Leasing to Meet New Space Needs Is an Ongoing Problem*, [GAO-06-136T](#) (Washington, D.C.: Oct. 6, 2005).

²Pub. L. No. 108-447, 118 Stat. 2809, 3259 (2004).

- Section 412 provides GSA with new, additional authorities to dispose of and use its real property inventory by sale, lease, exchange, and leaseback arrangements. Section 412 does not specify any limit on the term of the lease.
- According to GSA, it has attempted to use 40 U.S.C. § 585(c) only once as a development authority, and it ultimately did not complete the project using this authority. GSA has never used Section 412 as a development authority.
- Section 412 also authorizes GSA to retain the net proceeds from its real property disposals. Section 412 might enable GSA to use the proceeds of a sale—if the existing Hoover Building or site were sold—to pay for some of a new project’s costs.
- How a leaseback is structured will determine how it is scored, and it may be treated as a capital lease with the amount equal to the asset cost recorded up front in the budget.³
- Given the current budgetary environment, this type of arrangement may be more feasible now than in the past. Furthermore, even though GSA told us that it almost always recommends the traditional funding strategy—federal construction—it has said that in the current budgetary environment, it believes that alternative strategies such as a ground lease and leaseback arrangement may need to be considered.
- FBI officials believe that if a ground lease and leaseback arrangement were to be pursued, the agency may be able to move into a new consolidated facility 2 or 3 years earlier than it could with a direct federal appropriation for design and construction, given the demands on the FBF.

³For more information, see OMB Circular No. A-11, Appendix B, “Budgetary Treatment of Lease-Purchases and Leases of Capital Assets” (2010).

Lease Construction (i.e., Leasing)

- The government acquires space through an operating lease.
- The government has no ownership of the land or the facility at any time.
- We have previously reported that operating leases tend to be the most expensive approach to meeting long-term federal space needs and that over the last decade, GSA has relied heavily on operating leases to meet new long-term needs because it lacks funds to pursue ownership.⁴ GSA currently leases more space than it owns.

Use of this approach has grown because only the annual lease payment needs to be recorded in GSA's budget request, reducing the up-front funding commitment but generally costing the federal government more over time.

⁴[GAO-06-136T](#).

Appendix IV: Comments from the Federal Bureau of Investigation



U.S. Department of Justice

Federal Bureau of Investigation

Washington, D. C. 20535-0001

June 30, 2011

Mr. David C. Maurer
Director, Homeland Security and Justice
United States Government Accountability Office
441 G Street, Northwest
Washington, D.C. 20548

Mr. David J. Wise
Director, Physical Infrastructure
United States Government Accountability Office
441 G Street, Northwest
Washington, D.C. 20548

Dear Messrs. Maurer and Wise:

The Federal Bureau of Investigation (FBI) appreciates the opportunity to review and respond to your draft report [REDACTED]

The Report presents factual information on the poor physical condition and security shortcomings of the J. Edgar Hoover FBI Building and the numerous FBI headquarters offsite locations. However, the operational impact of a fragmented workforce located at multiple sites across a wide geographic area is the FBI's primary concern and is the driving force behind our urgency of finding a long term resolution to this situation.

The FBI headquarters today is dispersed in over 40 separate locations including 22 locations in the National Capital Region which need to be consolidated into a central headquarters facility. The J. Edgar Hoover FBI Building, which has exceeded its capacity, houses just 52% of headquarters staff with the remainder at 21 off-site leased locations. This dispersion has created significant challenges with regard to effectively managing the Bureau's 27 headquarters' divisions and offices, facilitating organizational change, sharing information and collaboration across operational and administrative functions.

The FBI's current headquarters housing is both inefficient and expensive. The inadequate design of the J. Edgar Hoover Building does not support an agile workforce in the 21st Century. This poor design coupled with the redundancies and the inefficiency associated with 22 separate locations, 3,092,654 Rentable Square Feet (RSF), costing over \$170 million annually in rent and operating expenses support the need for a new FBI Headquarters [REDACTED]

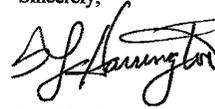
Our analysis and recently commissioned outside study indicates what efficiencies gained from consolidation and an "open office" design plan, overall required square footage to house the FBI headquarters could be reduced by almost 900,000 RSF, with estimated savings to the US Government of \$47-\$59 million annually.

Messrs. Mauer and Wise

The FBI cannot afford to continue the status quo, from an operational effectiveness or a fiscal stewardship perspective. A new consolidated FBI headquarters facility is urgently needed and we view this as one of our highest priorities for the foreseeable future.

In conclusion, the efforts of the GAO in completing this Report are greatly appreciated. Upon review of the Report, the FBI concurs with the two recommendations directed to the FBI.

Sincerely,



T. J. Harrington
Associate Deputy Director

Appendix V: Comments from the General Services Administration



The Administrator

June 27, 2011

The Honorable Gene L. Dodaro
Comptroller General of the United States
Government Accountability Office
Washington, DC 20548

Dear Mr. Dodaro:

The U.S. General Services Administration (GSA) appreciates the opportunity to comment on the draft U.S. Government Accountability Office (GAO) report [REDACTED]

[REDACTED] In addition to recommendations made to the Department of Justice and the Federal Bureau of Investigation (FBI), the report recommends that the Commissioner of the Public Buildings Service take the following action:

Evaluate GSA's current strategy to minimize major repair and recapitalization investments and take action to address any facility condition issues that could put FBI operations at risk and lead to further deterioration of the building that could affect continued use of the Hoover Building by the FBI or any future tenant.

GSA is taking appropriate action to implement this recommendation. We give priority to both life safety projects and other work necessary to maintain tenancy in the building. GSA remains committed to making all necessary investments to ensure ongoing operations until a long-term solution for FBI can be developed. In addition, enclosed are technical comments that update and clarify statements in the draft report.

If you have any additional questions or concerns, please do not hesitate to contact me or Mr. Robert A. Peck, Commissioner, Public Buildings Service. Mr. Peck can be reached at (202) 501-1100. Staff inquiries may be directed to Mr. Flavio Peres, Deputy Assistant Commissioner for Portfolio Management. Mr. Peres can be reached at (202) 208-1280.

Sincerely,

A handwritten signature in cursive script that reads "Martha Johnson".

Martha Johnson
Administrator

Enclosure

U.S. General Services Administration
1275 First Street, NE
Washington, DC 20417
Telephone: (202) 501-0800
Fax: (202) 219-1243

GAO Draft Report for Agency Comment
GSA Technical Comments 6.14.11

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Reference: "Although the Hoover Building is nearing its life-cycle age and exhibiting signs of deterioration, GSA has decided to limit major repair and recapitalization investments to those systems or components that affect life safety and building functionality until it is determined whether the FBI will remain a long-term occupant of the building."

Comment: GSA has made appropriate mid-term investments to ensure FBI operations aren't at risk and remains committed to making all necessary investments to ensure ongoing operations until a long-term solution can be developed. This strategy provides for maintaining the asset as functional for the FBI's headquarters, reducing conditions that put FBI operations at risk, and addressing life safety issues.

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Reference: "GSA's decision to limit major repair and recapitalization investments is inconsistent with its categorization of the Hoover Building in its asset business plan as a "core asset." GSA core assets generally have a long-term holding period of at least 15 years. For buildings with a long-term holding period, GSA policy states that reinvestment will be funded to ensure maintenance of the building's quality and condition at levels appropriate to meet continuing mission and customer needs. This includes all preventative maintenance, necessary upgrades, and enhancements to the building and its systems to maintain the asset in appropriate condition. GSA's near-term maintenance policy for the Hoover Building is more consistent with GSA's policy for a "transition" asset. A transition asset typically has a 6- to 15-year holding period as its tenant prepares for relocation to a new federal building or a leased building. For such an asset, GSA funds projects that meet basic needs in transition, but avoids any major reinvestment. According to GSA officials, the Hoover Building's categorization could change as they continue to study the FBI's needs and the building's potential for reuse by another agency should the FBI relocate to a new facility. While the categorization of the Hoover Building as a core asset could change, the building will likely be used for several more years, and its large backlog of deferred maintenance, major repairs, and recapitalization requirements increases the potential for systems or components to fail and potentially disrupt FBI operations."

Comment: During the course of its recent review of this asset, GSA has changed the portfolio segment category of the Hoover building to "Transition" to reflect FBI's determination that the building is functionally obsolete for their purposes. This change more accurately reflects the asset's recent investment strategy. However, this categorization may change depending on the prospect of FBI vacating the building and/or further study of the asset.

Appendix VI: Comments from the Department of Homeland Security

U.S. Department of Homeland Security
Washington, DC 20528



**Homeland
Security**

June 23, 2011

Mr. David C. Maurer
Director
Homeland Security and Justice
U.S. Government Accountability Office
441 G Street, NW
Washington, DC 20548

Re: Draft Report [REDACTED]

Dear Mr. Maurer:

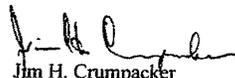
Thank you for the opportunity to review and comment on this draft report. The U.S. Department of Homeland Security (DHS) appreciates the U.S. Government Accountability Office's (GAO's) work in planning and conducting its review and issuing this report.

The Department is pleased to note the report's positive acknowledgement of the DHS role as Chair of the Interagency Security Committee (ISC), tasked in part with developing baseline facility security standards and coordinating federal agencies' facility protection efforts. The report also recognizes the role of DHS's Federal Protective Service (FPS) in conducting periodic security assessments of federal buildings such as the Federal Bureau of Investigation's (FBI's) Hoover Building.

Although the report does not contain any recommendations specifically directed at DHS, the Department remains committed to continuing its work with interagency partners, such as the FBI and the General Services Administration, to identify and mitigate security-related vulnerabilities at federal facilities, as appropriate. For example, FPS is prepared to assist the FBI in updating the Hoover Building's security assessment using the 2010 ISC standard, if called upon to do so.

Again, thank you for the opportunity to review and comment on this draft report. We look forward to working with you on future homeland security issues.

Sincerely,



Jim H. Crumpacker
Director
Departmental GAO/OIG Liaison Office

Appendix VII: GAO Contacts and Staff Acknowledgments

GAO Contacts

David C. Maurer, Director, Homeland Security and Justice Issues,
(202) 512-9627 or maurerd@gao.gov

David J. Wise, Director, Physical Infrastructure Issues, (202) 512-2834 or
wised@gao.gov

Staff Acknowledgments

In addition to the individuals named above, Michael Armes, Assistant Director; Sandra Burrell, Assistant Director; John Bauckman, Analyst-in-Charge; Kevin Crow; Daniel Hoy; Bess Eisenstadt; Susan Michal-Smith; Linda Miller; Sara Ann Moessbauer; Joshua Ormond; Thomas Predmore; and Janet Temko made key contributions to this report.

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