

THE DAILY CALLER

EXCLUSIVE: A New CFPB Scandal – Cost Overruns for Its New Lux Headquarters

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Renovation costs for the brand new Consumer Financial Protection Bureau headquarters have skyrocketed, posting 25 percent in cost overruns — significantly above the original budget set by the General Services Administration, according to a Daily Caller News Foundation investigation.

Original cost estimates for the CFPB’s renovation were estimated at \$55 million, but the bureau ran up the proposed cost to \$216 million. The Federal Reserve Inspector General rejected the proposal in 2014, saying there was no “sound basis” for the figure.

As the CFPB renovation costs continued to escalate, renovation was taken out of the CFPB’s hands and transferred to the General Services Administration (GSA). GSA’s budget, however, was nearly twice the original \$55 million, hitting \$99 million.

That figure ballooned to more than \$124 million, according to a June 30, 2017, GSA document obtained by TheDCNF under the Freedom of Information Act. The document was part of a release of “change orders” and “modifications” submitted by Grunley Construction, the Washington, D.C.-based general contractor selected by GSA to renovate the CFPB building.

White House Budget Director Mick Mulvaney told theDCNF about the “excesses” he saw within the new building on his first day as acting director of the CFPB.

“Some of the obvious questions I asked myself when walking into the renovated Bureau headquarters on my first day as Acting Director were: who initially authorized these renovations, were they absolutely necessary, and were adequate cost controls in place? As I begin to focus on the Bureau’s budget, I hope to discover the facts behind these excesses and help ensure abuses won’t happen again,” Mulvaney stated in an email to TheDCNF.

Ballooning renovation costs for luxurious perks is only one of a number of high-profile controversies that beset the agency created under President Barack Obama. They include cases of widespread gender, racial and ethnic employment discrimination, massive data mining of 42 billion credit card transactions by consumers, and a history of bullying corporations into turning over millions in dubious settlement cases.

The bureau butted heads with the Trump Administration the day after Thanksgiving 2017 when Richard Cordray, its first director, resigned to run for political office. Cordray invoked a clause in the CFPB founding documents that permitted the outgoing director to name his successor.

Cordray appointed Obama holdover Leandra English as CFPB's acting director. When President Donald Trump appointed Mulvaney to serve as acting director, English, financed by secret donors, sued in federal court to block Mulvaney from assuming the reins of the bureau.

U.S. District Court Judge Timothy Kelly rejected her attempt to block Mulvaney. Kelly sided with the president, citing a 20-year-old federal vacancy law. The legislation gives the president sole authority to appoint successors when top federal vacancies occur.

When Obama and then Treasury Department official Elizabeth Warren founded the CFPB in 2011, they instituted many protections to insulate the bureau from congressional oversight, including congressional budget authority over expenditures.

They accomplished it by creating the bureau under the Dodd-Frank Act. The legislation housed the bureau within the Federal Reserve System, which operates independently of the executive branch. The legislative move allowed the CFPB to operate without any congressional oversight or accountability.

Wisconsin GOP Rep. Sean Duffy, chairman of the House Subcommittee on Insurance, Housing and Community Opportunity, told TheDCNF, the bureau's cost overruns were not surprising given the lack of congressional oversight.

"Unfortunately, reports of massive cost overruns at the CFPB surprises no one," he told TheDCNF in an email. "This unaccountable agency's lavish spending is a prime example of how unelected bureaucrats in the swamp will spend money without common sense Congressional oversight," he told TheDCNF in an email.

Mulvaney noted the lack of oversight and vowed to make the CFPB more accountable.

"My objective in managing this agency is to make it more accountable, efficient, and effective in fulfilling its statutory obligations," Mulvaney told TheDCNF. "Because Congress does not control the Bureau's budget through appropriations, we are left to budget ourselves without oversight, and every dollar we draw from the Federal Reserve is one less dollar available to pay down the deficit."

Obama's new financial agency, which is supposed to urge consumers to live within their budget, broke its own bank purchasing luxurious perks at its office, which sits across the street from the White House.

CFPB's employees now come to work in a building that features many high-end touches, including lounge seats for their plaza deck, sunken garden areas, male and female fitness rooms, and credenzas with quartz surfaces and premium drywall. The CFPB spent \$88,000 for bike racks and parking striping in the garage, according to the the GSA's "Construction Progress Report" dated June 30, 2017.

There were other reasons for cost overruns, according to the report. Revising the original office layout cost nearly \$1 million and a new mandatory wage increase for union labor under the Davis Beacon Act added an extra \$240,000. Other unstated garage "upgrades" increased costs by an extra \$1.9 million.

But the project's costs were reduced by \$1.1 million when GSA discarded a proposed childhood playground on the roof.

The \$124 million figure translates to about \$416 per square foot for the 303,000 square foot, six-flight office building. That cost makes the CFPB building among the top 10 most expensive office buildings in Washington, D.C., for 2016 to 2017, according to the Washington D.C. Economic Partnership, a public-private partnership with the District government.

The costs per foot also exceeded the average construction costs of \$339 per square foot recorded for newly constructed Washington, D.C. office buildings in the second quarter of 2017.

Grunley Construction, the main contractor for the CFPB renovation refused to respond to numerous DCNF inquiries about the reasons behind the 25 percent cost overrun.

Grunley, however, once thought a 22 percent cost overrun was wrong. In 2003, the construction company sided with a University of Maryland decision to sue its architect — a Grunley subcontractor — when construction costs for its student center suffered a 22 percent cost overrun. Grunley was the general contractor for the student center.

Grunley Construction Co. and its subcontractor, Masonry Arts, Inc. also both failed to properly measure the existing windows when the U.S. Supreme Court hired the firm to replace 70 windows. The construction company sought \$3.6 million reimbursement from the architect of the Capitol for extra costs when it erred on the dimensions of the windows.

“A basic tenet of construction is to ‘measure twice, cut once,’” the Contract Appeals Board noted in its 2014 opinion, denying Grunley its request. “Yet, Grunley and [Masonry Arts] did not measure the trim at all, despite the fact that they each had a contractual duty to measure.”

Scott Amey, the general counsel for the Project on Government Oversight said the CFPB cost overruns are problems for both GSA and for Grunley.

“The government has an obligation to define the project's scope and standards and properly estimate costs,” he told TheDCNF. “And the contractor has an obligation to bid appropriately and get the job done. It's unfortunate that in many cases, both sides fail and we see projects that are over budget and behind schedule.”

Citing the rebuilding of the Pentagon after the 9/11 attack, the Taxpayers Protection Alliance President David Williams told TheDCNF that the government has the ability to hold down construction costs.

“The federal government, when they want to build something or re-build something, they have the power to do it,” he said. “Look at the Pentagon after 9/11. They rebuilt that under budget and ahead of schedule.”

The rebuilding of the Pentagon, called the Phoenix Project, exceeded the federal government's expectations. The construction was completed a month earlier than planned and cost \$501 million, a significant reduction from the original \$700 million price tag.

The cost overruns happened “because there were no repercussions for GSA, for the CFPB for anybody,” Williams told TheDCNF in an interview. “The only repercussions were for taxpayers.”

“There is no excuse,” added Chris Edwards of the Cato Institute, who authored a September 2015 paper, titled “Federal Cost Overruns.”

“The International Space Station cost a lot, and it’s totally understandable they have cost overruns,” Edwards told TheDCNF in an interview. “It’s sort of understandable. But an office building? That’s simple. They should be able to tell the cost exactly. So I don’t think there should be any excuse for a cost overrun.”

Edwards told TheDCNF general contractors game the system when bidding on projects.

“A lot of it’s a game. There is purposeful underbidding. They add in the extra costs later even though the whole time they really knew that all those extra costs were there,” he said.