



**TESTIMONY OF ELAINE C. DUKE,
UNDER SECRETARY FOR MANAGEMENT,
U.S. DEPARTMENT OF HOMELAND SECURITY BEFORE THE UNITED
STATES HOUSE COMMITTEE ON APPROPRIATIONS ON “DHS
HEADQUARTERS CONSOLIDATION”**

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Chairman Price, Ranking Member Rogers, and members of the Subcommittee, thank you for this opportunity to discuss the Department of Homeland Security (DHS) Headquarters consolidation initiative.

DHS and Component Headquarters employees currently occupy more than seven million square feet of office space, scattered in 46 locations and across approximately 70 buildings throughout the National Capital Region (NCR). We project a need for more than eight million square feet of office space in 2010 and, based on anticipated personnel growth, may require additional space in the future. . This extreme dispersion imposes significant inefficiencies in our daily operations that can be magnified considerably at the most important moments—when the Department must act as a nimble and integrated team responding to natural disasters or terrorist threats.

The DHS Headquarters Consolidation plan will transform the dispersed portfolio from 46 locations down to approximately seven to ten locations. The plan will also synchronize the transition of 82 percent of the approximately 180 existing leases that are expiring before Fiscal Year (FY) 2015. Basically, the plan consists of the St. Elizabeths development for mission execution functions and the consolidation of remaining mission support functions. These efforts are two sides of the same coin that must be jointly addressed in order to effectively and efficiently realign our real estate portfolio.

The DHS Consolidated Headquarters at St. Elizabeths—partially funded by the American Recovery and Reinvestment Act (ARRA)—will create direct and indirect employment

opportunities for thousands of people in the Washington region while preserving a National Historic Landmark. It is anticipated that the project will create direct and indirect employment opportunities for more than 30,000 people in the region for construction and construction-related activities, not including the 14,000 federal employees who will work at St. Elizabeths. As a result of these jobs, the local economy will gain payroll earnings of approximately \$1.2 billion through the planned completion in FY 2016.

I am very pleased with the close cooperation and support from Delegate Eleanor Holmes Norton and the District of Columbia government on this project. The breakthrough in the Master Plan development was the opportunity to synchronize the East Campus and West Campus developments for the benefit of both DHS and the D.C. government. Relocating a portion of our program to the East Campus allows us to obtain our need of 4.5 million square feet of office space, helps address density concerns on the West campus, and provides a campus that can function as a single unified headquarters. It will also further enhance our interaction with the community and serve as a catalyst for retail and commercial development on the East Campus.

ST. ELIZABETHS

St. Elizabeths will serve as the epicenter for DHS leadership, operations coordination, policy and program management in support of the Department's mission execution functions and strategic goals.

The project has been planned in close cooperation and coordination with both the General Services Administration (GSA) and the Office of Management and Budget (OMB) as a three-phase development with severable segments designed to create a relatively steady future funding requirement over fiscal years 2011 through 2014. Phase 1 is the U.S. Coast Guard Headquarters, scheduled for occupancy in FY2013; Phase 2 is the DHS Headquarters, FEMA and the National Operations Center/Collocation of Component Operations Centers, scheduled for completion in FY2014; and Phase 3 is for the remaining component occupancies in FY2016. This plan will create 4.5 million gross square feet of space for 14,000 DHS employees at St. Elizabeths.

I am pleased to report that with the leadership and support of the Committee and the Congress, together with our colleagues at GSA, significant progress is being made on the St. Elizabeths development. The FY 2011 budget request seeks to sustain the momentum generated from the FY 2009 appropriations and the American Recovery and Reinvestment Act with continued investment on Phase 1 requirements (U.S. Coast Guard) and initiation of construction of Phase 2A, which includes the DHS Headquarters, the National Operations Center, and the collocation of component operations centers.

Consolidating the DHS headquarters will increase effectiveness and efficiency; enhance communication; and foster a “One DHS” culture that will optimize department-wide prevention, response and recovery capabilities. To be successful, the department must effectively manage the physical campus improvements while integrating the broader community and policy goals. We are also mindful of the National Historic Landmark

status of the campus and remain committed to minimizing harm to contributing historic features while providing functional spaces that meet our programmatic needs. St. Elizabeths will be a model for integrating modern uses with historic preservation, sustainability, economic development and coordination between the federal government, the district government, private industry and the community.

DHS received \$97.58 million in FY 2009 appropriations and an additional \$200 million in American Recovery and Reinvestment Act funding for the DHS consolidated headquarters at St. Elizabeths. Working together with GSA and their companion appropriations, GSA awarded a \$435 million design-build contract in August 2009 for the Phase 1A new 1.1 million gross square feet U. S. Coast Guard Headquarters building. In addition, GSA has awarded contracts for Phase 1 construction management services and for two design excellence architects to complete the remaining phases of development.

Phase 1B final design submissions are being prepared for National Capital Planning Commission (NCP) approval at the April and May 2010 meetings with construction awards scheduled for 4th quarter of FY2010. These designs will encompass the adaptive reuse of certain historic buildings for shared services functions, such as a cafeteria, auditorium, fitness center, and Coast Guard Exchange, as well as infrastructure projects consisting of Security Perimeter Improvements and Phase 1 Utilities.

The Technology Integration Program (TIP) for the Headquarters Consolidation initiative is a highly complex and transformational approach to the delivery of technology services

for the campus; this initiative will also be applicable to the Mission Support Consolidation effort that I will describe shortly. The TIP will foster integration and innovation in the delivery of technology services across the department. Centralized acquisition of all common infrastructure and common equipment is essential to ensure conformance and consistency with a new enterprise architecture that supports a “One DHS” culture, yet provides the flexibility to address unique component requirements. The GSA Federal Acquisition Service is managing this procurement in cooperation with the DHS Program Team; a fourth quarter FY2010 award is on schedule.

I would like to discuss the close working relationship of the DHS Program Team and GSA on acquisition strategies. GSA shares our commitment to competitive contracting and small business emphasis wherever possible. GSA and DHS held a joint industry day, sponsored by Delegate Eleanor Holmes Norton, on the St. Elizabeths development in October 2009 that was attended by approximately more than 1,000 business representatives. In December 2009, GSA and DHS followed up on this event by sponsoring a Pre-solicitation Conference for the TIP contract. GSA will compete this contract among the 59 large business vendors in the Government Wide Acquisition Contract (GWAC) Alliant for IT services. The conference included a small business networking session with the Alliant Prime Contractors.

We are also completing a Program of Requirements validation for all of the DHS components to ensure that we have the most up-to-date information on component needs. Phase 2A design is in progress for the National Operations center, the collocation of component operations centers, and the adaptive reuse of the Center Building, which is the

most important building on the campus historically, and will house the Secretary's office and the senior leadership of the Department.

The NCPC gave its unanimous approval on Jan. 7, 2010, to the final design submission for the first new facility to be constructed on the campus—the U. S. Coast Guard Headquarters Building and associated parking. The design of this facility by Perkins & Will Architects is a testament to the benefits of the National Historic Preservation Act Section 106 consulting process. Through their innovative efforts, and responsiveness to stakeholders concerns, this large facility will be nestled into the hillside to minimize the impacts on the historic character of the campus and provide our employees with modern office space.

Sustainability is a key driver for this facility and the entire campus. The campus will attain Leadership in Energy and Environmental Design (LEED) Silver certification at a minimum, with the goal of achieving Gold certification where possible. The U.S. Coast Guard Headquarters building is approaching this Gold certification level. We are working with GSA team on sustainable design solutions that achieve all of the targets for energy and water conservation. I am pleased to report that work is well underway with demolition completed of the buildings in the U. S. Coast Guard site and clearing and excavation activities are in progress.

I would now like to turn to the FY 2011 budget request. A total of \$287.8 million is included in the President's Budget request for the Department of Homeland Security to

continue the development of the DHS Consolidated Headquarters at St. Elizabeths. This request will provide outfitting for the Phase 1 Coast Guard and shared use occupancies and initiates construction of the Phase 2A DHS Headquarters, and the national operations/collocation of component Operations centers immediately adjacent to the USCG site.

Although we are developing St. Elizabeths in phases, each phase is timed to ensure that disruption of construction activities is kept to an absolute minimum. Extending the development timeline at St. Elizabeths will impede our efforts to unify the Department's operations and will dilute the 30-year net present value cost advantage of consolidation in federal construction over leasing, which currently stands at more than \$600 million. The FY 2011 request is particularly critical in this regard since there are immediate adjacencies among the Center Building, the U. S. Coast Guard headquarters facility, the Coast Guard Command Center, and the National Operations Center.

MISSION SUPPORT CONSOLIDATION

The FY 2011 request seeks to initiate the Mission Support Consolidation effort, which must be accomplished in concert with St. Elizabeths schedule in order to shed the dispersed lease locations as we begin to occupy the campus.

While St. Elizabeths will accommodate the main Department and Component HQ mission execution functions, it does not have the capacity to accommodate all of the DHS mission support elements.

As new office space is created at St. Elizabeths, DHS employees will relocate to occupy these spaces and vacancies will occur in federally owned spaces within the NCR that will be backfilled by components currently in leased space. GSA and DHS will work closely with the 22 components to manage approximately 180 lease actions and minimize vacancies.

In cooperation with DHS and OMB, a Mission Support Consolidation prospectus for lease authority was submitted by GSA to Congress in October 2009 that will address the Department's current housing needs. As the prospectus is for leased office space, GSA does not require a separate appropriation and all costs for tenant fit out requirements are funded by DHS. The \$75 million included in the 2011 budget request will initiate the mission support consolidation effort by providing the necessary funding to eliminate 10 lease locations associated with the 1.2 million square feet of office space included in the prospectus. The remaining funding will be requested in future budgets to deliver the space in FY2013 and FY2014.

The Mission Support consolidation plan has the potential to achieve more than \$400 million Net Present Value cost avoidances over a 30-year period. It minimizes vacancy risk, short term lease extensions and multiple move requirements and forms the basis of the FY 2011 budget request.

The Mission Support consolidation will also contribute to a reduction in facility operation and maintenance costs and provide quality of life features and other amenities to attract and retain the best professional workforce. It is a foundation for developing a culture of success for DHS to achieve its mission. In addition, all new leased spaces will aim to achieve Administration and DHS sustainability goals.

SECRETARY'S STRATEGIC OBJECTIVES

The magnitude and complexity of our task to realign our facilities to better support the mission presents many challenges and opportunities. This project is one of Secretary Napolitano's highest priorities, and she has established specific objectives that must be achieved as we move forward.

1. Create a "One DHS" culture focused on effectiveness, efficiency and collaboration

The creation of a unified campus will support the Secretary's goal to unify the Department operationally, administratively and culturally.

2. Develop St. Elizabeths into a campus that supports DHS missions

It is critical that that as we work with GSA to redevelop this beautiful National Historic Landmark and exercise all possible planning to minimize harm to historic resources, we must also ensure that the investments in new construction and adaptive reuse provide

functional, effective and efficient facilities to support our mission requirements.

3. Support community revitalization and economic recovery

St. Elizabeths is located in Ward 8 – the most economically disadvantaged ward in the city. As the federal \$3.4 billion development progresses toward occupancy by 14,000 DHS employees, the Department must ensure that community interests and opportunities for local economic benefit are integrated into the plan and synchronized with DC’s East Campus development. Coordination with our federal and district partners is key to success as we move forward.

4. Promote sustainable designs while preserving historic structures

As the largest federal development in the region, St. Elizabeths offers an opportunity to showcase the DHS/GSA commitment to sustainable building practices and historic preservation.

5. In form and manage employee expectations regarding relocation

Recruiting and retaining a highly professional, dedicated and motivated workforce is essential to the Department achieving its mission to protect the homeland. The headquarters consolidation effort has the potential to touch or impact nearly all of the DHS headquarters and component employees in the NCR over the next 4 to 7 years.

CONCLUSION

Any delay in the DHS Headquarters consolidation project will result in expensive changes to the lease management plan, with effects on mission performance and the performance our mission. We are committed to achieving our goal of uniting and strengthening the Department with a unified headquarters by Fiscal Year 2016.

Thank you, Mr. Chairman and members of the committee for your interest in and continued support of DHS Headquarters Consolidation program. The Department's strategic goal to strengthen and unify DHS operations and management is critical to our mission. We must be united so that we may secure and protect America.

We are grateful for your continued support as we continue to move forward to achieve our goal. I would be pleased to answer any questions that you may have.