



TESTIMONY OF

Thomas Chaleki
Chief Readiness Support Officer
Directorate for Management
U.S. Department of Homeland Security

BEFORE

U.S. House of Representatives
Committee on Homeland Security
Subcommittee on Oversight and Management Efficiency

ON

“Building for the Future: Examining Challenges Facing the
Department of Homeland Security’s Consolidated Headquarters Project”

April 12, 2018
Washington, DC

Introduction:

Chairman Perry, Ranking Member Correa, and distinguished Members of the Subcommittee, thank you for the opportunity to appear before you today to discuss the Department of Homeland Security's (DHS) Consolidated Headquarters at St. Elizabeths. I am Tom Chaleki, Chief Readiness Support Officer for DHS. My responsibilities include the oversight and management of the Department's facilities and real property, and the consolidation of DHS facilities in the National Capital Region (NCR).

I am pleased to appear with my colleagues from the General Services Administration (GSA) and the Government Accountability Office (GAO) to update the Subcommittee on the progress since the 2014 hearing of GSA's development of the St. Elizabeths West Campus as the DHS Consolidated Headquarters. I have experience with the Headquarters Consolidation Program, as until very recently I was the Deputy Chief Readiness Support Officer with oversight responsibilities for the DHS property portfolio. I also worked for several years in facility planning for the U.S. Coast Guard and as an Air Force Reserve civil engineer. As a result of my background and experiences, I have a great appreciation for the challenges of this complex development in an uncertain funding environment, and can testify to the benefits that completion will bring to the Department operationally and fiscally with your continued support.

Beginning with the submission of the DHS National Capital Region Housing Master Plan submitted to Congress in 2006, in cooperation with the developer GSA, five Secretaries, including Secretary Nielsen, have determined that the existing DHS Headquarters at the Nebraska Avenue Complex (NAC) is insufficient to meet the Department's needs. Currently, DHS Component headquarters offices are scattered across the NCR, which adversely impacts critical coordination. It is clear that GSA's development of a new DHS Consolidated Headquarters at St. Elizabeths is vital to effective mission execution and to support the Department's Unity of Effort. While the threats, challenges, and priorities of the Department have evolved over time, the need for a consolidated headquarters is just as important today as it was when we started this effort in 2006. Aside from the operational benefits, a consolidated headquarters allows for effective utilization of the Department's resources. Rightsizing the portfolio in long-term government owned space and taking advantage of the changing dynamics of the federal workplace will reduce long-term occupancy costs and free up scarce dollars for other priorities.

2014 GAO Report:

The GAO Report (GAO-14-648), *Federal Real Property: DHS and GSA Need to Strengthen Management of DHS Headquarters Consolidation*, provided three recommendations with respect to the St. Elizabeths program. The Department concurred with all three and has taken action to address each within our responsibilities.

As a tenant agency, DHS does not manage the development-side of the St. Elizabeths campus project. We provide programmatic requirements to GSA; budget for and fund certain tenant specifications; review GSA managed design and construction activities; coordinate with GSA and all stakeholders on historic preservation consultations and regulatory reviews of the project; and provide oversight on GSA's use of DHS's funding in the execution of their responsibilities as the developer. All development activities are managed by GSA in accordance with GSA

policies, to include the preponderance of contracting and construction activities. The Department fully cooperates with GSA, but does not exercise acquisition oversight or procurement decisions related to GSA's property development activities.

GAO's first recommendation was that GSA and DHS should conduct a needs assessment and gap analysis of current and needed capabilities; and an alternatives analysis that identifies the cost and benefits of leasing versus construction alternatives. In response to the first recommendation, DHS worked closely with GSA to revise the Headquarters Consolidation Plan, resulting in the development of the Enhanced Plan, which served as the basis of the Fiscal Year (FY) 2016 budget request. The Enhanced Plan reduced planned construction at St. Elizabeths while implementing DHS's new space standards and flexible workplace strategies to accommodate 17,000 employees; this represented a 3,000 staff increase over the original plan. This plan was based on a comprehensive revision of the program of requirements for housing DHS in the NCR and also accelerated completion of the St. Elizabeths construction to 2021 rather than 2026. The relocation from existing leased and federally-owned facilities was aligned with the construction plans cognizant of the management of existing lease contracts. DHS provided GAO a copy of the business case analysis on November 20, 2015.

This business case analysis provided the comprehensive needs assessment for DHS Headquarters facilities in the NCR based on updated space standards and implementation of flexible workplace strategies to optimize the DHS portfolio, as recommended by GAO. The analysis compared the continued development of St. Elizabeths with federal construction under the Enhanced Consolidation Plan versus commercial lease consolidation. The analysis showed that consolidation under the Enhanced Plan would provide a \$1.2 billion, 30-year present value cost avoidance to DHS, over the best case commercial lease consolidation plan, if funded and executed on a timely basis. The plan was prioritized based on lease expirations, which requires an annual decision to fund federal construction, extend or replace existing leases.

The second GAO recommendation dealt with the development of revised cost estimates and schedules in accordance with leading practices. As noted above, GSA manages these aspects of the project. DHS collaborated with GSA in their development of these comprehensive documents over a period of more than two years.

The third GAO recommendation indicated that the Secretary of Homeland Security should designate the headquarters consolidation program a major acquisition, consistent with DHS acquisition policy, and apply DHS acquisition policy requirements. DHS concurred with the part of the recommendation that the DHS funded portion would come under the purview of the Acquisition Review Board. However, given the project is managed by GSA in accordance with GSA acquisition policies, it would not necessarily follow the fully defined DHS acquisition process. The business case analysis provides the foundational documentation for the consolidation and related acquisition efforts. The Department conducted a program review of the DHS-funded portion of the project on November 15, 2016, utilizing the draft updated cost, schedule, and risk data developed by GSA in response to GAO recommendations. Further, the office I lead, the DHS Office of the Chief Readiness Support Officer, is actively working with the DHS Program Accountability and Risk Management Office to align the extensive program documentation developed under this GSA managed acquisition to meet the spirit of the DHS Acquisition policy guidance.

Department of Homeland Security Headquarters Consolidation Accountability Act of 2015:

Public Law 114-150, *Department of Homeland Security Headquarters Consolidation Accountability Act of 2015*, requires the Secretary of Homeland Security, in coordination with the GSA Administrator, to submit to the appropriate committees of Congress information on the implementation of the Enhanced Plan for the Department's Headquarters Consolidation project within the NCR. Given the lack of funding in FY17 and FY18, the plan is misaligned, outdated, and no longer accurate. The Administration is now revisiting the Enhanced Plan. While DHS and GSA developed initial estimates in response to the reporting requirement, these analyses are no longer informative because of the underlying assumptions about the project's schedule. The plan and supporting documentation are now being revised with the recognition that certain leases must be re-competed as a result of the two-year delay and that other adjustments are necessary given the challenges encountered with historic building renovations on the St. Elizabeths campus.

Next Steps with St. Elizabeths:

With the FY 2019 President's Budget Request, DHS Secretary Nielsen and GSA Administrator Murphy have committed the Department and GSA to continue the Headquarters Consolidation project. It remains vital for operations integration and mission effectiveness as well as for the efficient management of our property portfolio. Both GSA and DHS are committed to completing the remaining development in the most cost effective manner possible. GSA and DHS are working aggressively to address priority lease expirations, address certain programmatic challenges, and validate remaining occupancy requirements. We believe the remaining development needs to focus on cost effective, space-efficient construction that maximizes site utilization. DHS and GSA will brief our congressional committees and GAO on our future St. Elizabeths plans, as appropriate.

Despite these challenges, the St. Elizabeths campus project demonstrates effective interagency cooperation between DHS and GSA in executing this highly complex development in an uncertain funding environment. At this time next year, we project we will have reached a critical milestone as we will be moving the majority of the Office of the Secretary and Executive Management from the NAC to the renovated and historical Center Building at St. Elizabeths. The renovation of the Center Building will be complete this fall, and will then be followed by information technology and outfitting installations.

At the same time, the National Operations Center construction is progressing within the DHS Operations Centers facility. The stand-up of this relocation will be synchronized to the Secretary's move. The continued build-out and transition of Component operations centers to St. Elizabeths is a foundational element of the headquarters consolidation effort. The collocation of operations centers at St. Elizabeths will enhance communications/coordination among components and lead to more effective operational resource planning and allocation in mission execution. GSA is also proceeding with the Central Utility Plant expansion and the Hitchcock Hall renovation that will be completed in conjunction with the Center Building occupancy. The new Center Building West Addition construction is also well underway with occupancy planned for 2020. While all this activity is ongoing across the campus, GSA and DHS continue to support U.S. Coast Guard Headquarters operations, including the Coast Guard National Command Center, a joint operations center space housing both the Coast Guard Cyber Command

Watch and the DHS Chief Information Officer Enterprise Security Operations Center, the Information Technology Operations Center, and the Campus Security Operations Center.

Conclusion:

DHS and GSA fully support the St. Elizabeths project. With the DHS Secretary's occupancy a year from now, we will have achieved a critical milestone in the development of St. Elizabeths. We must continue to develop the campus to its fullest potential and leverage the significant investment the taxpayers have made in the campus thus far by providing the Department with the facilities it needs to aggressively perform its mission into the future. We appreciate continued support from Congress for this critical investment to help advance DHS's mission and Unity of Effort.

In closing, I would like to assure this Subcommittee that DHS is working hard to remain a good steward of taxpayers' money by managing our real estate portfolio, both government owned and leased, in a cost effective manner that will facilitate securing the Homeland and save the American taxpayer money. Thank you again for the opportunity to testify today on this important matter. I would be pleased to answer any questions the Subcommittee may have.