

Congress of the United States
House of Representatives

COMMITTEE ON OVERSIGHT AND REFORM

2157 RAYBURN HOUSE OFFICE BUILDING

WASHINGTON, DC 20515-6143

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<https://oversight.house.gov>

May 6, 2022

Mr. Raoul Thomas
Chief Executive Officer
CGI Merchant Group
3480 Main Highway, 2nd Floor
Miami, FL 33133

Dear Mr. Thomas:

We are writing to request information related to the sale of the lease held by former President Trump and his companies for the Old Post Office Building to Miami-based CGI Merchant Group (CGI), a deal reportedly worth \$375 million that is set to close soon.¹ The Committee has long focused on the serious conflicts of interest posed by former President Trump's federal government lease during his presidency and the continued lack of transparency from the Trump Organization even after he left office.² Far from resolving the Committee's grave concerns regarding this lease, the high sale price and lack of transparency surrounding the ultimate purchasers have heightened concerns that former President Trump will receive a final, significant windfall from a lease that he should have never retained while in office.

As the Committee's investigation uncovered, former President Trump initially obtained the lease by providing misleading financial records to the General Services Administration (GSA), which is responsible for managing the lease, including his 2010 Statement of Financial Condition. He also obtained a \$170 million loan from Deutsche Bank to renovate the property by providing personal financial statements that have since been retracted as unreliable by the accounting firm Mazars USA LLP. Despite concerns raised at the time by ethics experts and the Committee, while in office, President Trump was effectively on both sides of the lease, as landlord and tenant. This arrangement created significant conflicts of interest, opportunities for self-dealing, and violations of the Emoluments Clauses—which to this day have not been fully disclosed or examined. The Committee previously uncovered that the Trump Hotel served as an

¹ *The Trumps' Washington Hotel Sale Is Poised to Close Next Week*, Wall Street Journal (Apr. 27, 2022) (online at www.wsj.com/articles/the-trumps-washington-hotel-sale-is-poised-to-close-next-week-11651059389?mod=markets_major_pos15).

² *E.g.*, Committee on Oversight and Reform, *Press Release: Committee Uncovers Evidence that Trump Concealed Millions in Losses, Hid Debts, and Received Millions from Foreign Governments at Trump Hotel* (Oct. 8, 2021) (online at <https://oversight.house.gov/news/press-releases/committee-uncovers-evidence-that-trump-concealed-millions-in-losses-hid-debts>).

epicenter of foreign government payments to the President's companies, receiving an estimated \$3.7 million from foreign government entities between 2017 and 2019.³

Some experts have indicated that the sale price of the lease—\$375 million—represents a significant premium over market rates for a hotel that, according to documents obtained by the Committee, reported losing tens of millions of dollars since it opened in 2016.⁴ Notably, this sale price is 10% higher—on a per-room, or “per-key,” basis—than the highest price ever recorded for a Washington, D.C., hotel.⁵ Even accounting for the Trump Organization's prior investments into the property, the sale price will reportedly yield the Trump Organization a profit of at least \$100 million, of which approximately three quarters would flow to former President Trump.⁶ The Committee's concern have only increased in light of this week's news that the Trump Hotel and former President Trump's inaugural committee agreed to pay \$750,000 to settle a lawsuit alleging the inaugural committee illegally overpaid the hotel at least \$1 million for the 2017 presidential inauguration.⁷

Last month, GSA concluded its review of the proposed sale under the terms set forth by the lease. However, this review focused on the narrow question of whether CGI—and specifically the fund used to acquire the lease, CGI Hospitality Opportunity Fund I, LP—was a “qualified transferee,” as defined in the lease.⁸ While the review examined the proposed buyer's financial capacity and other factors such as its business reputation, experience in owning and

³ *Id.*; Committee on Oversight and Reform, *Press Release: Following Mazars' Disavowal of Trump's Financial Statements, Chairs Maloney and Connolly Urge GSA to Consider Terminating Trump Hotel Lease* (Feb. 17, 2022) (online at <https://oversight.house.gov/news/press-releases/following-mazars-disavowal-of-trump-s-financial-statements-chairs-maloney-and>).

⁴ *See, e.g., Why Would Anyone in Their Right Mind Pay \$370 Million for Trump's D.C. Hotel?*, *Forbes* (Oct. 13, 2021) (online at www.forbes.com/sites/danalexander/2021/10/13/why-would-anyone-in-their-right-mind-pay-370-million-for-trumps-dc-hotel/?sh=46930201208b) (estimating the market price of the lease at \$105 to \$204 million based on a survey of hospitality experts); *Reports: Trump Selling DC Hotel to Investment Firm for \$375M*, *Associated Press* (Nov. 15, 2021) (online at <https://apnews.com/article/donald-trump-lifestyle-business-travel-d80b91a8425365a23d0786127ecdef80>) (reporting that according to commercial real estate expert's valuation “the Trump hotel would be worth no more than \$263 million, nearly \$100 million less than it reportedly got”).

⁵ *Trump Could Pocket \$100 Million in Deal for Money-Losing D.C. Hotel*, *Washington Post* (Dec. 2, 2021) (online at www.washingtonpost.com/business/2021/12/02/trump-profit-hotel-sale/).

⁶ *Id.*; *see also* Letter from Adam L. Rosen, Trump Old Post Office LLC, to Kevin Terry, Contracting Officer, General Services Administration (Jan. 11, 2017) (online at www.gsa.gov/cdnstatic/Contracting_Officer_Letter_March_23_2017_Redacted_Version.pdf) (showing Trump Hotel ownership); General Services Administration, Ground Lease By and Between the United States of America (as “Landlord”) and Trump Old Post Office LLC (as “Tenant”) (GS-LS-11-1307), Section 5.2 “Proceeds from Sale or Refinancing” (Aug. 5, 2013) (online at www.gsa.gov/cdnstatic/Part_One_of_Segment_001_of_OPO_Ground_Lease_%282013%29_RA.pdf) (accessed Feb. 16, 2022) (Under the terms of the lease, after the Trump Organization receives a set rate of return on its equity contributions, GSA is entitled to a small share of any additional profits.).

⁷ *Trump Settles Suit Over Payments to Hotel for 2017 Inauguration*, *New York Times* (May 3, 2022) (online at www.nytimes.com/2022/05/03/us/politics/trump-hotel-lawsuit-settlement.html).

⁸ General Services Administration, Ground Lease By and Between the United States of America (as “Landlord”) and Trump Old Post Office LLC (as “Tenant”) (GS-LS-11-1307), Section 1.1 “Qualified Transferee” (Aug. 5, 2013) (online at www.gsa.gov/cdnstatic/Part_One_of_Segment_001_of_OPO_Ground_Lease_%282013%29_RA.pdf) (accessed Feb. 16, 2022).

operating hotels, and capability to manage historic properties, it did not fully explore the identities of all the investors in the CGI Hospitality Opportunity Fund or former President Trump's potential conflicts of interest related to the sale.

GSA advised the Committee that CGI did not turn over information regarding the identities of CGI Hospitality Opportunity Fund's investors due to privacy concerns and confidentiality requirements. Instead, GSA stated that it is relying on certain Know Your Customer procedures to ensure investors comply with applicable laws and regulations. Given the lack of transparency surrounding the former President's conflicts in the hotel and widespread conflicts of interest in his business dealings—the Committee requires a detailed understanding of the identities of the parties involved in this multi-hundred-million-dollar transaction with the former President.⁹

GSA's review also did not adequately examine whether the purchase price represented a premium over market rate.¹⁰ Rather, the contracting officer noted that he “does not have any basis to conclude that the sale of the lease is commercially unreasonable or inconsistent with market demand” and relied on representations from the brokerage firm hired by former President Trump that “there was broad interest in acquiring the leasehold interest and it received multiple offers in the same range as the sale price to CGI.” GSA has suggested that the Committee's questions on this issue would be better addressed by parties involved in the sale.¹¹

In light of the concerns raised by former President Trump's sale of the Old Post Office Building lease, the Committee requests that you produce the following documents and information by May 20, 2022:

1. The identity of individual investors in CGI Hospitality Opportunity Fund I, LP, including a list of ultimate beneficial owners of any entities invested in the fund;
2. A copy of the contract with the third-party fund administrator retained to implement Know Your Customer procedures and ensure investor funds' compliance with legal and regulatory requirements, including sanctions laws and anti-money laundering rules;

⁹ See General Services Administration, *Statement of Assignment* (online at www.gsa.gov/cdnstatic/Statement_of_Assignment_3252022.pdf) (accessed Apr. 29, 2022).

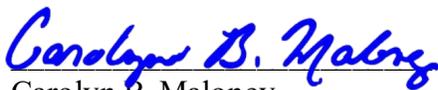
¹⁰ GSA provided the Committee with one comparable sale in the Washington area: the Capella Georgetown, which sold in 2016 for \$1.3 million per room and was the most expensive hotel ever sold in Washington, on a per-room basis. The price of the proposed deal to buy the Trump Hotel is 10% higher per room. *Trump Could Pocket \$100 Million in Deal for Money-Losing D.C. Hotel*, Washington Post (Dec. 2, 2021) (online at www.washingtonpost.com/business/2021/12/02/trump-profit-hotel-sale/). GSA also provided the Committee with a survey of major U.S. hotel sales for 2021. The survey included 308 hotel sales of over \$10 million around the country. The average per-room price of these hotels was \$431,000. Of the 308 hotel sales surveyed only six had a price higher than the Trump Hotel's \$1.425 million per room price tag, none of them in the vicinity of Washington, D.C. LW Hospitality Advisors, *US Major Hotel Sales Survey for Q4* (Jan. 18, 2022) (online at <https://lwhospitalityadvisors.com/wp-content/uploads/2022/01/Q4-2021-Sales.pdf>).

¹¹ See General Services Administration, *Statement of Assignment* (online at www.gsa.gov/cdnstatic/Statement_of_Assignment_3252022.pdf) (accessed Apr. 29, 2022).

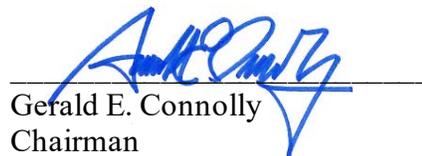
3. A copy of any Know Your Customer records provided by the third-party administrator regarding investors in the fund;
4. A copy of the agreement governing CGI Hospitality Opportunity Fund I, LP's purchase of the Old Post Office Building lease, including the purchase price, the form of payment, and all assets or legal rights being exchanged as part of the transaction; and
5. A list of all Trump family members involved directly or indirectly in any part of the negotiations and a description of their roles.

The Committee on Oversight and Reform is the principal oversight committee of the House of Representatives and has broad authority to investigate "any matter" at "any time" under House Rule X. If you have any questions, please contact Committee staff at (202) 225-5051.

Sincerely,



Carolyn B. Maloney
Chairwoman
Committee on Oversight and Reform



Gerald E. Connolly
Chairman
Subcommittee on Government
Operations

Enclosure

cc: The Honorable James Comer, Ranking Member
Committee on Oversight and Reform

The Honorable Jody Hice, Ranking Member
Subcommittee on Government Operations