

Testimony of Liz Hempowicz, Director of Public Policy Project On Government Oversight

before the House Committee on Transportation and Infrastructure
Subcommittee on Economic Development, Public Buildings and Emergency Management
On "Landlord and Tenant: The Trump Administration's Oversight of the Trump
International Hotel Lease"
September 25, 2019

Chair Titus, Ranking Member Meadows, and members of the Subcommittee, thank you for the opportunity to testify about how the General Services Administration (GSA) oversees the federal government's lease with the Trump Organization for the Old Post Office Building. I am Liz Hempowicz, director of public policy at the Project On Government Oversight (POGO).

POGO is a nonpartisan independent watchdog that investigates and exposes waste, corruption, abuse of power, and when the government fails to serve the public or silences those who report wrongdoing. We champion reforms to achieve a more effective, ethical, and accountable federal government that safeguards constitutional principles. Throughout our nearly 40-year history, we have consistently worked with lawmakers from all points on the political spectrum to advance policy solutions to systemic issues in the federal government. Regardless of their party affiliation, we hold those to account who need to be held accountable and give credit where credit is due.

At the root of it, we're here today because President Donald Trump has not fully divested from his private businesses. In addition to the conflicts of interest posed by President Trump's serving as both landlord and primary tenant of a federally owned building, this arrangement implicates the Constitution's foreign and domestic emoluments clauses. It also presents a possible violation of a clause in the lease meant to ensure that government officials do not benefit from a lease of this sort.

Earlier this year, the GSA's Office of Inspector General released a report on how the agency had handled the lease. The watchdog found "serious shortcomings" in the agency's process of determining whether the president was in compliance with the lease. Perhaps more disturbing was the GSA general counsel's inadequate response to the report's conclusions. That response prompted POGO to urge the head of the agency to supplement the general counsel's response, to more completely address the report's findings and detail how the GSA would correct the

¹ General Services Administration Office of Inspector General, *Evaluation of GSA's Management and Administration of the Old Post Office Building Lease*, January 16, 2019, 23. https://www.gsaig.gov/sites/default/files/ipa-reports/JE19-002%20OIG%20EVALUATION%20REPORT-GSA%27s%20Management%20%26%20Administration%20of%20OPO%20Building%20Lease_January%2016%202019_Redacted.pdf

deficiencies the inspector general identified.² I also understand that members of this subcommittee have concerns about GSA's actions in response to congressional oversight requests.³

My testimony will address the possible conflicts presented by the relationship between the Trump Organization and the GSA, the inspector general's findings, the GSA general counsel's response, and this committee's oversight efforts.

Potential Conflicts of Interest

The Trump Organization's lease with the GSA for the Old Post Office Building is perhaps the clearest instance in which President Trump's personal financial interests may be at odds with what is best for taxpayers.

The Trump International Hotel in the Old Post Office Building opened in 2016, a few weeks before Donald Trump was elected president. After the election, POGO and other ethics and legal experts from across the political spectrum urged the president-elect to divest his business enterprises into a true blind trust managed by an independent trustee with no family relationship with him, in accordance with the guidelines of the Ethics in Government Act. Given the nature of President Trump's personal businesses, this trustee would have then had to liquidate all business enterprises and invest the new assets without providing the president any information about the new holdings.

This course of action would likely constitute a considerable financial sacrifice for the president. However, I believe that such a personal sacrifice is necessary to erase any doubt as to whether President Trump—or any other executive branch official—is making decisions to further his own financial interests or the interests of the American taxpayer.

Because the president instead stepped away from management of his businesses and put his interests in those businesses into a revocable trust, he still stands to benefit financially from them. The contention that this arrangement is sufficient because he won't benefit while in office is disingenuous, ignoring the simple fact that a benefit doesn't need to be immediate to cause a conflict of interest.

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² Letter from POGO Executive Director Danielle Brian to GSA Administrator Emily W. Murphy about the agency's response to the Inspector General's review of the Trump International Hotel lease for the Old Post Office building, January 24, 2019. https://www.pogo.org/letter/2019/01/watchdog-report-on-trump-hotel-review-raises-serious-questions/

³Letter from Chair of the House Transportation and Infrastructure Committee Peter DeFazio and Chair of the Subcommittee on Economic Development, Public Buildings, and Emergency Management Dina Titus to Administrator of the General Services Administration Emily Murphy, following up on earlier requests for documents from the agency, September 10, 2019. https://transportation.house.gov/imo/media/doc/2019-09-10%20DeFazio-Titus%20Letter%20Response%20to%20GSA.pdf

⁴ Letter from POGO et al. to President-elect Donald Trump, urging the president-elect to fully divest from his private business interests, December 9, 2016. https://www.pogo.org/letter/2016/12/pogo-and-bipartisan-ethics-experts-in-new-letter-to-trump-divest-now-to-prevent-ongoing-conflicts/

The president has considerable influence over the GSA, the agency from which his private business leases the Old Post Office Building. Any enhancements the government makes to the building will provide a clear benefit to President Trump, and the current legal arrangement does not deny him this financial benefit—it just delays the receipt of any benefit until he leaves office.

More concretely, the president's own political appointee who leads the agency is in the position to influence negotiations with the president's private business to determine future changes to the lease agreement that could have significant financial consequences. For example, it appears that, under the lease, in addition to the fixed rent the Trump Organization will pay for the space it is also subject to a "percentage rent difference," to be calculated annually. The terms for determining this possible increase are redacted from the publicly released version of the lease. But it appears that the lease provides the GSA, as landlord, a range of numbers to choose from to calculate the percentage rent difference.

The Trump Organization can authorize the GSA to release the redacted information in the lease. I recommend that the company do so, to allow for independent oversight of this contract. As it stands, the public is essentially being asked to trust that the GSA, an agency under the president's authority, will do what is right for taxpayers even if that comes at the expense of the financial interests of its boss.

The fact that President Trump has not completely divested from his businesses has created an untenable situation. His responsibilities as president of the United States and head of the executive branch unavoidably conflict with his personal financial interests as the individual who may still benefit from the trust with a controlling interest in the Trump International Hotel at the Old Post Office Building. This conflict is starkly demonstrated by the GSA's repeated deference to the Trump Organization's arguments in favor of withholding documents in response to congressional inquiries.⁶

Significant conflicts of interest like these cast an unnecessary shadow over the decisions made by federal agencies under President Trump, and will continue to cast that shadow as long as he maintains a financial interest in his private businesses.

The GSA Inspector General's Report

After the 2016 election, the GSA's Office of Inspector General received "numerous complaints" from Members of Congress and the public about the potential conflicts of interest posed by the president-elect's lease for the Old Post Office Building.⁷ The inspector general undertook an examination of the agency's decision-making process for determining whether the president's inauguration breached the lease. Because the report covers a period that includes a presidential

⁵ Ground Lease by and between the United Stated of America and Trump Old Post Office LLC, Lease No: GS-LS-11-1307, Section 5.1(b), August 5, 2013, 35.

 $[\]underline{https://www.gsa.gov/cdnstatic/Part_One_of_Segment_001_of_OPO_Ground_Lease_\%282013\%29_RA.pdf$

⁶ Letter from Chairs DeFazio and Titus to Administrator Murphy, September 10, 2019 [see note 3].

⁷ General Services Administration Office of Inspector General, Evaluation of GSA's Management and Administration of the Old Post Office Building Lease, 1 [see note 1].

transition, some of the events examined occurred under President Barack Obama while others occurred under President Trump.

The inspector general report, released in January of this year, highlights deficiencies in the agency's post-2016 election review of whether the president-elect's business interests in the tenancy of the Old Post Office Building breached the government's contract with those business interests. The post-election review was conducted by members of the GSA's office of general counsel between November 2016 and March 2017. According to the inspector general, the GSA's central error was its decision to decline to consider whether the Constitution's foreign or domestic emoluments clauses "barred the President's business interest" in the building. As the inspector general concluded, "GSA's unwillingness to address the constitutional issues affected its analysis of ... the lease."

The foreign emoluments clause of the Constitution was intended "to prevent corruption and limit foreign influence on federal officers" by prohibiting "federal officers from accepting foreign emoluments without congressional consent," as the Congressional Research Service explains. ¹⁰ Courts have adopted a broad definition of emolument as any benefit, gain, or advantage, including profits from private market transactions. However, the meaning of the word as used in the Constitution is the subject of ongoing and significant debate. ¹¹ Whether the foreign emoluments clause is implicated by President Trump's continued financial interests in his private businesses remains an open legal question.

The domestic emoluments clause was intended "to preserve the President's independence" by preventing the president from receiving any emoluments from federal or state governments, other than his fixed salary. Whether the domestic emoluments clause is implicated by the president's continued financial interests in his private businesses is an open question as well.

Errors in the GSA's Review of the Trump Organization's Compliance with the Old Post Office Lease

President Trump's continued financial interests in his private businesses also present a possible violation of Section 37.19 of the lease between the Trump Organization and the GSA. The section reads as follows:

No member or delegate to Congress, or elected official of the Government of the United States or the Government of the District of Columbia, shall be admitted to any share or part of this Lease, or to any benefit that may arise therefrom; provided, however, that this provision shall not be construed as extending to any Person who may be a shareholder or

⁸ General Services Administration Office of Inspector General, *Evaluation of GSA's Management and Administration of the Old Post Office Building Lease*, 23 [see note 1].

⁹ General Services Administration Office of Inspector General, Evaluation of GSA's Management and Administration of the Old Post Office Building Lease, 1 [see note 1].

¹⁰ Kevin J. Hickey and Michael A. Foster, "The Emoluments Clauses of the U.S. Constitution," Congressional Research Service, August 23, 2019, 1. https://fas.org/sgp/crs/misc/IF11086.pdf

¹¹ Hickey and Foster, "The Emoluments Clauses of the U.S. Constitution," 1 [see note 10].

¹² Hickey and Foster, "The Emoluments Clauses of the U.S. Constitution," 1 [see note 10].

other beneficial owner of any publicly held corporation or other entity, if this Lease is for the general benefit of such corporation or other entity. 13

During the 2016 presidential campaign, the media and the public began scrutinizing a number of potential conflicts of interest presented by then-candidate Trump's involvement with the Trump International Hotel at the Old Post Office Building. ¹⁴ The potential conflicts implicated both emoluments clauses and the aforementioned provision in the lease; a violation of any of the three could constitute a breach of the lease.

Despite these concerns, GSA did not begin discussing these issues until after Donald Trump was elected president, according to the inspector general report. This was GSA's first error in this matter. The agency and the public would have been better served had GSA begun a rigorous review of these legal implications when Donald Trump became the Republican nominee in July 2016.

"Early on" in the GSA's post-election review, according to the inspector general, the agency's office of general counsel acknowledged that the president-elect's business interests in the Trump Organization might constitute a violation of the emoluments clauses and could cause a breach of the lease for the Old Post Office Building. But the office of general counsel did not consider that issue, and did not document the rationale for this decision. This was the GSA's second error in this matter.

The agency's review instead focused solely on whether Donald Trump's having been elected president constituted a violation of Section 37.19.

As detailed in the inspector general's report, in December 2016, the Trump Organization notified the GSA contracting official handling the Old Post Office Building lease that the company would be restructuring the president-elect's financial interest in the company as it pertained to the lease. Over the next few months, the contracting officer communicated with Trump Organization attorneys and the GSA general counsel's office to determine whether there was a violation of Section 37.19. The Trump Organization communicated to the contracting officer that after his inauguration the president had transferred his interest in the Old Post Office Building to a revocable trust and relinquished management over that interest, though he retained his financial interest in the property.¹⁷

¹³ Ground Lease by and between the United Stated of America and Trump Old Post Office LLC, Lease No: GS-LS-11-1307, Section 37.19, August 5, 2013, 103.

https://www.gsa.gov/cdnstatic/Part Two of Segment 001 of OPO Ground Lease %282013%29 RA.pdf

14 Russ Choma, "Donald Trump Has a Huge Conflict of Interest That No One's Talking About," *Mother Jones*,
August 15, 2016. https://www.motherjones.com/politics/2016/08/trump-conflict-of-interest-old-post-office-hotel/;
Bloomberg News, "Trump's Pricey Washington Hotel Is a Showcase and Test for Ivanka," *Investor's Business Daily*, September 16, 2016. https://www.investors.com/news/trumps-pricey-washington-hotel-is-a-showcase-and-test-for-ivanka/

¹⁵ General Services Administration Office of Inspector General, Evaluation of GSA's Management and Administration of the Old Post Office Building Lease, 8 [see note 1].

¹⁶ General Services Administration Office of Inspector General, Evaluation of GSA's Management and Administration of the Old Post Office Building Lease, 5 [see note 1].

¹⁷ General Services Administration Office of Inspector General, *Evaluation of GSA's Management and Administration of the Old Post Office Building Lease*, 8-10 [see note 1].

The contracting officer then requested a "written submission" from President Trump laying out his position on whether the Trump Organization was in compliance with the lease, "specifically Section 37.19." Attorneys for the company responded with a written legal analysis concluding that the organization was in full compliance with the lease. ¹⁹

The contracting officer then asked the GSA general counsel's office to provide a legal opinion on the matter. After deliberations with the general counsel's office, the contracting officer issued a document known as an estoppel certificate, stating unequivocally that GSA believed the Trump Organization was in full compliance with the terms of the lease.²⁰

The inspector general's report noted that when the contracting officer issued the certificate, he knew that the GSA general counsel "recognized a violation of the Foreign Emoluments Clause might be relevant to a breach and that this important issue remained open."²¹ It is therefore disconcerting that the certificate does not include a qualifier acknowledging that potential breach.

Due to redactions in the inspector general's report, it isn't possible to fully examine the GSA general counsel's legal analysis. But the report plainly states that the decision to ignore the implications of the emoluments clauses was "improper" and left a cloud of legal uncertainty over the lease. The GSA's third and most serious error in this matter was ignoring the emoluments clauses in its legal analysis.

¹⁸ Letter from GSA contracting officer Kevin Terry to Donald J. Trump, requesting a written submission of Tenant's (Donald J. Trump's) position regarding its compliance with the lease, February 10, 2017, 16 [page in PDF]. https://www.gsa.gov/cdnstatic/Contracting Officer Letter March 23 2017 Redacted Version.pdf

¹⁹ The Trump Organization's analysis rested on three principal assertions. The first was that the phrase "shall be admitted to any share or part of this Lease" cannot apply to the president because he was admitted to the lease before he entered an elected official. The second was that the president fits under the exclusionary clause in Section 37.19, which states that "this provision shall not be construed as extending to any Person who may be a shareholder or other beneficial owner of any publicly held corporation or other entity, if this Lease is for the general benefit of such corporation or other entity." The lawyers argue "other Person" is the President and the Trump Organization is an "other entity" of which he is an "indirect beneficial owner." Finally, even if Section 37.19 does apply to the president's interest in the Old Post Office building lease, the lease does not provide a remedy for the violation of the provision presented and therefore would not affect the validity of the lease. Letter from partner at Morgan, Lewis & Brockius LLP Sheri A. Dillon to GSA contracting officer Kevin Terry in response to request for Tenant's position on its compliance with the GSA lease, February 17, 2017, 23-32 [pages in PDF]. https://www.gsa.gov/cdnstatic/Contracting Officer Letter March 23 2017 Redacted Version.pdf

²⁰ After this conclusion was reported, in March 2017, POGO and a coalition of partner organizations asked the inspector general to review the decision-making process. Without a transparent legal analysis, the letter conveying the decision raised significant questions; we requested an independent review to ensure propriety. Letter from POGO et al. to General Services Administration Inspector General Carol F. Ochoa requesting an independent review of the GSA's contracting officer's determination that the Trump Organization is in compliance with the Old Post Office building lease, March 29, 2017. https://www.pogo.org/letter/2017/03/pogo-requests-review-of-conclusion-that-president-trump-isnt-violating-his-dc-hotel-lease/

²¹ General Services Administration Office of Inspector General, *Evaluation of GSA's Management and Administration of the Old Post Office Building Lease*, 10 [see note 1].

The three errors I've described raise significant concerns about the internal GSA review process that led to the issuance of an unqualified legal certificate confirming that the Trump Organization was in compliance with its lease.

The GSA General Counsel's Response to the Inspector General Report

Given the serious nature of the inspector general's findings, the agency's response was grossly inadequate. Written by the agency's general counsel, the response ignored all but the inspector general's one recommendation and placed blame for the report's primary findings on former agency officials.²² The tone of the letter was at times jarringly contemptuous, appearing more concerned with protecting the president's reputation than ensuring the agency is operating in the best interests of American taxpayers.

The response began by saying the GSA was "gratified" by the fact that the inspector general found no instances of improper interference in the contracting officer's decision-making process when he determined that the Trump Organization was in compliance with the terms of the lease. While this is certainly notable, it does not mitigate the inspector general's findings that the review was subject to "serious shortcomings" and was "improper." The general counsel's response mentioned neither of those findings; nor did it detail any course of action for the agency to remedy those shortcomings.

Perhaps the most significant part of the agency's response comes in its second-to-last paragraph. Ignoring the statement at the beginning of the inspector general's report establishing that it would not examine whether the president's interest in the hotel violates the emoluments clauses, the general counsel stated that the inspector general "does not find that any constitutional violation occurred," and asserted that the inspector general found "an Emoluments violation is merely possible." The GSA general counsel goes on to dispute the assertion that an emoluments violation is even possible under the current circumstances, pointing to ongoing litigation in which the Justice Department is arguing that the president's business interests do not pose a violation of the emoluments clauses.

The general counsel appeared to discount the fact that in those lawsuits, Justice Department attorneys are exercising their role as the president's civil defense attorneys. The Federal Programs Branch of the Civil Division, as described on the department's website, "defends civil actions against the Executive Office of the President," such as the emoluments clause lawsuits the general counsel cited in his response. As the Justice Department is zealously arguing for an interpretation of the law most favorable to its client, it is hardly an impartial arbiter of fact or law in this situation. To present the department's assertions as impartial, like the GSA's general counsel did in his response, is misleading.

²² General Services Administration Office of Inspector General, *Evaluation of GSA's Management and Administration of the Old Post Office Building Lease*, Appendix B, 45 [page in PDF] [see note 1].

²³ General Services Administration Office of Inspector General, *Evaluation of GSA's Management and Administration of the Old Post Office Building Lease*, 23, 16 [see note 1].

²⁴General Services Administration Office of Inspector General, *Evaluation of GSA's Management and Administration of the Old Post Office Building Lease*, Appendix B, 46 [page in PDF] [see note 1].

²⁵ "About the Civil Division – Federal Programs Branch," Department of Justice, last modified October 12, 2018. https://www.justice.gov/civil/federal-programs-branch

Rather than substantively addressing any of the deficiencies in the agency's legal analysis caused by ignoring the emoluments clause issues, the general counsel attempted to deflect criticism by implying that such a review wouldn't have made a difference to the agency's final determination.

The Committee's Oversight Efforts

Chairs DeFazio and Titus have been engaged in efforts to oversee the GSA's handling of the Trump Organization's lease for the Old Post Office building. ²⁶ It is my understanding that Chairs DeFazio and Titus have taken issue with the GSA's refusal to comply fully with document requests from this committee. POGO has worked for many years to strengthen Congress's oversight capacity, and I am particularly sympathetic to the frustrations the chairs expressed in their latest letter to the GSA administrator.

That letter, sent earlier this month, explained that the GSA has passed along claims from Trump Organization attorneys to withhold documents from the committee, in which the organization argued that the records constitute confidential business information and that the requests lack a legislative purpose. POGO has long objected to federal agency general counsels' reflexive acceptance of third-party denials by private leaseholders or contractors as sufficient justification to withhold documents from Congress.

The GSA's refusal to release documents to Members of Congress in this case may also be a result of the conflict presented by the president's continued interests in the GSA lease. GSA officials have found themselves caught in the crossfire in a fight between their boss's personal business interests and Congress's responsibility to oversee the executive branch.

Fortunately, past Supreme Court rulings offer guidance for the GSA to ensure that its officials are acting in accordance with the law. As the committee notes, the court has repeatedly ruled that it is not the obligation of a congressional committee to provide a valid legislative purpose for an inquiry to a federal agency or to a presidential administration.²⁸ As the Supreme Court has previously ruled, "valid legislative" inquiries do not need to be publicly declared to make them valid.²⁹

Clearly, the GSA should give the Supreme Court's rulings greater weight than the president's personal attorney's legal argument as to why the agency should withhold information the committee has requested.

²⁶ Letter from Chair of the House Transportation and Infrastructure Committee Peter DeFazio and Chair of the Subcommittee on Economic Development, Public Buildings, and Emergency Management Dina Titus to Administrator of the General Services Administration Emily Murphy, following up on earlier questions asked about the leasing of the Old Post Office building, January 22, 2019. https://transportation.house.gov/news/press-releases/chairman-defazio-rep-titus-press-gsa-on-the-repeated-refusal-to-respond-to-questions-surrounding-trumps-conflicts-of-interest; Letter from Chairs DeFazio and Titus to Administrator Murphy, September 10, 2019 [see note 3]

²⁷ Letter from Chairs DeFazio and Titus to Administrator Murphy, September 10, 2019, 1 [see note 3].

²⁸ Letter from Chairs DeFazio and Titus to Administrator Murphy, September 10, 2019, 2 [see note 3].

²⁹ Todd Garvey, "Legislative Purpose and Adviser Immunity in Congressional Investigations," Congressional Research Service, May 24, 2019, 3. https://fas.org/sgp/crs/misc/LSB10301.pdf

The GSA must respond to your legitimate oversight requests regardless of whether your committee identifies any potential legislative actions that may result from the information. We similarly believe that the GSA's Office of Inspector General must fully comply with the request for information and documents it received from Ranking Members Graves and Meadows in February of this year.³⁰

The administration of public buildings and the work of the GSA inspector general are squarely within the jurisdiction of this committee. This level of agency obfuscation is not new. But it should worry Members on both sides of the aisle, as it will do lasting damage to Congress' oversight authorities if allowed to go unchecked.

What's at Stake

The inspector general review provided two notable conclusions. First, that the GSA contracting officer's decision to certify that the Trump Organization was in compliance with its lease was not tainted by improper interference. Second, that despite the absence of overt political pressure, there were "serious shortcomings" in that decision-making process. The shortcomings mean that the legality of the lease between the Trump Organization and the GSA is still in question.

I urge the GSA to comply with all document requests from members of this committee so that the Congress has what it needs to establish whether current laws have been violated as well as to determine whether it is necessary to update those laws. The American public deserves to be able to trust that our public officials, whether in the federal agencies or in the White House, are acting in our best interest.

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³⁰ Letter from Ranking Member of the House Transportation and Infrastructure Committee Sam Graves and Ranking Member of the Subcommittee on Economic Development, Public Buildings, and Emergency Management Mark Meadows to Inspector General of the General Services Administration Carol Ochoa, requesting information and documents related to the GSA inspector general's investigation, February 4, 2019. https://republicans-oversight.house.gov/wp-content/uploads/2019/02/2019-02-04-JJ-MM-RJ-SG-to-Ochoa-GSA-IG-re-Old-Post-Office-Building-due-2-18.pdf