DEFENSE BUSINESS BOARD

For the Secretary of Defense

Best Practices for Real Property Management

DBB FY16-02

Recommendations on the best practices for management of Department of Defense real property assets

PREFACE

This study, *Future Models for Federally Funded Research and Development Center Contracts*, is a product of the Defense Business Board (DBB). Recommendations by the DBB contained within are offered as advice to the Department of Defense (DoD) and do not represent DoD policy.

The DBB was established by the Secretary of Defense in 2002 to provide the Secretary and Deputy Secretary of Defense with independent advice and recommendations on how “best business practices” from the private sector’s corporate management perspective might be applied to overall management of DoD. The DBB’s members, appointed by the Secretary of Defense, are senior corporate leaders and managers with demonstrated executive-level management and governance expertise. They possess a proven record of sound judgment in leading or governing large, complex organizations and are experienced in creating reliable and actionable solutions to complex management issues guided by proven best business practices.

Authorized by the Federal Advisory Committee Act of 1972 (5 U.S.C., Appendix, as amended), and governed by the Government in the Sunshine Act of 1976 (5 U.S.C. § 552b, as amended), 41 C.F.R. 102-3.140, and other appropriate federal and DoD regulations, the DBB is a federal advisory committee whose members volunteer their time to examine issues and develop recommendations and effective solutions aimed at improving DoD management and business processes.

Applying Best Business Practices to the Management of Department of Defense Real Property

TASK

In May of 2015, the Deputy Secretary of Defense directed the DBB to form a task group to recommend actions the DoD should take to significantly reduce the cost of maintaining its real property (RP) inventory. The Terms of Reference can be found at **Tab A**.

The DoD faces an extraordinary confluence of management challenges, mounting costs, and budget reductions. In light of these conditions, the task group viewed this as an opportune time for Defense leadership to make needed changes in the management of DoD RP.

Messrs. Joseph Wright and Danny Werfel served as task group co-chairs. Other task group members include Messrs. Kevin Walker and Sandy Apgar. COL Linda Kotulan, US Army, served as the task group's DBB staff representative.

PROCESS

The task group interviewed over 50 senior officials and experts from within DoD, other government agencies, and the private sector. Within the overall study effort, the task group also analyzed joint basing as a specific innovation hub.

The task group compiled and compared RP best practices from government and the private sector; reviewed applicable laws, regulations and policies; reviewed DoD strategic documents, reports, and available data, as well as audits and studies from think tanks, businesses, and government agencies.

The task group's findings and draft recommendations were presented to the full DBB membership for deliberation and vote at a public meeting on April 21, 2016 wherein the DBB voted to approve all recommendations offered. See **Tab B** for the briefing presented to and approved by the DBB. **TAB C** includes any public comments received while **TAB D** includes any DoD component reclamas. **TAB E** includes back-up or appendices slides.

BACKGROUND

Budget Pressures

The Department base budget and Overseas Contingency Operations (OCO) funding (termed Global War on Terror prior to 2008) substantively increased from 2001 through 2010. The Budget Control Act (BCA) of 2011 reduced the Department's out-year budget by $487 billion through FY 2021, with additional reductions in 2012 and 2013.[1] Today, DoD is functioning with a lower and relatively flat top-line while facing rising overhead, personnel, and operating costs. As a result, the Department has reduced force structure and delayed acquisition programs in an effort to lessen fiscal pressure. Now is the time to focus on more effective management of RP in order to realize savings which could then be focused on improving readiness.

Better management of DoD's RP inventory could also improve accountability and potentially provide additional resources for sustainment of critical infrastructure and operational missions.

DoD Modernization

Recognizing how the workforce is changing, and faced with reduced resources, senior leaders have begun to look for ways to modernize processes and practices. Senior leaders are implementing changes including organizational consolidation, increased shared services, reductions in personnel, and delayering of bureaucratic strata. Leadership is changing how the Department recruits, develops, and retains workforce talent. Senior officials are reaching out to our Nation's technology hubs to leverage upon the best in technology innovation. Modernizing management of RP and redesigning the workplace should be an integral part of this Defense-wide effort to realize savings and better realign resources.

DoD Real Property Picture

The Department is one of the largest RP managers in the world, maintaining inventory in all 50 states, seven US territories, and 42 foreign countries with over three billion square feet of owned and leased facilities

1 Congressional Budget Office projections (2016)

valued at over one trillion dollars while costing $30 billion annually for maintenance and upkeep.[2]

Private Sector Management of Real Estate

In the private sector, most leading corporations have integrated management of their real estate holdings into the overall corporate strategy. This alignment has improved workforce dynamics, staff collaboration, decision-making, as well as realized energy savings. Leaders of innovative companies recognize that technology has changed how work gets done, and leverages on that. The modern, mobile, tech-enabled workforce requires less space, allowing organizations to reshape the workplace to have a smaller footprint thereby creating opportunities for greater cost savings.

Over the past two decades, leading private sector companies have transformed RP functions; in some cases reducing overhead costs by as much as 30 percent.[3] They have centralized RP acquisition and leasing decisions which are aligned to workforce shaping efforts to shrink the facility footprint. Using a common framework and robust data acquisition, they continuously analyze occupancy costs and facility capacity to capitalize on successes, minimize underutilization, and lower costs.

When the task group talked to private sector companies about RP management, two elements were continually emphasized as central to effective administration:

- Governance: Clearly engaged leaders providing strategic guidance and centralized decision-making on RP decisions for leased and owned property integrated with the corporate strategy. Private sector corporate leaders set strategic direction coupled with performance goals, and then measure progress.
- Data: Private sector businesses maintain a robust and reliable RP data structure which includes full asset costs, square footage, structure data, and occupancy levels using common terms and definitions. Data driven dashboards provided real-time executive

2 FY15 Base Structure Report
3 Interview with senior Private Sector Real Property officials

level detail for senior management and facilitate cost benefit analysis for informed decision-making.

OBSERVATIONS

Overall, the task group found forward-thinking people committed to driving results and improvements in DoD RP management. The task group made observations in the following major areas:

1) Governance.

a) Within DoD, there seemed to be no enterprise-level view of RP management. The task group identified a dearth of clear guidance, central oversight, or reporting practices. Decisions on RP default to the Services, where Service culture is often the driver.
b) Both the Under Secretary of Defense, Comptroller (USD(C)) and the Assistant Secretary of Defense for Energy, Installations, and Environment (ASD(EI&E)), provide some oversight, but gaps remain. Neither official exercises enterprise-wide authority to provide policy, guidance, standards, and goals for process improvement and cost reduction. ASD(EI&E) is focused on compliance issues with limited focus on developing strategy for the RP enterprise. No DoD framework currently exists to disseminate best practices across the enterprise.
c) Joint bases are generally managed under individual Service protocols. The task group often found pockets of innovation and cost savings; however, sharing of these innovations and other best practices was limited. In addition, bureaucratic staffing often delayed needed revisions to Service agreements that govern each joint base.

2) Data.

a) DoD RP data is neither centralized nor integrated. There is limited commonality of standards, definitions or collection of data. Timeliness and reliability of RP data are significant issues. Data cannot be strategically reviewed, analyzed or shaped to inform policy development and decision-making.
b) Separate data systems at OSD and within the Services limit integration and data mining to identify successes and problem areas. Budget and resources, personnel and RP data are maintained by separate

organizations and exist on separate systems. Each Service maintains multiple RP data systems.

c) Joint basing data is limited and disaggregated, making it difficult to assess progress.

3) Incentives and Disincentives.

a) Expediency and convenience rather than cost are more likely to drive decisions in DoD RP leases and acquisition.
b) There is no management program within the DoD that directs organizations to “rack and stack” tenant space. As a result, available space develops into non-contiguous blocks, as units move in and out. The vacant spaces develop in irregular patterns, leaving gaps that may or may not be large enough for the next tenant, because facility managers are unable to consolidate and shift the remaining tenants and then monitor and close underutilized spaces. Compounding this, since the property managers cannot offer contiguous space to incoming tenants, the tenants then opt for more readily available (and nearly always more expensive) leased space.
c) Few incentives exist for base commanders or facility administrators to manage their inventory in a cost efficient manner.

4) Base Realignment and Closure.

a) Declining budgets and reductions to force structure underscore the need to eliminate excess infrastructure. DoD estimates that, in the aggregate, there is a 22 percent excess in base infrastructure across the enterprise.
b) Maintaining such a high level of excess infrastructure further reduces available resources needed to sustain readiness and other critical DoD functions.

RECOMMENDATIONS

The DBB provides the following recommendations to drive change and improvements in RP management. Implementing these recommendations could offer significant improvement in DoD’s RP management and potentially offers significant savings over time.

1) **Establish a Real Property Innovation Board (RPIB)** directed by the Deputy Secretary of Defense. The RPIB would be chaired by the ASD(EI&E) with members being drawn from the offices of the Under Secretary of Defense for Personnel and Readiness, the USD(C), Deputy Chief Management Officer, the Service secretaries, and the Defense Agencies and Field Activities. The RPIB would:
   a) Create a governance framework to link RP, budget, and personnel data for integrated RP decision-making and asset management.
   b) Enable a common framework for data, benchmarks and enterprise-wide asset management for DoD RP.

2) **Establish Pilot Programs.** Implement pilot programs incorporating private sector RP best practices. Pilot programs include:
   a) Creating financial incentives for both landlord and tenant to control costs.
   b) Utilize a form of tax for facilities which are designed to reinforce space usage standards. Organizations that fail to meet or make progress toward space reduction targets are assessed a tax.
   c) Employ pilot programs for office and admin space management in high use locations such as the National Capitol Region, San Diego and Norfolk.
      i) Use “rack and stack” consolidation to develop contiguous space
      ii) Conduct surveys to identify and reduce excess/underused leased space.

3) **Reexamine the Joint Basing Effort**. Relaunch joint basing by emphasizing its importance, mission, and benefits. Shift responsibility for management and oversight of joint bases from the Joint Management Oversight Structure (JMOS) to the RPIB. Define key performance indicators, milestones, and outcomes. Incentivize successes, capitalize on quick wins, and implement proven best practices across all facilities.

4) **Create a Real Property Revolving Fund**
   a) Pursue legislation to establish a Real Property Revolving Fund, managed by the RPIB to facilitate innovative reconfiguration of existing facilities.
   b) The fund is designed to encourage cost-effective conversions of existing facilities; not limited by $1 million Military Construction (MILCON) cap established by Congress. Only organizations presenting the best business case would be approved for utilization of funds. Repayment is

required but additional savings would be for organization's internal use.

5) **Base Realignment and Closure (BRAC)**
   a) Request a new BRAC round to reduce excess facilities and free up funds for readiness.
   b) BRAC supports a comprehensive, holistic and independently validated process for reducing infrastructure.

CONCLUSION

The Department has significantly underutilized the potential of its real property. Better management and modern, better utilized facilities would complement the ongoing efforts to move the Department toward a more innovative future.

There is now an opportunity to modernize the management of the Department's RP as part of the overall DoD effort to improve its businesslike processes and practices. RP is a significant resource so improving management can improve accountability and potentially provide additional savings to sustain critical infrastructure and support DoD mission requirements.

Real property management improvements should not be left behind as the DoD modernizes for the 21st century. As Deputy Secretary of Defense Robert Work stated: *"It's necessary that DoD optimize the use of resources and maximize the dollars available to support missions. The Department's real property inventory and management provides a significant resource opportunity."* This opportunity should not be wasted.

Respectfully submitted,

Joseph J. Wright
Task Group Chair

Defense Business Board

TAB A

TERMS OF REFERENCE

DEPUTY SECRETARY OF DEFENSE
1010 DEFENSE PENTAGON
WASHINGTON, DC 20301-1010

MAY 15 2015

MEMORANDUM FOR CHAIRMAN, DEFENSE BUSINESS BOARD

SUBJECT: Terms of Reference - Best Practices for Real Property Management

Today, the Department of Defense (DoD) maintains an inventory of real property that is comprised of over 562,000 facilities on more than 4,800 sites located in all 50 states, 7 U.S. territories, and 40 foreign countries. The annual cost to operate and maintain these facilities is estimated at over $30 billion. It is necessary that DoD optimize the use of resources and maximize the dollars available to support missions. The Department's real property inventory and management provides a significant resource opportunity.

To help the Department identify these real property opportunities, I am establishing a Task Group under the Defense Business Board (DBB) to recommend to the DBB for thorough and open deliberation in a noticed, public meeting, those actions the Department should take to significantly reduce the cost of maintaining our real property inventory. The Task Group should consider creative ideas, such as outsourcing services and capabilities not unique to the military mission that would eliminate the need for certain types of facilities. They should also consider mergers and partnerships to realize cost savings and/or create value from underutilized capacity. Specifically, the DBB should:

- Review prior studies and reports conducted by DoD, DoD Advisory groups, Congress, the U.S. Government Accountability Office, the National Academies' Federal Facility Council, and other relevant advisory organizations to identify opportunities for real property savings in management and disposition. Prioritize and categorize the opportunities into:
    - Those that have been studied sufficiently to be readily actionable by the Department.
    - Those that are not readily actionable and require additional information to make specific recommendations.
- Identify any legislative or other barriers that hinder the Department from implementing the recommendations in each of the two categories above.
- For each recommendation, identify the organization(s) and executives within the Department that should be responsible for the prioritization and for the development of the executable implementation plan.
- Review the best practices from the private and public sectors in efficient real property management. Reconcile the results against DoD's legislative requirements or other barriers, resulting in adoptable changes that can be implemented in DoD's real property management processes and information systems. Develop a plan to implement the actions and maintain more efficient management of these assets.

The DBB will provide its findings and recommendations to the Secretary of Defense or the Deputy Secretary of Defense no later than April 21, 2016. The Office of the Deputy Chief Management Officer will serve as the DoD liaison for this project with guidance and technical assistance from the Office of the Under Secretary of Defense for Acquisition, Technology, and Logistics.

As a subcommittee of the DBB, and pursuant to the Federal Advisory Committee Act of 1972, the Government in the Sunshine Act of 1976, and other appropriate federal statutes and regulations, this Task Group shall not work independently of the DBB's charter and shall report its recommendations to the full DBB for public deliberation and approval. The Task Group does not have the authority to make decisions on behalf of the DBB, nor can it report directly to any federal representative. The members of the Task Group and the DBB are subject to 18 US Code Section 208, which governs conflicts of interest.

Defense Business Board

TAB B

PUBLIC MEETING BRIEFING

PROVIDED TO THE DEFENSE BUSINESS BOARD

DEFENSE BUSINESS BOARD

Best Practices for Real Property Management

April 21, 2016

Approved by the Defense Business Board 21 April 2016

Task Group Agenda

- Introduction
- Bottom Line Up Front
- Observations
- Recommendations
- Final Thoughts/Questions?
- Appendix

Task Group Terms of Reference

The Department of Defense spends $30 billion annually to operate and maintain over 562,000 owned and leased facilities in 50 states, 7 US territories, and 40 foreign countries; arguably the largest and most diverse real property portfolio in the world.

> *"It is necessary that DoD **optimize** the use of resources and maximize the dollars available to support missions. The Department's real property inventory and management provides **a significant resource opportunity**."*
>
> Deputy Secretary of Defense Robert O. Work
> Real Property Management Terms of Reference

This task group was charged with recommending actions to the Department which could significantly reduce the cost of managing its real property inventory.

Task Group Members

Danny Werfel and Joe Wright, Co-Chairs
Sandy Apgar
Kevin Walker
Col Linda Kotulan, USA, DBB Service Representative

Task Group Approach

The task group conducted a wide-ranging review of DoD real property management and private sector best practices

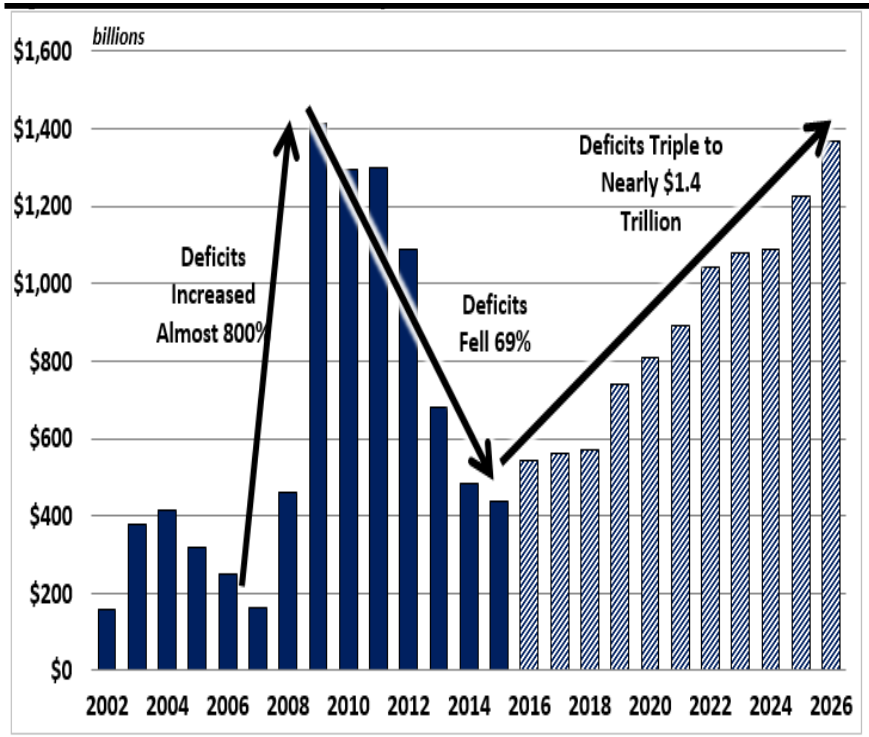
- Interviewed over 50 senior officials and experts from within DoD, other government agencies and the private sector
- Compiled and compared best practices from government and private sectors
- Reviewed applicable laws, regulations and policies
- Reviewed prior studies, reports and audits
- Analyzed joint basing as a specific innovation hub

"…reductions in combat power have occurred while the Department's overhead elements… have exploded"

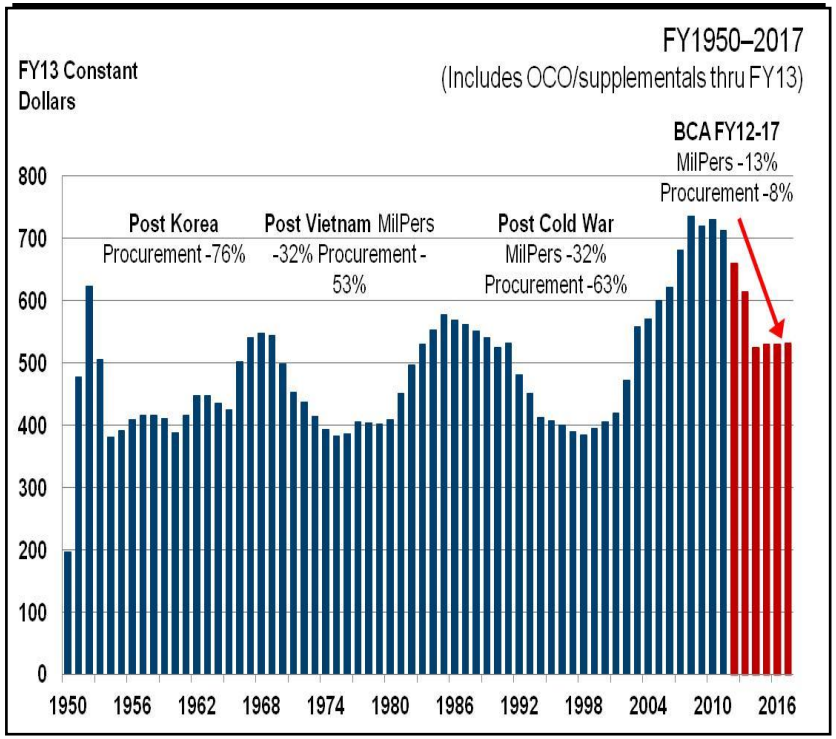
Senator John McCain
Congressional Hearings, November 17, 2015

Why is this critical now? *The Budget Challenge*

Increasing constraints in federal budget…



…and declining budgets across DoD



Source: CRBO.org analysis, CBO projections (Jan 2016); FY 2013 Greenbook, table 6-1 "DoD TOA by Title

Overhead costs must be reduced to avoid further erosion of military readiness. Better management of the Department's real property inventory not only improves accountability but may provide savings that are better spent on operational missions.

What is the situation now? DoD's Real Property Picture

	Buildings		Structures		Linear Structures		Total Facilities	
	#	PRV ($B)	#	PRV ($B)	#	PRV ($B)	#	PRV ($B)
Army	140,388	$278.39	81,864	$50.75	59,363	$58.96	281,615	$388.10
Navy	60,357	$149.22	33,696	$54.45	16,367	$35.05	110,420	$238.72
Air Force	49,471	$190.05	47,963	$41.56	30,849	$65.17	128,283	$296.78
Marine Co	26,522	$56.97	17,887	$8.68	6,120	$12.13	50,529	$77.78
WHS	197	$7.20	418	$0.15	166	$0.06	781	$7.41
DoD	276,935	$681.83	181,828	$155.59	112,865	$171.37	571,628	$1,008.79

Source: FY15 Base Structure Report PRV: Plant Replacement Value. Cost required to replace facility Building: A roofed and floored facility enclosed by exterior walls and consisting of one or more levels that is suitable for single or multiple functions. Linear structure: facility whose function requires that it traverse land (such as a road, rail line, pipeline, fence, pavement)

- Portfolio is valued at over $1 trillion and costs $30 billion annually for maintenance and upkeep, which is spread across all facilities, including unused and obsolete
- Over 3 billion square feet of owned and leased facilities on over 24 million acres
- Stateside excess infrastructure: Air Force has 32%; Army has 33% Defense Logistics Agency has 12%

"…optimize…a significant resource opportunity"

- DSD Robert O. Work, Real Property Management Terms of Reference

- Now is the time to focus on the management of real property to free up funds for readiness
- Senior leaders are reshaping the Department, including organization reduction/consolidation, shared services, delayering, civilian retirements, technology innovation, and redesigning the workplace for the future force in order to realize savings and realign resources for missions
- As millennials make up more of the civilian workforce, private sector companies are rethinking their physical offices to fit millennial employees' preferences for open, collaborative workspaces -- DoD has the opportunity to use these cost effective approaches to its use of facilities, but is currently not well positioned to do so

"The organization that is most similar to DoD in managing facilities is the Catholic Church—they don't consider this to be their main mission and have decentralized all responsibilities"

Senior Facility manager for Fortune 50 Company

Task Group Agenda

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Bottom Line Up Front - Observations

- DoD's real property portfolio, the world's largest and most diverse, has many facilities that are in poor condition and/or are chronically underutilized
- Private sector best practices are seldom followed and/or shared across the Department, among the Services, or with other federal agencies – benchmarks to private sector are rare
- Real property data collection and reporting is inconsistent
- No enterprise level governance exists at the OSD or Service level to effectively manage these assets
- Disincentives and regulations often inhibit cost-saving initiatives
- Convenience and expediency (rather than cost savings or avoidance) take precedence in real property management decisions, across the Department
- Joint bases are not managed jointly
- Declining budgets and military force reductions highlight the need for a new Base Reduction and Closure (BRAC) to reduce expenditures on excess infrastructure

"We know what to do; we just have to be ordered to do it"

Service Under Secretary

Bottom Line Up Front - Recommendations

- Adopt a new enterprise-wide governance structure to manage real property assets, to provide clear guidance, priorities, and oversight
  - Implement Department-wide common framework for data collection, benchmarks and reporting
  - Incorporate private sector best practices to enhance real property management
  - Integrate budget/resourcing, personnel, and real property information to enhance real property decision-making
- Establish a centrally managed revolving fund that incentivizes property reconfiguration to maximize the use of existing facilities
- Use pilot programs to prove new, innovative approaches and processes
- Revitalize the joint basing effort in both management and oversight
- Request a new BRAC round to reduce excess facilities

The taxpayer cannot comprehend, let alone support, the defense budget when they read ... of cost overruns, lack of accounting and accountability, needless overhead and the like. This must stop"

Secretary Ashton B. Carter
February 2015

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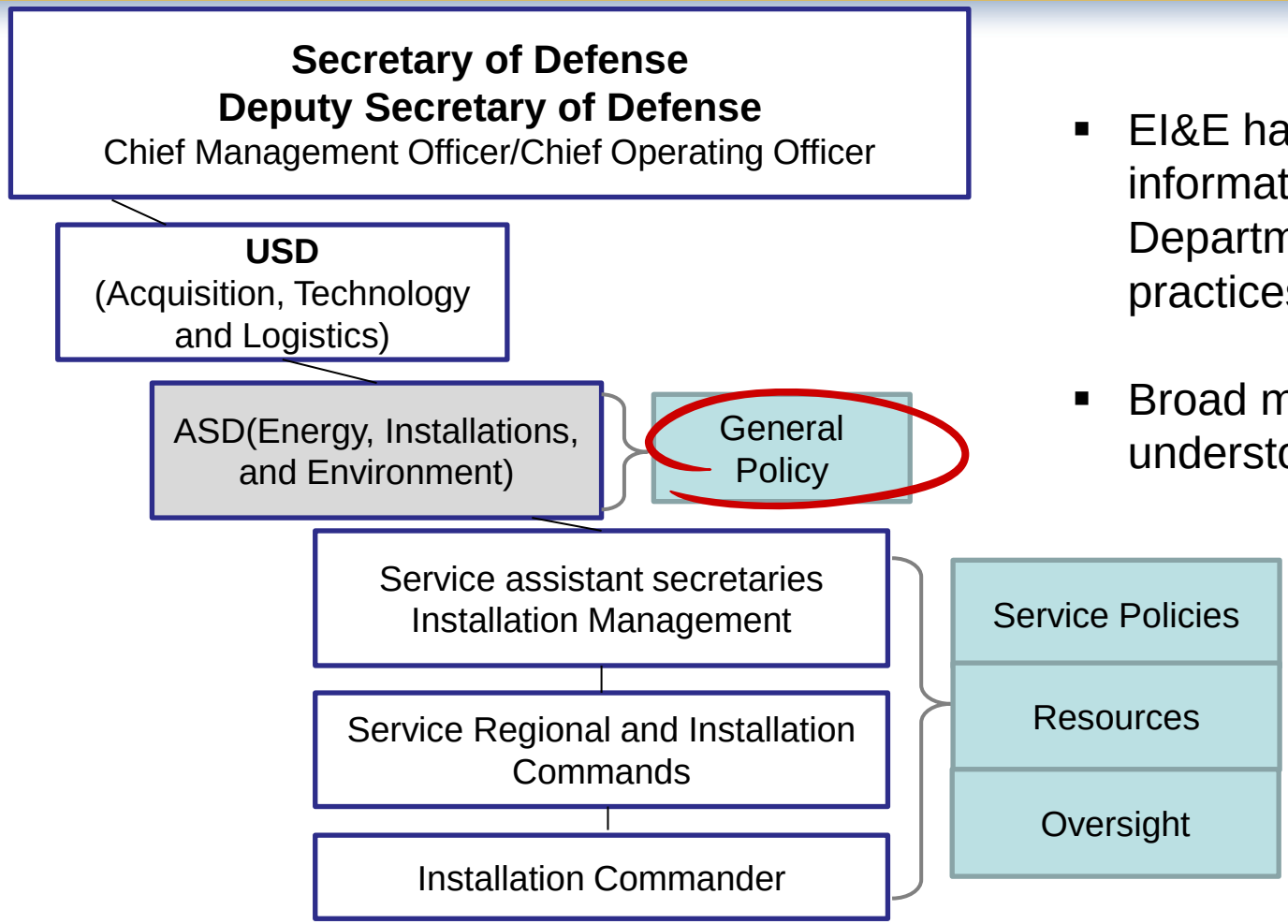
Observation – Governance

No enterprise level view of real property management:

- Lack of clear guidance, central oversight, or reporting
  - Confusion in roles and responsibilities (OSD, Services, Commands, bases, etc.)
  - Decisions on real property management default to Services
  - Service culture drives real property decision-making
- DoD Comptroller and EI&E provide limited oversight, but gaps remain:
  - Disconnect between resourcing (budget), personnel, and real property data
  - Cost data collection is inconsistent, and gets little emphasis
  - Lack of use of private sector best practices or standards
  - Limited central oversight of leasing decisions
- EI&E does not exercise enterprise-wide authority to provide policies, guidance, standards and goals for process improvement/cost reductions

To make real progress in real property management, a large organization must have clear leadership and direction from its headquarters

Observation – Governance



- EI&E has limited ability and information to drive Department-wide standard practices/reforms
- Broad mandate; poorly understood by Services

"EI&E is compliance oriented; does not drive best practices or cost transparency throughout DoD"

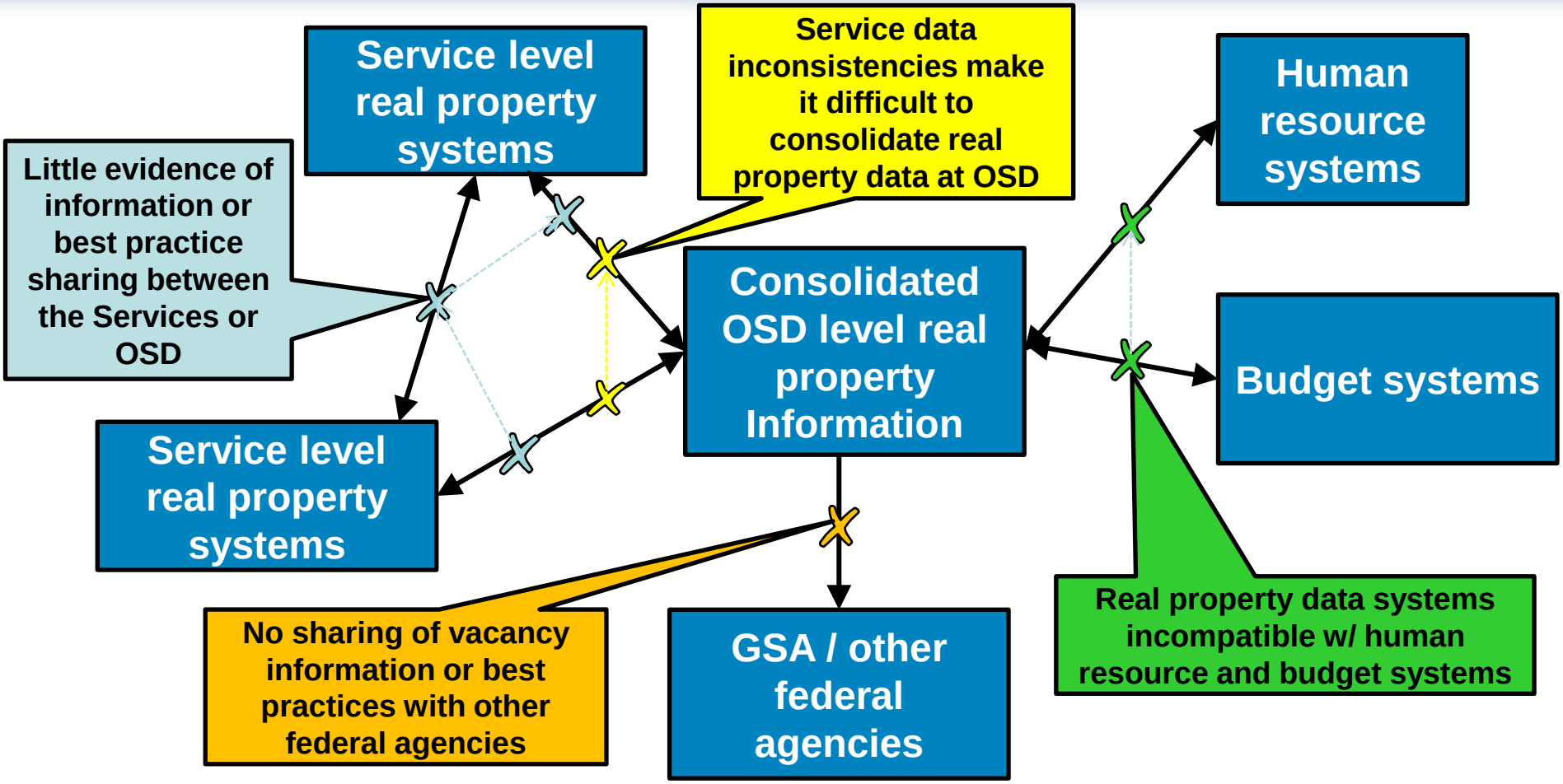
Service Assistant Secretary EI&E

Observation – Data Management

- No common approach to data standards, collection or documentation
- No integrated or centralized reporting at OSD, DoD Components or Service level
- Senior decision-makers do not see the fully-loaded costs; it is impossible to effectively link real property actions to cost impacts
- The Department compares its logistics performance with private sector standards, but does not compare real property management standards
- Lack of data commonality means it is difficult for the Services to share performance standards with each other, the National Guard Bureau, General Services Administration (GSA), other federal agencies or the private sector
- The Department misses opportunities to gain tenants by not sharing facility vacancy information with GSA; and does not routinely look at other federal agencies for available government space to meet its needs
- No framework for OSD or the Services to share best practices

> *"The first thing we did was to create a common lexicon in the real property data systems, the data wasn't perfect but good enough."*
> Private sector real property manager

Observation – Data Management



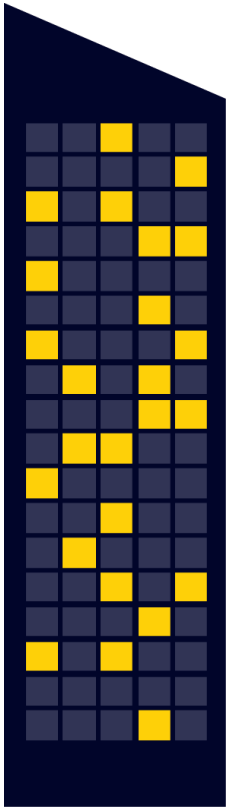
For its more than 570K facilities, DoD estimates an annual operating expense; it cannot calculate either actual costs or what a facility "should" cost

Observation - Incentives and Disincentives

- Culture
  - There are few incentive for a base commander or facilities manager to manage their inventory in a cost efficient manner
  - Commanders are penalized for over or under spending their budget
  - Generally, they cannot keep savings generated by an efficient decision and are almost never penalized for a bad decision
  - Base commanders/tenants often don't have the ability or incentive to implement cost saving initiatives since budget comes from third party
- Regulations
  - Reconfiguring facilities to meet new tenant needs requires resources that are difficult to obtain. Funds to repurpose/reconfigure a facility are capped at $1M; Above that is classified as MILCON, requiring approval by Congress
  - Office of Management and Budget lease scoring rules favor short-term leases over longer-term acquisitions, which can increase lifecycle costs; scoring rules also limits a base commander or facility manager's ability to partner with private sector capital sources

Approved by the Defense Business Board 21 April 2016

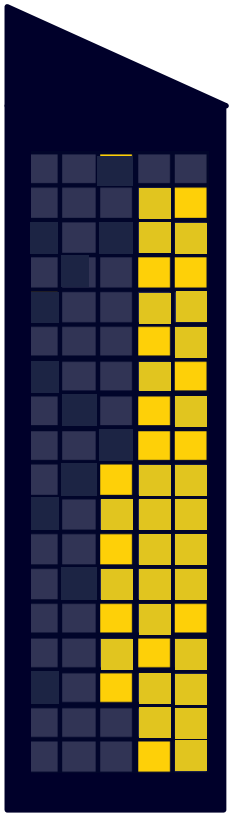
Observation - Lack of Incentives



Lack of proactive management

- No incentives to proactively manage emerging vacancies
- As missions shift and vacancies emerge, the Department does not "rack and stack“
- Property managers cannot offer contiguous space to incoming tenants
  - Increases tenant moves to more expensive leased space
  - Increases purchases of temporary trailer space, often positioned near under-utilized structures
- Facility managers cannot consolidate personnel and close underutilized facilities

Occupied | Vacant



"Rack and Stack"

In the private sector, investment capital is readily available to reconfigure a facility, if the business plan demonstrates a strong return on investment

Observation – Mixed Results in Joint Basing

- Joint basing has clear established goals, but…
  - No milestones and outcomes to ensure that joint basing is on track
  - Limited performance metrics to determine the success of individual joint bases
  - Data is limited, disaggregated and lacks granularity; makes it difficult to assess joint base success
  - Reports and key process indicators sent to OSD, but no feedback is provided
- Joint Management Oversight Structure (JMOS) was established by the DSD as a governance framework but has generally devolved to managing disputes
  - Bureaucratic delays and disincentives—approval of Service memorandums of agreements can take up to two years
  - Innovation, learning and best practice sharing is limited/constrained
- Acceptance of the joint basing concept is inconsistent across the Services
  - Senior Service-level installation leaders are dissatisfied with the lack of support for joint basing
  - Frustration with Joint Common Operating Levels of Service (COLS)
  - Joint Bases generally managed under individual Service protocols

Observation – Base Realignment and Closure

- Declining budgets and force reductions underscore the need to avoid wasting resources on excess infrastructure
  - Army and Air Force estimates show 33% and 32% excess state-side infrastructure respectively; Defense Logistic Agency has 12% excess infrastructure.
  - The Department estimates 22% military base infrastructure is excess.
- Existing authorities limit DoD's ability to reduce or realign excess infrastructure
- Congress remains concerned about the savings that can be achieved by closing bases
  - Skeptical of the Department's estimates of proposed savings
  - Cites the 2005 BRAC round which cost the Pentagon over $35 billion to achieve roughly $4 billion in future annual savings

Approved by the Defense Business Board 21 April 2016

Observation - Private Sector Best Practices

Over the past two decades, leading private sector companies have transformed their real property functions, reducing total costs by as much as 30%.

- Transformational companies employ five major best business practices:
  - **Collect and analyze relevant data**. Understand and analyze how occupancy costs and facility capacity impact budgets and balance sheets
  - **Centralize key real property commitments.** Centralize acquisition, ownership and leasing commitments under a senior executive
  - **Shrink the facilities footprint.** Simplify building requirements, designs and procedures to reduce visible and hidden costs
  - **Create the market**. Negotiate acquisitions and leases by using portfolio size and corporate reach to achieve more favorable terms
  - **Partner with professionals**. Out-source routine transactions while maintaining oversight; forge alliances with asset managers, developers, and service providers to perform real property management functions

Observation - Private Sector Best Practices

Private sector best practices	Current DoD practices
1-**Corporate-wide data/reporting**; *common* definitions; executive dashboard	1-**Service-level data/reporting**; *conflicting* definitions; fragmented metrics
2-**Centralized approvals**; *proactive* guidance on all leased and owned property	2-**Service-level real property approvals**; *reactive* DoD(EI&E) role/scope/direction
3-**Full lifecycle costing**; total asset analysis of all projects/properties; internal and external performance benchmarks	3-**Partial Accounting/MILCON/Plant replacement costing**; compliance and technical analysis; limited use of benchmarks
4-**Deep outsourcing**; contract most routine transactions/technical functions, retain strategic management	4-**Limited outsourcing**; heavy Department-wide administrative and technical overheads, complex real property management systems
5-**Extensive partnerships**; global/regional scope, full spectrum asset management, high awareness of performance improvements	5-**Limited partnerships**; successes limited to military housing/lodging, low awareness of potential for other asset classes

Observation – Expanded Use of Private Sector

- While the Department has entered into joint ventures/partnerships with the private sector for housing/temporary lodging, they have not seriously explored similar options for commissaries, military exchanges, recreational facilities, depots, hospitals/clinics, schools, etc. especially in military facilities that are in close proximity to private sector services
- Since funding for the upgrade of military facilities is limited, these private sector relationships could result in improvement in the condition of the facilities
- Expanded privatization of military facilities have been successful in the Canada, U.K., Australia and Israel; contractors have upgraded and now manage entire facilities and bases in the U.K.
- Private sector companies use modern office/housing and facility designs to attract millennials, i.e. Force of the Future

Approved by the Defense Business Board 21 April 2016

Task Group Agenda

- Introduction
- Bottom Line Up Front
- Observations
- Recommendations
- Final Thoughts/Questions?
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Recommendation #1 Real Property Innovation Board

DBB recommends that the Deputy Secretary of Defense direct the creation of a "Real Property Innovation Board" with the ASD EI&E as Chair, with members assigned from DCMO, P&R, Comptroller, Service secretaries and Defense agencies.

- Creates a framework for real property decisions and improved linkage of real property, budget, and personnel information
- Uses existing staffs; not a new organization

- DoD needs to:
  - Provide stronger enterprise-wide governance and oversight of real property
  - Empower and incentivize the ASD EI&E to direct an enterprise-oriented facility asset management process for all real property
  - Create a framework for greater integration of budget/resourcing, personnel and real property data into the decision-making process
  - Facilitate cost-saving, innovative approaches to real property management
  - Gather accurate data to make an effective request for another BRAC round
  - Increase flexibility for capital improvements

Recommendation #1 *Real Property Innovation Board* (continued)

- Governance
  - Oversee compliance with Executive Order 13327 (2004)
  - Integrate OSD, Service and Defense Agency management of real property
  - Serve as Department-wide approval authority for new leases (cost and duration thresholds to be determined by USD AT&L with input from DoD Comptroller) – lease requests must demonstrate that no viable alternative (existing facility/space) is available
- Data Management
  - Establish and direct a common framework for data, benchmarks and cross-entity best practice sharing
  - Develop a plan for all entities to conduct portfolio surveys for accounting of facilities
  - Consider an ancillary panel of private sector real property experts to advise the Board on ways to incorporate emerging best business practices
- Incentives
  - Manage the Real Property Revolving Fund (recommendation #2)
  - Provide tools to identify cost savings opportunities/incentivize their implementation
- Joint Basing – subsume the Joint Management Oversight Structure (JMOS) and oversee management of joint bases (recommendation #4)

Recommendation #2 Real Property Revolving Fund

Pursue legislation to establish a Real Property Revolving Fund, managed by the Real Property Innovation Board, to facilitate innovative reconfiguration of existing facilities

- Incentivizes effective space management
  - Reduces leases and the need for new builds
  - Improves utilization
  - Supports installation commanders/property manager's efforts to develop contiguous space
  - Encourages cost-effective conversions of existing facilities; not limited by $1M MILCON cap established by Congress
- Limited access to the Fund - only best business cases are approved for funding
  - Requesting organizations present a business case having significant savings/reduced cost or return on investment
  - Repayment is required but additional savings would be available to the organization for internal use
- Fund established/managed separately from DoD's total obligational authority

Recommendation #3 Pilot Programs

Implement pilot programs of private sector real property best practices

- Create financial incentives for BOTH landlord and tenant to control costs
  - When buildings are funded by a third party, neither the landlord nor tenant's budget is impacted; no incentive exists to limit (or right-size) space acquisition or usage
  - Pilot would discourage such scenarios by ensuring the landlord pays for building operations from its own budget and tenant pays rent from its own budget
- Facilities Overhead Tax
  - Enforce space usage standards by assessing a tax on organizations that exceed the standards; establish space reduction targets and assess a tax on organizations that fail to meet (or make progress toward) space reduction targets
- Manage office space/admin assets in high use locations (e.g. DC/MD/VA, San Diego, Norfolk) to identify cost-saving opportunities
  - Employ “rack and stack” consolidation to identify costs and savings
  - Conduct surveys to identify and reduce excess/unused leased space
    - Washington Headquarters Service has already initiated successful efforts to increase efficiency and reduce leased space (see results in appendix)

Recommendation #4 Joint Basing

- Shift responsibility of joint basing oversight from the Joint Management Oversight Structure to Real Property Innovation Board
  - Define key performance indicators, milestones, outcomes and checkpoints
  - Reevaluate joint base Common Operating Levels of Service (COLS) with input from joint base commanders and Services; implement updated COLS across all joint bases
  - Incentivize successes, capitalize on quick wins and implement proven best practices across all facilities
  - Report joint base progress and identify mid-course corrections
- Re-launch joint basing emphasizing its importance, mission and benefits

Recommendation #5 *Base Realignment and Closure*

Request a new BRAC round to reduce excess facilities and free up funds for readiness

- Implementation of a centralized real property governance model will, over time, improve the Department's ability to refine estimates of costs of excess facilities and savings available from BRAC
- Legislative language should focused on relocating to existing facilities rather than new construction; added scrutiny for any BRAC recommendation that requires new construction or leased facilities, when existing space is available
- BRAC supports a comprehensive, holistic, transparent, and independently validated process for cutting infrastructure
  - Minimizes competing priorities, Service parochialism, and politics
  - Legal obligation forces implementation of otherwise impossible initiatives

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Final Thoughts

This task group was charged with recommending actions which could significantly reduce the cost of managing its real property inventory to free up funds for readiness

Implementing these recommendations can provide significant improvement in real property management, including

- Centralized oversight and management
- Enterprise-wide policies, guidance, standards and goals for process improvement
- More accurate data on condition, utilization/occupancy and value of facilities
- Better utilized facilities

The Department has significantly underutilized its real property potential. Better management and more modern, better utilized facilities compliments the ongoing efforts to reorient the budget to support the mission, and moves the Department towards its innovative future.

Questions?

Task Group Agenda

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Defense Business Board

TAB C

PUBLIC COMMENTS

SUBMITTED TO THE DEFENSE BUSINESS BOARD

PUBLIC COMMENTS

As of the date of this report no public comments were received by the Defense Business Board for inclusion.

Defense Business Board

TAB D

RECLAMAS

PROVIDED TO THE DEFENSE BUSINESS BOARD

RECLAMAS

As of the date of this report no Department of Defense component reclamas were received by the Defense Business Board for inclusion.

Defense Business Board

TAB E

BACK-UP SLIDES / APPENDICIES

BACK-UP SLIDES / APPENDICES

Many DBB reports include back-up slides or appendices which offer additional information in addition to the briefing provided to the DBB members at public meetings.

Back-Up Slides / Appendices are intended to provide DBB members additional information on complex topics and issues that the task group utilized to formulate the recommendations presented. The slides are not normally presented as part of the brief given during the public meeting, unless required by the briefer to further clarify or elucidate a particular observation, finding, or recommendation.

Appendices

A. Interviews and Research
B. Acronyms
C. Definitions
D. Private Sector Best Practices
E. Joint Basing
F. DOD Real Property Successes
G. Other Governmental Successes
H. Title 10 authorities
I. DOD Organizational charts
J. Executive Order 13327

Appendix A: Interviews

DoD and Other Government (current and former)

Sajeel Ahmed– Director, FDS, Washington Headquarter Services
Michael Aimone– Chief, Business Systems and Information, USD AT&L ASD (EI&E)
Colonel Denise Boyer– Deputy Director, Construction, OASD (Reserve Affairs), Materiel and Facilities
Craig College former Army Deputy Assistant Chief of Staff for Installation Management
John Conger– Assistant Secretary Energy, Installations and Environment (EI&E)
Gene Dodaro– Comptroller General, Government Accountability Office
Norman Dong– Commissioner, Public Building Services, General Services Administration
MajGen Timothy Green– Director, Civil Engineers, A-4, USAF
Richard L. Haley II- Assistant Director, Finance Division, Federal Bureau of Investigation
Brad Hancock– Installation Management, Defense Logistics Agency,
Thomas Hicks, Deputy Under Secretary of the Navy/ Deputy Chief Management Officer (DUSN/DCMO) U.S. Navy
MajGen Charles Hudson, Assistant Deputy Commandant, Installations and Logistics (USMC)
Steve Iselin, Principal Deputy Assistant Secretary for Installations and Environment, USN
Stephen Jameson, Director of Facilities, OASD (Reserve Affairs), Materiel and Facilities
Frank Kendall – Under Secretary of Defense (Acquisition Technology & Logistics) (AT&L)

Appendix A: Interviews--continued

DoD and Other Government (current and former)

Peter Levine– Deputy Chief Management Officer, Office of the Secretary of Defense
Brian Lepore, Director, Capabilities and Management, Government Accountability Office
Mark Lewis, Deputy Chief Management Officer, US Army
COL Robert Lyman, Commander, Joint Base Charleston
David Mayberry, Director Space Portfolio Management Division, Washington Headquarters Services.
Michael McCord, Under Secretary of Defense (Comptroller/Chief Financial Officer)
Jamie Morin, Director of Cost Assessment and Program Evaluation for the Department of Defense
Lucian Niemeyer– former Senate Professional Staff Member
COL Kendall Peters, Commander Joint Base Anacostia-Bolling
Peter Potochney, Deputy Assistant Secretary of Defense (Basing), USD AT&L (EI&E)
Diane Randon– Deputy Assistant Chief of Staff for Installation Management, Army
Mr. J. Randall Robinson- Principal Deputy Assistant Secretary of Army for Installations, Energy and Environment
Dorothy Robyn, former Assistant Secretary Energy, Installations and Environment (EI&E) Department of Defense
Dan Tangherlini, former Administrator of the General Services Administration
Marilyn Thomas, Deputy Chief Management Officer, Office of the Under-Secretary of the Air Force
David Tillotson, Assistant Deputy Chief Management Officer, Office of the Secretary of Defense
Steven Zander– Director, AF Community Partnership Initiative, USAF

Appendix A: Interviews
Private Industry

- Archibus Inc.
- Boston Consulting Group
- Clark Realty
- CoreNet Global
- Cushman and Wakefield
- J.P. Morgan Chase
- Lockheed Martin
- PepsiCo
- Time Warner
- United Technologies

Appendix A: Select Research

Title/Report number	Date/Subject	Detail
GAO-16-101	Defense Infrastructure	More Accurate Data would allow DoD to improve tracking, management and security of leased facilities.
GAO-15-627	DoD Business Systems Modernization	Additional Action Needed to Achieve Intended Outcomes
GAO-15-346	Underutilized Facilities	DOD and GSA information sharing may enhance opportunities to use space at military installation
GAO-15-290	High-Risk Series	Update
GAO-14-577	DOD Joint Bases	Implementation Challenges Demonstrate Need to Reevaluate the Program
GAO-13-535	DOD excess capacity	DOD excess capacity estimating methods have limitations
GAO-13-149	Military Bases	Opportunities exist to improve Future Base Realignment and Closure Rounds
GAO-13-134	DOD Joint Bases	Management Improvements Needed to Achieve Greater Efficiencies
GAO-12-513T	Military Base Realignments and Closure	Key Factors Contributing to BRAC 2005 Results
GAO-11-574	Defense Infrastructure	The Enhanced Use Lease Program requires management attention
Private Sector benchmarking/best practices	various	Detailed private sector practices for Corporate Real Estate
RAND	2013	Obtaining Life-Cycle Cost-Effective Facilities in the Department of Defense
IBM White Paper	2012	The impact of a changing workforce on facilities management
OBM Guide	2013-02	Implementation of Freeze the Footprint
Congressional Research Service	Feb-13	BRAC Transfer and Disposal of Military Property
Federal Facilities Council	Technical Report #147	Key Performance Indicators for Federal Facility Portfolios
Department of Defense documents		
Department of Defense Instructions (DODI) and memorandums	numerous	Real Property Management, Program/Budget, includes Service memorandums and guidance
Base Structure Reports	FY14/FY15	Detailed listing of DoD real property
Reports to Congress	FY14/FY15	Real Property

Appendix B: Acronyms

- ACSIM (Army) Assistant Chief of Staff for Installation Management
- ASD Assistant Secretary of Defense
- AT&L Acquisition, Technology and Logistics
- BRAC Base Realignment and Closure
- BSI Base Support Installation
- BSP Base Support Plan
- CAPE Cost Assessment and Program Evaluation
- CATCODE Category Code
- CBO Congressional Budget Office
- CDIS Common Delivery of Installation Support
- CFO Chief Financial Officer
- CIMIP Comprehensive Inventory Management Improvement Plan
- CIO Chief Information Officer
- CivPer Civilian Personnel
- CMRS Comprehensive Inventory Management Improvement Plan
- COLS Common Output Levels of Support
- CONUS Continental United States
- DBB Defense Business Board

Appendix B: Acronyms—continued

- DCMO — Deputy Chief Management Officer
- DeCA — Defense Commissary Agency
- DEFSEC DEF — Deputy Secretary of Defense
- DFAS — Defense Finance and Accounting Services
- DLA — Defense Logistics Agency
- DoD — Department of Defense
- EI&E — Energy, Installations and Environment
- ERP — Enterprise Resource Planning
- EUL — Enhanced Use Lease
- FAC — Facility Analysis Category
- FIAR — Financial Improvement and Audit Readiness
- FMM — Facility Modernization Model
- FOM — Facility Operations Model
- FRPP — Federal Real Property Profile
- FSM — Facility Sustainment Model
- FSRM — Facility Sustainment Restoration and Modernization
- FY — Fiscal year
- FYDP — Future Years Defense Planning
- GAO — Government Accountability Office

Appendix B: Acronyms—continued

- GSA General Services Administration
- HR Human Resource
- ISM Installation Services Model
- JBI Joint Base Integrated (billet)
- JLB Joint Logistics Board
- JBSCFS Joint Base Supported Component Force Structure
- MILCON Military Construction
- O&M Operations and Maintenance
- OCONUS Outside the Continental United States
- OSD Office of the Secretary of Defense
- PMO Performance Management Office
- PRV Plant Replacement Value
- RPAD Real Property Asset Database
- RPCP Real Property Categorization Panel
- RPCS Real Property Categorization System
- RPI Real Property Inventory
- TOA Total Obligation Authority
- USD Under-Secretary of Defense
- WHS Washington Headquarters Services

Appendix C: Definitions

Term	Definition
Antideficiency Act	Legislation enacted by Congress to prevent the incurring of obligations or the making of expenditures (outlays) in excess of amounts available in appropriations or funds
Building	A roofed and floored facility enclosed by exterior walls and consisting of one or more levels that is suitable for single or multiple functions
Capital Improvement	Changes regardless of source of funds, which provide additional items of Real Property; constitute an improvement which materially increases the material worth of the facility substantially extend the useful life of the Real Property; or increase the number of “units of measure”
Centrally Managed Account	Authority issued by the holder of an account (allotment/allocation) for incurring obligations for a specific purpose and in a specific amount.
Construction	The erection or assembly of a new facility. The addition, expansion, extension, alteration, conversion, or replacement of an existing facility. Includes equipment installed and made a part of such facilities, and related engineering and design efforts, site preparation, excavation, filling and landscaping, or other land improvements
Condition	Indicates whether a facility is/is not serviceable for a useful purpose.
Conversion	A permanent change in the functional use of all or part of a building or structure

Appendix C: Definitions--continued

Term	Definition
DoD Component	OSD; the Chairman, Joint Chiefs of Staff and the Joint Staff; the DoD Inspector General; the Military Departments including the Coast Guard when assigned to the Department of the Navy; the Defense Agencies; DoD Field Activities; the Combatant Commands; Washington Headquarters Services (WHS), the Uniformed Services University of the Health Sciences (USUHS), and all non-appropriated fund instrumentalities.
Excess Real Property	Any Real Property under the control of any Federal agency, which the head of the agency determines, is not required for the needs and discharge of the responsibilities of the agency
Facility	Industrial property used for production, maintenance, research, development or test including real property (other than land), buildings, structures, improvements and plant equipment (including capital leases)
Fully Utilized	A property with a reported usage of 67% or higher.
Linear Structure	A facility whose function requires that it traverse land (eg., runway, road, rail line, pipeline, fence, pavement, electrical distribution line) and is reported by a linear unit of measure.
Minimum Lease Payment	The payments a lessee is obligated to make in connection with leased property

Appendix C: Definitions--continued

Term	Definition
Real Property	Fixed assets that are comprised of land (and the rights to land); buildings to include capitalized additions, alterations, improvements, and rehabilitations; and other structures and facilities. Real property does not include personal property (weapons systems and other military equipment
Repair	To restore a real property facility, system or component to a condition that may be effectively used for its designated functional purpose
Structure	A facility other than a building or linear structure constructed on or in the land (eg. Tower, storage tank, wharf, pier)
Sustainment	Resources used for maintenance and repair activities necessary to keep a typical inventory of facilities in good working order over 50 year service life
Underutilized	A property (or portion) with a report use rate of less than 66%
Unused	A property with a utilization of 0%

Appendix C: Definitions
DoD Real Property by Asset Class

Asset Class	Examples
Family Housing	Family housing dwelling, carports, garages
Maintenance & Production	Depot Overhaul facilities, aircraft hangars, engine test facilities, vehicle maintenance shops, weapons (organizational) maintenance shops
Supply	Bulk liquid storage, ammunition storage, warehouses, cold storage
Troop Housing & Mess Facilities	Enlisted and Officer unaccompanied housing, dining facilities, recruit barracks, wounded warrior housing
Administrative	Administrative buildings, organizational headquarters, printing plant
Community Facilities	Fire and police station, schools and education centers, Military Exchange stores and Commissaries, chapels
Research, Development, Test and Evaluation	Medical research, aircraft, maritime, space, cyber & land research facilities, test range facilities, RDT&E laboratories
Utility Systems & Ground Improvements	Electrical power distribution, chiller plants, roads and bridges, sanitary landfills, sewage treatment, heat distribution lines, heat production plants
Operations & Training	Aviation runways and ramps, piers and wharves, weapon systems simulator buildings, aviation operations facilities, indoor firing ranges, classrooms
Hospital & Medical	Hospitals and clinics, veterinary clinics, dental clinics, medical warehouses, ambulance shelters, morgues

Source: Base Structure Report (FY15 Baseline Report)

Appendix C: Definitions
DOD Facility Classes

Code (single digit)	Definition
1	Operations and Training
2	Maintenance and Production
3	Research, Development, Test and Evaluation
4	Supply
5	Hospital and Medical
6	Administrative
7	Housing and Community
8	Utility and Ground Improvements
9	Land

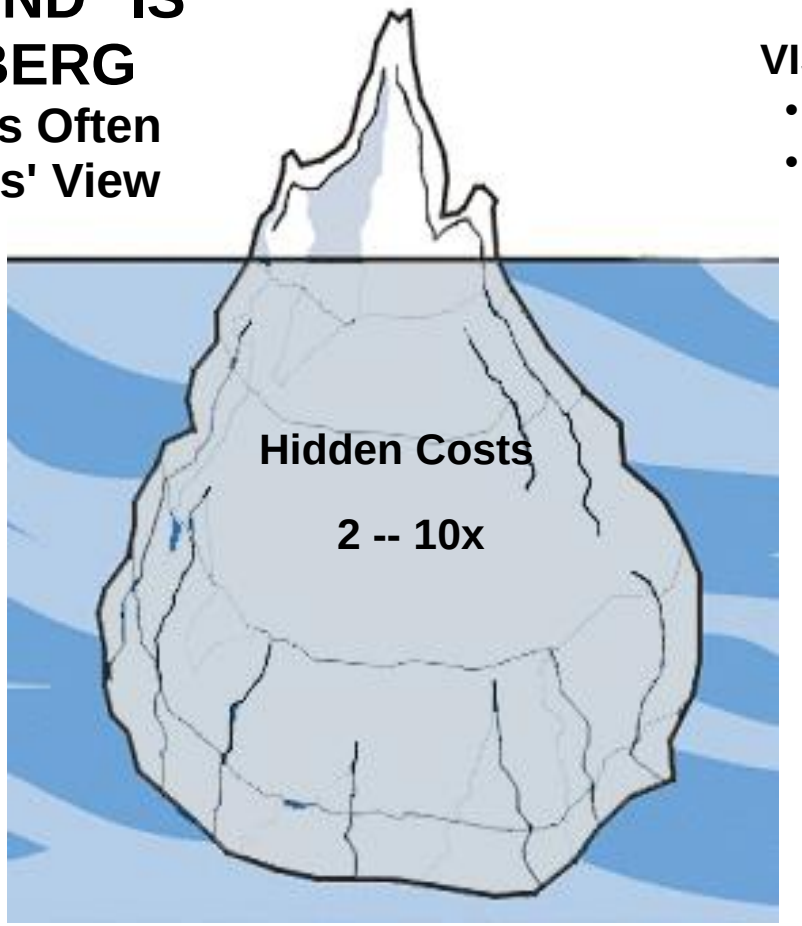
Appendix D:
Real Estate costs

REAL ESTATE "SPEND" IS ONLY TIP OF ICEBERG

Total Occupancy Cost Is Often Hidden From Executives' View

VISIBLE EXPENSE

- Lease costs
- Rent



DIRECT COSTS

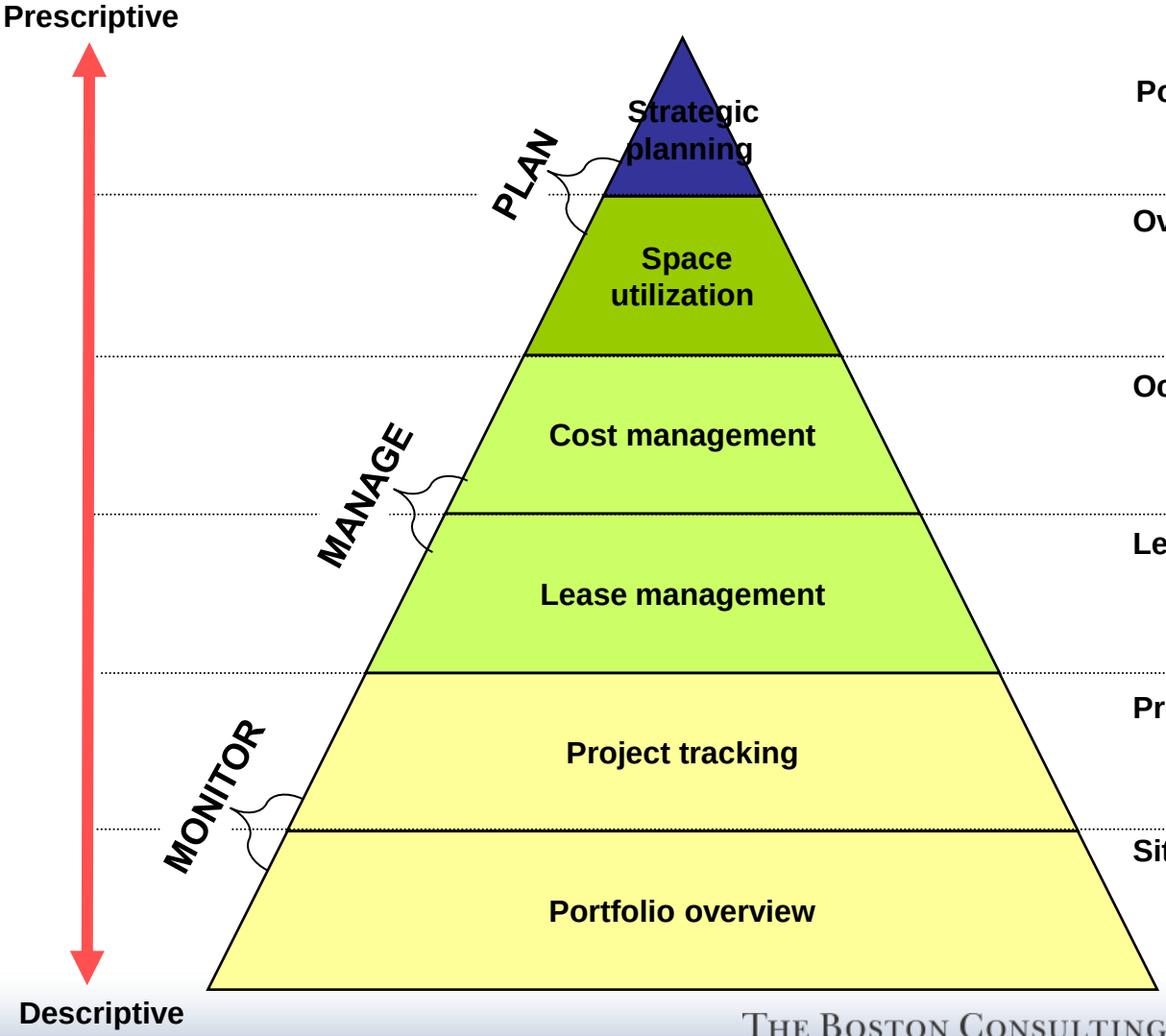
- Cafeteria, shop, other amenities
- Utilities, security, insurance
- Maintenance
- Equipment leases
- Facilities staff

INDIRECT COSTS

- Depreciation, amortization
- Wasted employee commute time
- Under valued asset on balance sheet
- Time value of money invested in properties

APPENDIX D: OCCUPANCY COST REDUCTION

DATA IS CRITICAL TO OCCUPANCY COST REDUCTION



Inputs

Portfolio supply / demand rationalization
- Supply: Existing and planned capacity
- Demand: Headcount / seat projections

Overall business indicators
- Revenue
- Gross margin, net income
- Allocation by business line, product

Occupancy costs
- Rent, maintenance, utilities, depreciation, tax, etc.

Lease data
- Expiration, critical dates
- Rates
- Special conditions

Project / transaction inventory
- Project status, value

Site level inventory
- Inventory of properties by location, usage
- Size, owned vs. leased, contact info

Appendix D: OCCUPANCY COST REDUCTION

Hypothetical Example

50M sq. ft. portfolio	→	↓ $1 p.s.f	→	↑ $50M/year in earnings	→	↑ ~1¢ EPS
↓ 50 sq. ft. per FTE	→	20,000 FTEs	→	$10 p.s.f. average leases	→	↑ $10M/year in savings
$80M asset divestment	→	↑ 25% sale price	→	1 year faster sale	→	↑ $22M NPV

Occupancy Cost reduction can generate significant value

THE BOSTON CONSULTING GROUP

Note: First row mimics client portfolio and # of shares outstanding
Second row based on utilization improvements for portion of total portfolio
Third row assumes a 10% cost of capital, sale in year 3

Appendix D: Private Sector Companies/Practices

Corporate Best Practices

- Centralize information data/analysis; use common definitions, dashboard
- Centralize Real Property Management; proactive enterprise role/scope/direction
- Inform senior/business unit leaders on RPM cost and utilization performance
- Benchmark performance across business units and external peers
- Outsource routine transactional/ technical activities; core competency
- Report fully-loaded lifecycle costs to identify true cost/value of each asset
- Establish global/regional long-term service partnerships to maximize value
- Focus on "Lease Cliff"; renegotiate terms or relocate/reposition for flexibility, cost

Current DoD Practices

- Multiple Service-level systems; conflicting definitions, no DoD dashboard
- Service-Driven RPM; reactive DoD role/scope/direction
- No routine senior leader enterprise data reporting
- No use of business benchmarks; no cross-Service comparisons
- Limited use of Outsourcing; not core competency
- Use Plant replacement value (PRV) which "hides" ownership/occupancy/sustainment costs
- Use of partnerships limited to Military Housing developers/managers
- Services "renew in place"; do not achieve flexibility or least cost

Appendix E: Joint Bases

Joint Base	Supporting Service
Joint Base Anacostia-Bolling (District of Columbia)	USN
Joint Base Andrews (Maryland)	USAF
Joint Base Charleston (South Carolina)	USAF
Joint Base Langley-Eustis (Virginia)	USAF
Joint Base Lewis-McChord (Washington)	USA
Joint Base McGuire-Dix-Lakehurst (New Jersey)	USAF
Joint Base Myer-Henderson Hall	USA
Joint Base Pearl Harbor-Hickam	USN
Joint Base San Antonio	USAF
Joint Expeditionary Base Little Creek-Fort Story (Virginia)	USN
Joint Region Marianas (Guam)	USN
Joint Base Elmendorf-Richardson (Alaska)	USAF

Appendix E:
Joint Management Oversight Structure (JMOS)

Decision Chain

Deputy Secretary of Defense (DEPSECDEF)	Highest tier of JMOS
Installation Capabilities Council (ICC) and Senior Joint Base Working Group (SBJWG)	Chaired by ASD EI&E.(meets quarterly)
Senior Installation Management Group (SIMG)	Senior Service (Flag or SES) (meets quarterly)
Intermediate Command Summit (ICS)	Major and Regional commands associated with Joint Base
Local Joint Base Partnership Council	Installation level council chaired by Joint Base Commander

- Established by the DEPSECDEF to provide a governing framework
- Approve variances to policies and adjustments to MOAs
- Ensure Component equities are represented
- Resolve disputes

Appendix E: Joint Base Purpose

Joint Bases were established to capture and continue the most practical savings for DoD through the consolidation of Installation Support (IS) functions while meeting mission requirements.

The Joint Base Implementation Guidance (JBIG) states:

"Within DoD, installations use military, civilians, and contractors to perform common Installation Support functions. All installations execute these functions using similar processes. Joint Bases, "share a common boundary or are in near proximity, which provides a significant opportunity to consolidate the delivery of Installation Support functions and realize savings."

The Department shall use this opportunity to create the conditions for more consistent and effective delivery of installation support." In addition, it was envisioned that combining installations and creating Joint Bases would create opportunities to share policies and practices between service Components which would result in greater savings.

Appendix E:
Joint basing definitions/agreements

- Joint Base: A Joint Base is a base utilized by multiple Services, with one component hosting (supporting) and other component as tenants of the base (supported)
- BRAC identified the supporting component for each Joint Base. The supporting component assumes responsibility for managing the base support functions for all occupants of the base. The supported components transfer resources and responsibility for installation management functions to the supporting component. Funds are transferred from supported to supporting component
- Services generally fund Joint Bases at the same service level as Service bases
- Joint Bases budget in accordance with their Service component process

Appendix E:
Joint basing definitions/agreements

- **Joint Base Common Output level Standards (COLS)** common output or performance level standards for installation support. The framework of JB-COLS were designed to provide a common language to serve as a basis for
  - developing common output levels for each function of installation support at joint bases
  - developing Service-wide capability-based planning models for all installation support functions
- **Joint Base Commander:** The Joint Base Commander (JBC) has full command authority over supporting Component forces in the Joint Base organization (traditional service Component command authority). The JBC has operational direction (day to day work assignments) over embedded forces.

Appendix E:
Joint Base Memorandums of Agreement

- **Memorandum of Agreement :** The "contract" between supporting and supported Components is the Joint Base Memorandum of Agreement (MOA). Each Joint Base has a MOA, and MOAs are signed by the Service Vice Chiefs of Staff or their designee. MOAs define the installation support relationship between the supporting and supported components
  - Joint Base MOAs are built using established OSD templates. MOAs, like Host Tenant Support Agreements, provide a description of support responsibilities.
  - MOAs include a Joint Base Implementation Plan, the Joint Base organizational structure, a list of transferred civilian manpower, and embedded military positions
  - Manning: grade, position title, characterization of the position either as Joint Base Integrated (JCI) or Joint Base Supported Component Force Structure (JBSCFS)
    - JCI: critical positions such as the Deputy Joint Base Commander. Continuous 2 year assignment
    - JBSCFS. Majority of positions. No specific length of assignment
  - Record of transferred Real Property, equipment, contracts and support agreements and transferred funding
- MOAs must be approved through the Joint Management Oversight Structure (JMOS) and signed at Vice Chief of Staff level for each Service

Appendix F: DoD Successes Leased Space Reduction

- In 2013, OMB issued guidance for all Federal Agencies to restrict the growth of the federal footprint.
- DoD aggressively eliminated over 51M sqft of office, warehouse and facility space between FY12 and FY 15
- The DoD reduction represents well over 50% of the total federal government's footprint reduction of leased space for that period.
- Although DoD has been successful in reducing leased properties, it could potentially do more by:
  - Validating utilization data to identify underused government owned space
  - Improving accuracy of lease data in RP database to identify opportunities to consolidate or reduce leases
  - Renegotiating leases 3-4 years before expiration for better terms and/or identify alternative lower-cost locations including DoD facilities

Appendix F: DOD Successes Community Initiative Program

Service are implementing community initiative programs that allow garrison commanders to work with local communities for on-base public work functions and support services:

- Robins AFB, GA: USAF medical leaders leverage local community hospitals around Houston County for medical and dental renewal certification training.
- Hill AFB UT: A satellite pharmacy using underutilized space in the new Base Exchange Saved DoD and taxpayers approximately $3.1 million in prescription costs in just over one year.
- Army Garrison of The Presidio Monterey, CA: The Garrison, Defense Language Institute, Naval Post-Graduate School, and a USCG station share services and have partnered with the city for delivery of services. Estimated cost avoidance was ~ $1.5M annually.

DoD should expand initiatives like these across DoD to achieve greater savings

Appendix F: DOD Successes
Washington Headquarters Services Utilization Census

- Washington Headquarters Services is a pilot location for a number of RP improvements
- WHS initiated a detailed census of owned and leased property in the NCR to validate occupancy and utilization
  - Organizations often report 100% utilization of assigned space
- Census showed organizations had vacant space
  - Mark Center (complete).
    - Of the ~6400 seats, ~ 800 (12.5%) were identified as vacant.
    - 668 seats are being used to relocate organizations from leased space.
  - Census of leased space (ongoing).
    - WHS identified one organization using only 50% of their leased space (2 floors)

Appendix F: DOD Successes WHS Regulations and Oversight

- Unlike other DoD RP regions, WHS has more centralized authority and oversight.
  - Major Land Acquisition (MLA) "Hundred mile" rule: By policy (DODI 4165.71), any DoD land acquisition proposal either 1,000 acres or costing more than $1M must be approved by USD (AT&L). Within 100 miles of Washington DC, this approval is elevated to the SD or DSD.
  - Public Law 109-148 Section 8019. Limits relocation costs of a single unit/organization or activity in NCR to less than $500,000 in a fiscal year. SD may waive the restriction on case-by-case basis with notification to Congress.

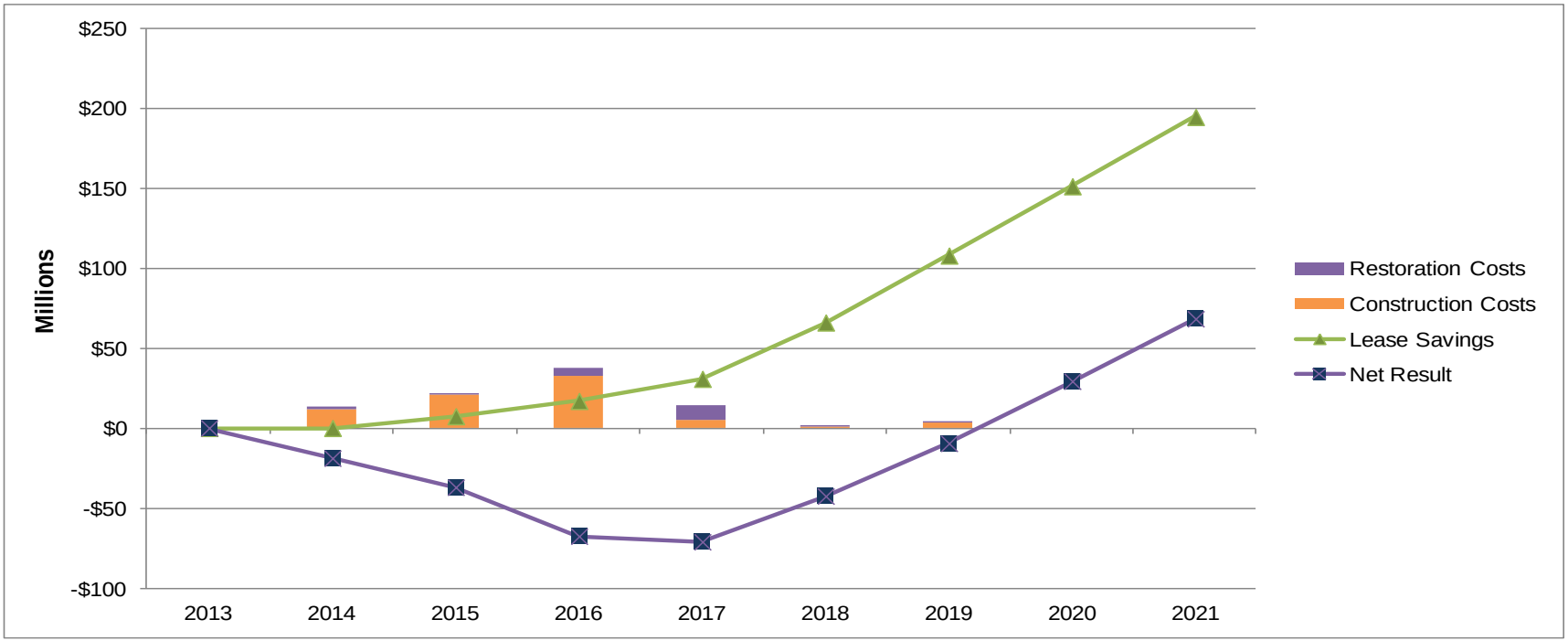
- With more centralized authority and accurate data, WHS has demonstrated more efficient RP management decisions can be made. This model should be applied to other high lease cost areas

Appendix F: DOD Successes WHS Lease Reduction

- WHS leased space reduction program is a pilot that can be implemented in other areas.
- WHS census data allows them to identify opportunities to eliminate leases, relocating organizations to government owned or lower-cost leased locations
- By 2019 WHS will release 1.1 M Sqft of leased space.
  - Army is consolidating their NCR leased space saving $26M/year
- Limitations:
  - WHS funds OSD leases. For other organizations, WHS has no authority to direct an organization to relocate to available lower-cost or government owned space.
  - WHS cannot see available space at military facilities in the National Capital Region (NCR)

Appendix F: DOD Successes WHS Lease Reduction

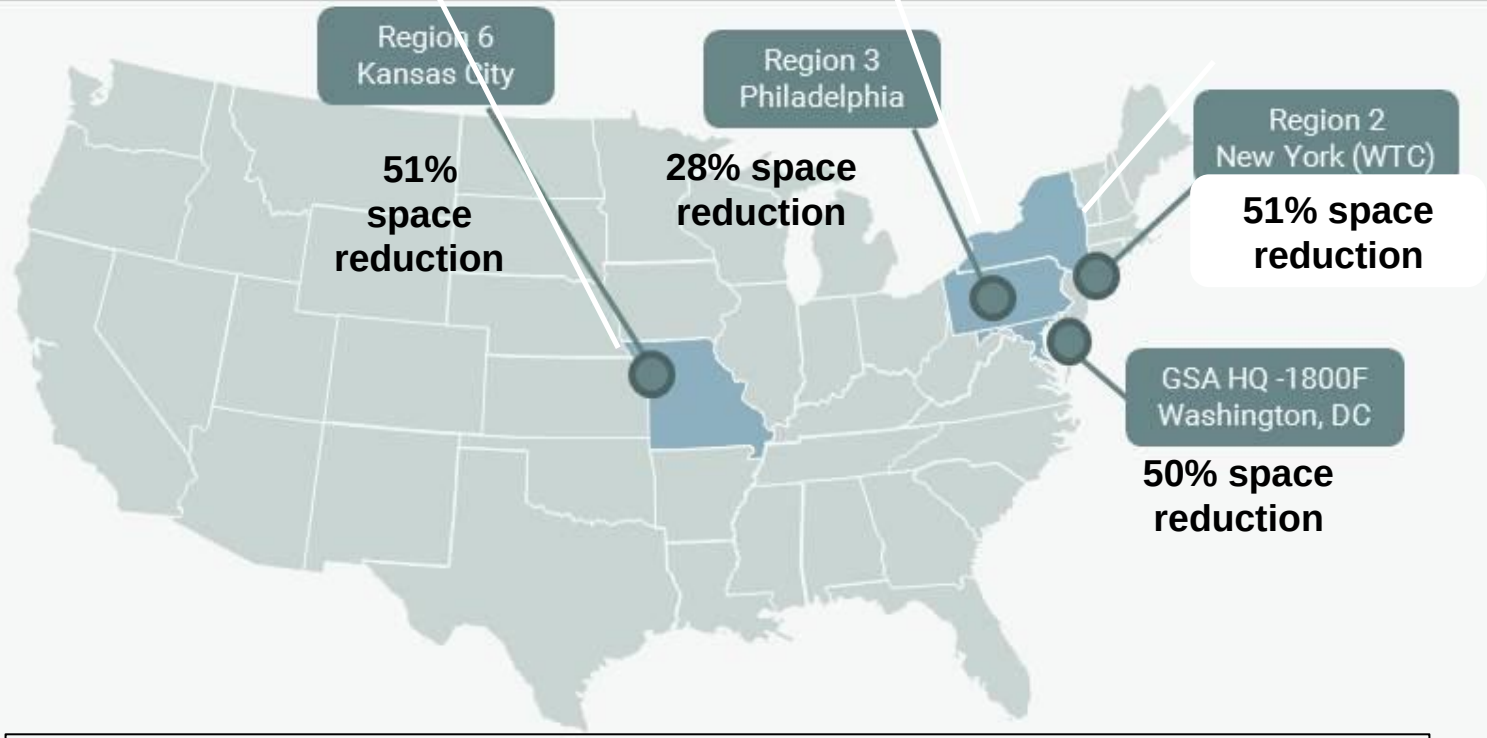
WHS effort to reduce leased space, directed by DCMO, beginning in 2014, WHS conducted a phased efficiencies effort. Total lease space released by 2019 is expected to be slightly over 1.1M Sq./ft. .



Appendix G: Other Governmental Successes
GSA MODEL WORKPLACE TRANSFORMATION

GSA MODEL WORKPLACE TRANSFORMATION

2



GSA renovated and reconfigured to an open office concept that allowed greater consolidation and space reduction

Appendix G: Other Governmental Successes
GSA Headquarters Reconfiguration

1800F Reductions at a Glance

205+usf
per person

136usf
per person

$24.4 Million
Annual Rent Savings

~$7 Million
Annual Operations
Cost Savings

- Renovation and refresh completed - October 2013
- 2016/2017 Flexibility will allow PTT to occupy Wing 1 of space through consolidation and mobile work practices

2,888
FTE

1800F Street • Washington, DC

Appendix G: Other Governmental Successes
GSA New York, World Trade Center

R2 WTC Reductions at a Glance

240+usf
per person

117usf
per person

41% Average
Space Reduction for 6 agencies*

$1.7M Annual
Rental savings for GSA

*agencies at 26 Federal Plaza and 1WTC

- 25% of the 6x6 workstations have adjustable height work surfaces
- Meeting rooms are available on a reservable and ad-hoc basis
- One 36" lateral file drawer for each employee's personal storage
- Completed January 2016

Region 2 • World Trade Center, New York

Appendix G: Other Governmental Successes
GSA Philadelphia, PA

R3 Reductions at a Glance

200usf
per person

139usf
per person

82%
of previous
rent rate

$789,556
Rent Savings Per Year

- R3 ROB move to a new lease.
- Workstations were right sized with adjustable height worksurfaces
- Eliminated most private offices, including those of the RA and RCs.
- Completed October 2015

634
FTE

Region 3 • Philadelphia, PA

Appendix H: Other Governmental Successes
GSA Kansas City Mo

R6 Reductions at a Glance

350+usf
per person

136usf
per person

53%
of previous
rent rate

$2,083,337
Rent Savings Per Year

- R6 ROB move from owned to lease
- Eliminated most private offices, including those of the RA and RCs.
- Majority of workstations are 6'x6' & have adjustable height surfaces
- Completed January 2015

947
FTE

Region 6 • Kansas City, MO

GSA HQ 1800 F Street, NW, Washington DC

Open office concept, tools and technology, space for scheduled meetings

GSA HQ 1800 F Street, NW, Washington DC

Open, natural light, space for spontaneous meetings; range of work spaces

GSA Kansas City, MO

Appendix G: Other Governmental Successes GSA Consolidation Projects

- **EEOC Fallon**: Using $1.5M of consolidation funding; the Equal Employment Opportunity Commission currently occupying ~22K USF of leased space will move to the Fallon Federal Building (2016-2017).
  - Consolidation will reduce EEOC footprint by ~7.7K USF
  - Reduce EEOC annual rent by $322K/year
  - Will save taxpayer ~763K in annual private sector lease costs
  - Utilization reduced by 42% from 208 USF to 121 USF per person
- **IRS Manhattan**. Using $3.3M of consolidation funding, the IRS which occupied 158K of leased space moved to three locations (2015-2016).
  - Saved IRS $7.1M in annual rent
  - Saved taxpayers $9M in annual private sector lease costs
  - Utilization reduced by 86% from 196 USF to 44 USF.
- **Probation Chicago** (in partnership with Administrative Office of the U.S. Court's Integrated Workplace Initiative Program). Using $2.2 million of GSA consolidation funds, U.S. Probation office moved from 54K USF (leased space) to federal space (2016).
  - Saved U.S. Probation approximately $1.2M in annual rent
  - Saved taxpayer $2.4M in annual private sector lease costs
  - Utilization reduced by 59% from 418 USF to 172 USF per person

USF: Usable square feet

Appendix H: Title 10 Authorities

10 U.S. Code § 113 - Secretary of Defense

Current through Pub. L. 113-296, except 113-287, 113-291, 113-295. (See Public Laws for the current Congress.)

- US Code
- Notes
- Authorities (CFR)

prev | next

(a) There is a Secretary of Defense, who is the head of the Department of Defense, appointed from civilian life by the President, by and with the advice and consent of the Senate. A person may not be appointed as Secretary of Defense within seven years after relief from active duty as a commissioned officer of a regular component of an armed force.
(b) The Secretary is the principal assistant to the President in all matters relating to the Department of Defense. Subject to the direction of the President and to this title and section 2 of the National Security Act of 1947 (50 U.S.C. 401), [1] he has authority, direction, and control over the Department of Defense.
(c)
(1) The Secretary shall report annually in writing to the President and the Congress on the expenditures, work, and accomplishments of the Department of Defense during the period covered by the report, together with—
(A) a report from each military department on the expenditures, work, and accomplishments of that department;
(B) itemized statements showing the savings of public funds, and the eliminations of unnecessary duplications, made under sections 125 and 191 of this title; and
(C) such recommendations as he considers appropriate.
(2) At the same time that the Secretary submits the annual report under paragraph (1), the Secretary shall transmit to the President and Congress a separate report from the Reserve Forces Policy Board on any reserve component matter that the Reserve Forces Policy Board considers appropriate to include in the report.
(d) Unless specifically prohibited by law, the Secretary may, without being relieved of his responsibility, perform any of his functions or duties, or exercise any of his powers through, or with the aid of, such persons in, or organizations of, the Department of Defense as he may designate.
(e)
(1) The Secretary shall include in his annual report to Congress under subsection (c)—
(A) a description of the major military missions and of the military force structure of the United States for the next fiscal year;
(B) an explanation of the relationship of those military missions to that force structure; and
(C) the justification for those military missions and that force structure.
(2) In preparing the matter referred to in paragraph (1), the Secretary shall take into consideration the content of the annual national security strategy report of the President under section 108 of the National Security Act of 1947 (50 U.S.C. 404a) [1] for the fiscal year concerned.
(f) When a vacancy occurs in an office within the Department of Defense and the office is to be filled by a person appointed from civilian life by the President, by and with the advice and consent of the Senate, the Secretary of Defense shall inform the President of the qualifications needed by a person serving in that office to carry out effectively the duties and responsibilities of that office.
(g)
(1) The Secretary of Defense, with the advice and assistance of the Chairman of the Joint Chiefs of Staff, shall provide annually to the heads of Department of Defense components written policy guidance for the preparation and review of the program recommendations and budget proposals of their respective components. Such guidance shall include guidance on—

Service Secretary Title 10 Authorities

10 U.S. Code § 3013 - Secretary of the Army

Current through Pub. L. 113-296, except 113-287, 113-291, 113-295. (See Public Laws for the current Congress.)

- US Code
- Notes
- Authorities (CFR)

prev | next

(a)
(1) There is a Secretary of the Army, appointed from civilian life by the President, by and with the advice and consent of the Senate. The Secretary is the head of the Department of the Army.
(2) A person may not be appointed as Secretary of the Army within five years after relief from active duty as a commissioned officer of a regular component of an armed force.
(b) Subject to the authority, direction, and control of the Secretary of Defense and subject to the provisions of chapter 6 of this title, the Secretary of the Army is responsible for, and has the authority necessary to conduct, all affairs of the Department of the Army, including the following functions:
(1) Recruiting.
(2) Organizing.
(3) Supplying.
(4) Equipping (including research and development).
(5) Training.
(6) Servicing.
(7) Mobilizing.
(8) Demobilizing.
(9) Administering (including the morale and welfare of personnel).
(10) Maintaining.
(11) The construction, outfitting, and repair of military equipment.
(12) The construction, maintenance, and repair of buildings, structures, and utilities and the acquisition of real property and interests in real property necessary to carry out the responsibilities specified in this section.
(c) Subject to the authority, direction, and control of the Secretary of Defense, the Secretary of the Army is also responsible to the Secretary of Defense for—
(1) the functioning and efficiency of the Department of the Army;
(2) the formulation of policies and programs by the Department of the Army that are fully consistent with national security objectives and policies established by the President or the Secretary of Defense;
(3) the effective and timely implementation of policy, program, and budget decisions and instructions of the President or the Secretary of Defense relating to the functions of the Department of the Army;
(4) carrying out the functions of the Department of the Army so as to fulfill the current and future operational requirements of the unified and specified combatant commands;
(5) effective cooperation and coordination between the Department of the Army and the other military departments and agencies of the Department of Defense to provide for more effective, efficient, and economical administration and to eliminate duplication;
(6) the presentation and justification of the positions of the Department of the Army on the plans, programs, and policies of the Department of Defense; and
(7) the effective supervision and control of the intelligence activities of the Department of the Army.

10 U.S. Code § 5013 - Secretary of the Navy

Current through Pub. L. 113-296, except 113-287, 113-291, 113-295. (See Public Laws for the current Congress.)

- US Code
- Notes
- Authorities (CFR)

prev | next

(a)
(1) There is a Secretary of the Navy, appointed from civilian life by the President, by and with the advice and consent of the Senate. The Secretary is the head of the Department of the Navy.
(2) A person may not be appointed as Secretary of the Navy within five years after relief from active duty as a commissioned officer of a regular component of an armed force.
(b) Subject to the authority, direction, and control of the Secretary of Defense and subject to the provisions of chapter 6 of this title, the Secretary of the Navy is responsible for, and has the authority necessary to conduct, all affairs of the Department of the Navy, including the following functions:
(1) Recruiting.
(2) Organizing.
(3) Supplying.
(4) Equipping (including research and development).
(5) Training.
(6) Servicing.
(7) Mobilizing.
(8) Demobilizing.
(9) Administering (including the morale and welfare of personnel).
(10) Maintaining.
(11) The construction, outfitting, and repair of military equipment.
(12) The construction, maintenance, and repair of buildings, structures, and utilities and the acquisition of real property and interests in real property necessary to carry out the responsibilities specified in this section.
(c) Subject to the authority, direction, and control of the Secretary of Defense, the Secretary of the Navy is also responsible to the Secretary of Defense for—
(1) the functioning and efficiency of the Department of the Navy;
(2) the formulation of policies and programs by the Department of the Navy that are fully consistent with national security objectives and policies established by the President or the Secretary of Defense;
(3) the effective and timely implementation of policy, program, and budget decisions and instructions of the President or the Secretary of Defense relating to the functions of the Department of the Navy;
(4) carrying out the functions of the Department of the Navy so as to fulfill the current and future operational requirements of the unified and specified combatant commands;
(5) effective cooperation and coordination between the Department of the Navy and the other military departments and agencies of the Department of Defense to provide for more effective, efficient, and economical administration and to eliminate duplication;
(6) the presentation and justification of the positions of the Department of the Navy on the plans, programs, and policies of the Department of Defense; and
(7) the effective supervision and control of the intelligence activities of the Department of the Navy.

10 U.S. Code § 8013 - Secretary of the Air Force

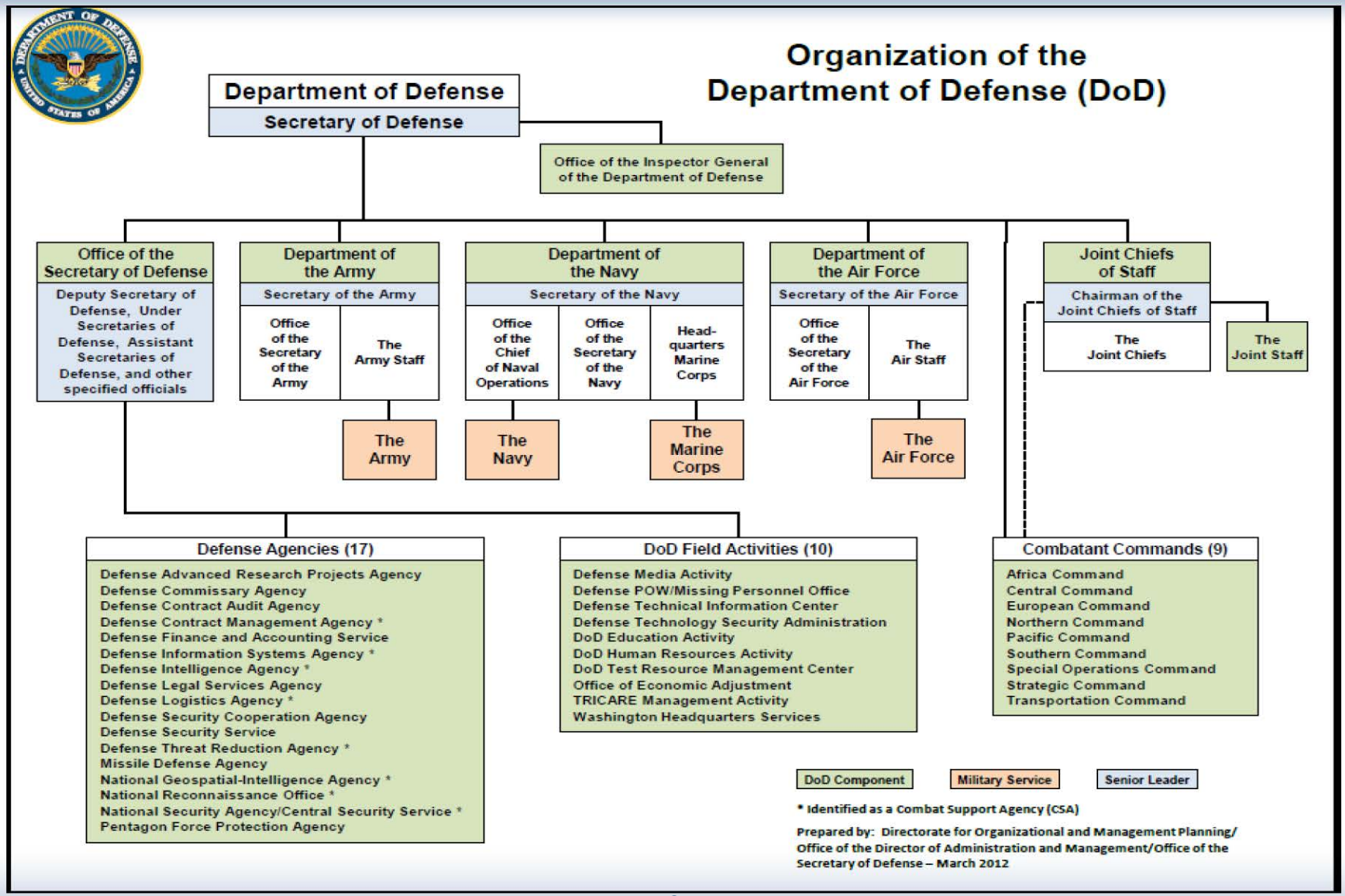
Current through Pub. L. 113-296, except 113-287, 113-291, 113-295. (See Public Laws for the current Congress.)

- US Code
- Notes
- Authorities (CFR)

prev | next

(a)
(1) There is a Secretary of the Air Force, appointed from civilian life by the President, by and with the advice and consent of the Senate. The Secretary is the head of the Department of the Air Force.
(2) A person may not be appointed as Secretary of the Air Force within five years after relief from active duty as a commissioned officer of a regular component of an armed force.
(b) Subject to the authority, direction, and control of the Secretary of Defense and subject to the provisions of chapter 6 of this title, the Secretary of the Air Force is responsible for, and has the authority necessary to conduct, all affairs of the Department of the Air Force, including the following functions:
(1) Recruiting.
(2) Organizing.
(3) Supplying.
(4) Equipping (including research and development).
(5) Training.
(6) Servicing.
(7) Mobilizing.
(8) Demobilizing.
(9) Administering (including the morale and welfare of personnel).
(10) Maintaining.
(11) The construction, outfitting, and repair of military equipment.
(12) The construction, maintenance, and repair of buildings, structures, and utilities and the acquisition of real property and interests in real property necessary to carry out the responsibilities specified in this section.
(c) Subject to the authority, direction, and control of the Secretary of Defense, the Secretary of the Air Force is also responsible to the Secretary of Defense for—
(1) the functioning and efficiency of the Department of the Air Force;
(2) the formulation of policies and programs by the Department of the Air Force that are fully consistent with national security objectives and policies established by the President or the Secretary of Defense;
(3) the effective and timely implementation of policy, program, and budget decisions and instructions of the President or the Secretary of Defense relating to the functions of the Department of the Air Force;
(4) carrying out the functions of the Department of the Air Force so as to fulfill the current and future operational requirements of the unified and specified combatant commands;
(5) effective cooperation and coordination between the Department of the Air Force and the other military departments and agencies of the Department of Defense to provide for more effective, efficient, and economical administration and to eliminate duplication;
(6) the presentation and justification of the positions of the Department of the Air Force on the plans, programs, and policies of the Department of Defense; and

Appendix I: Department of Defense

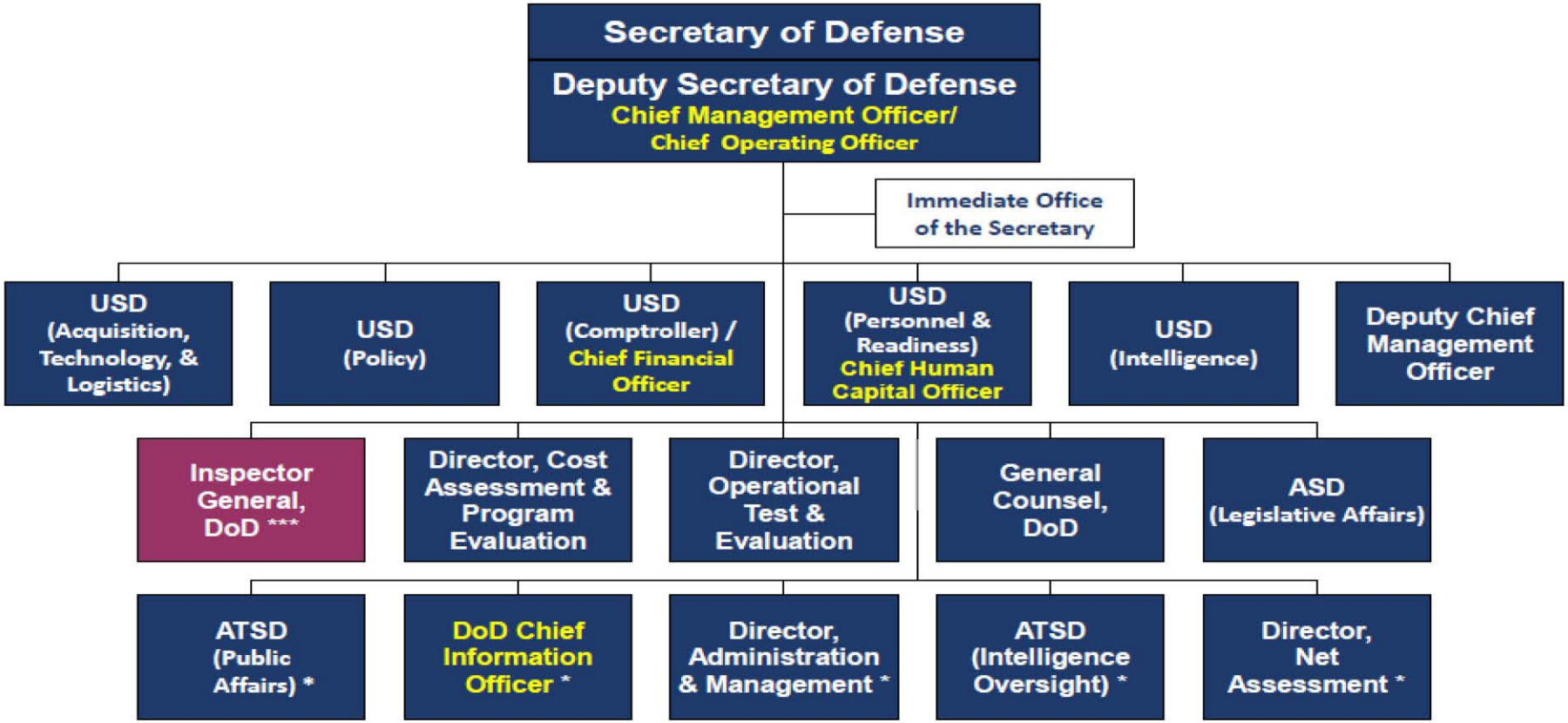


Appendix I:
Office of the Secretary of Defense

Current as of 5/24/2013

OSD Organizational Structure

Principal Staff Assistants (PSAs)

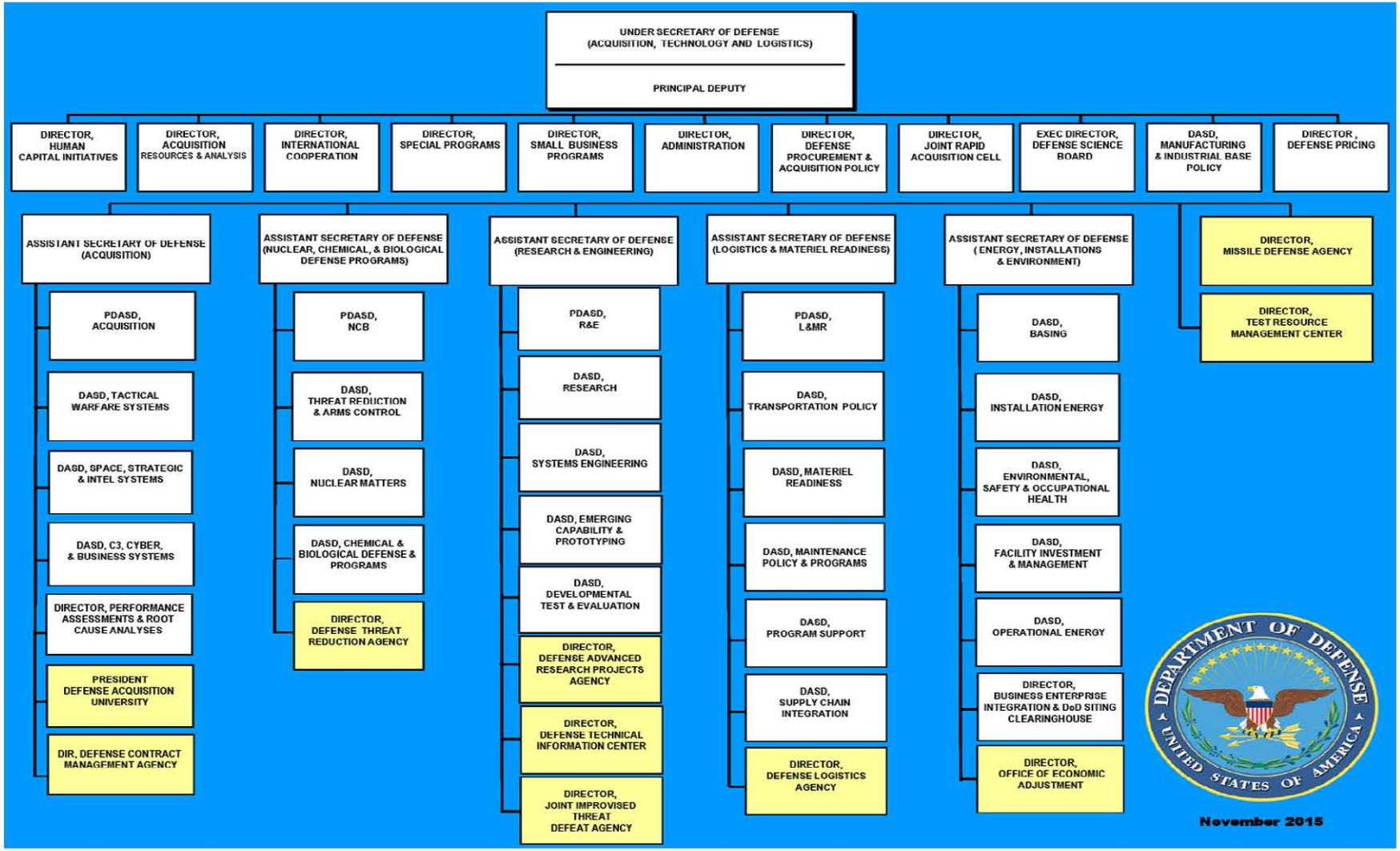


* All positions shown are Presidentially Appointed, Senate-confirmed (PAS) except those with * which are SES positions

** As of February 2013

*** Although the IG DoD is statutorily part of OSD and is under the general supervision of the Secretary of Defense, the Office of the IG DoD (OIG) functions as an independent and objective unit of the Department of Defense

Appendix I: Under Secretary of Defense (Acquisition, Technology and Logistics)



Appendix J:
Executive Order 13327 Overview

- Executive order establishes the Federal Real Property Council to develop guidance for, and facilitate the success of, each agency's asset management plan.
- The Council is to be composed exclusively of all agency Senior Real Property Officers, the Controller of the Office of Management and Budget, the Administrator of General Services, and any other full-time or permanent part-time Federal officials or employees as deemed necessary by the Chairman of the Council.
- The Senior Real Property Officer is designated by the head a department of agency. The **Senior Real Property Officer is required to develop and implement an agency asset management planning process that meets the form, content, and other requirements established by the Federal Real Property Council**.
- In relation to cultural resources, the Senior Property Officer shall incorporate planning and management requirements for historic property under Executive Order 132

http://www.gsa.gov/portal/content/101584

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