

STATEMENT OF
THE HONORABLE PETER DEFAZIO
SUBCOMMITTEE ON ECONOMIC DEVELOPMENT, PUBLIC BUILDINGS,
AND EMERGENCY MANAGEMENT HEARING ON
“IMPLEMENTING THE FEDERAL ASSETS SALE AND TRANSFER ACT (FASTA): MAXIMIZING
TAXPAYER RETURNS AND REDUCING WASTE IN REAL ESTATE”
JULY 12, 2017

Implementation of the Federal Assets Sale and Transfer Act is an important topic, and I’m glad we are conducting this hearing. But to be frank, there are far more pressing concerns this Committee must address to ensure we are “maximizing taxpayer returns and reducing waste in real estate.” The lease of the Old Post Office building and its redevelopment into the Trump International Hotel (Trump Hotel) is chief among these concerns.

I am extremely troubled by the General Services Administration’s (GSA) failure to substantively answer my repeated questions on the President’s breach of the lease agreement, the myriad conflict-of-interest issues, and the serious underlying violation of the Foreign Emoluments Clause of the U.S. Constitution.

I have written to GSA about the Trump Hotel five times since November 2016, and each time GSA has responded with incomplete answers or an outright refusal to provide substantive responses. As Members of the Committee of jurisdiction, we have the constitutional

obligation to exercise oversight of this troubled arrangement, and GSA has an obligation to answer our questions.

Given that GSA has refused to answer our questions, Ranking Member Johnson and I are taking two actions today. First, we are filing a Resolution of Inquiry demanding the President produce:

- All guidance or direction to the Acting Administrator of GSA regarding responses to requests for information from Members of Congress;
- All documents associated with the Trump Hotel lease agreement between the Government and the Trump Organization; and
- All legal memoranda or opinions regarding the lease agreement.

Second, we are releasing a comprehensive report detailing GSA's complete failure to administer the Old Post Office lease agreement in accordance with the terms of the lease; and its failure to do so with the proper regard for its constitutional, legal and ethical obligations, in the interest of the American people.

What makes all of this particularly galling is that we now have the unprecedented situation where the President of the United States is both the landlord and tenant of a Federal building. This case presents textbook examples of conflicts of interest: President Trump owns a corporation that has a profit-sharing agreement with the Federal Government.

This highly unethical arrangement demands more transparency not less.

Moreover, this case requires GSA to go above and beyond to show American taxpayers that they are receiving the benefits and values that they are entitled to in this lease agreement. Now, to add insult to injury, GSA refuses to provide the certified financial documents that would show that American taxpayers are getting their fair share of profits. We need to know that GSA is administering the lease for the benefit of taxpayers and **not** for President Trump and his family.

Given the inherent conflict of interest of having the President as party to the agreement, GSA has completely failed to administer this lease appropriately. Under any plain reading of Article 37.19 of the lease, the President's ownership interest in the Hotel is barred and places him in breach of the lease.

Article 37.19 states:

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;...

Moreover, GSA's decision-making regarding this clear prohibition and the breach of the lease agreement has been riddled with its own conflicts of interest. On March 23, 2017, GSA sent a letter to the Trump Organization declaring that it was in full compliance with the lease. The contracting officer's decision provides no justification for the decision and no legal analysis of the complex issues presented by the case. It simply recites a set of facts regarding the profit-sharing arrangement and business structure, references some documents submitted by President Trump's personal attorneys, and declares the matter closed.

This decision was not above board. We now have clear evidence that the contracting officer prejudged the determination and should have been recused from the start. In an email he sent to an official of the Trump Organization—likely Ivanka Trump—just three days after the election, the contracting officer cites a news article cataloging several potential conflicts of interest with the Trump Hotel lease agreement as “a fair amount of nonsense”. In other correspondence, he casually invites this same official out for coffee, and relays the events of his recent personal trip to upstate New York.

These are not the kinds of interactions I would expect from someone whose job it is to ensure governmental transactions and decisions are conducted at arm's length. Furthermore, the GSA Office of General Counsel was included on the contracting officer's “nonsense” email to the

Trump Organization and should have immediately taken action to ensure that the contracting officer was recused from deciding these issues.

Although the March 23 letter provides no analysis to support the contracting officer's determination, GSA has privately attempted to bolster the argument. In a briefing with Committee staff on March 31, GSA went to great lengths to explain that, because the President had created a series of shell companies and trusts, and because his son and trustee Donald Trump Jr. promised not to disburse any funds to him while he is President, he is not getting any benefit from the lease in violation of this provision. That is absurd.

In the same briefing, GSA admitted that the President could still use those profits to pay off any debts, including his \$50 million loan from Deutsche Bank.

GSA admitted that the profits could be reinvested on his behalf in maintenance and improvements to the Hotel, likely increasing its value.

And GSA admitted that if the Trump Organization sold its interest in the Hotel, President Trump would be credited with his 77-percent share of transaction. Those sure sound like benefits to me.

Finally, the Old Post Office lease agreement enables President Trump's continued probable violation of the Foreign Emoluments Clause of the U.S. Constitution. The Constitution expressly forbids a Federal officeholder from receiving things of value from foreign governments without the consent of Congress.

I have joined a lawsuit filed by 196 Members of Congress regarding President Trump's violation of the Emoluments Clause because the President refuses to address this violation in any meaningful fashion. In this particular instance, there are numerous credible allegations that foreign governments are steering business to the Trump Hotel to curry favor with President Trump in a way that our Founding Fathers expressly sought to prohibit. GSA has a responsibility to address this issue head on, but instead is facilitating the President's violation of the U.S. Constitution.

The administration and management of the Old Post Office lease agreement represents a serious conflict of interest, a complete lack of transparency, and a violation of the U.S. Constitution. The lease agreement demands the attention of the Committee. I look forward to hearing from the Acting Administrator of GSA and other witnesses about this matter.