

DEFENSE BUSINESS BOARD



**Best Practices in  
Real Property Management**  
*Task Group Update*

July 23, 2015

*Interim update – pending study completion.*

# Agenda

- DoD Real Estate Portfolio
- Project Overview
- Problem Areas / Real World Examples
- Overview of Specific Tasks
  - Title X
  - Owned vs. Leased
  - Joint Basing and Installation Services



# DoD Portfolio Highlights

- **Today the Department of Defense (DOD) maintains an inventory of Real Property that is comprised of:**
  - 562,000 facilities (buildings, structures, linear structures) on 4,800+ sites valued at over \$879 billion
  - Located in all 50 states, 7 U.S. territories and 40 foreign countries.
  - 475 different facility types
  - 24.9 million acres of land, of which 88% are located in the US and its territories (*equal to the size of Virginia*)
  - Facilities Operations: \$9.3 billion (FY15 budget request) (*equal to the entire Department of Commerce budget*)
  - Facilities, Sustainment, Restoration and Maintenance (FSRM): \$6.8 billion (FY16 request)
  - Military Construction: \$8.4 billion (FY16 Total Obligation Authority)



# DoD Portfolio Highlights (cont'd)

- **Today the Department of Defense (DOD) maintains an inventory of Real Property that is comprised of:**
  - Utilization stats of the ~190k owned buildings in DoD inventory:
    - Due to improved data reporting, the number of buildings reporting a utilization rate increased from ~89k in FY13 to ~179k in FY14
    - ~29k buildings were reported as underutilized in FY14 (i.e., <66% utilization)
    - Occupancy rates are not reported at the enterprise level
  - The other ~100k buildings in the DoD inventory are either leased, family housing dwellings, or owned by foreign government of other federal agencies
  - ~48k facilities do not meet minimal building standards and are considered “failing”
  - 192k personnel in the Real Property Workforce (*equal to Verizon Communications*)

*“DoD manages cities, not buildings”*

– Senior DoD Real Property Official



# Overview

- **What the study is**
  - Review prior studies and reports and identify opportunities for reform
  - Identify legislative or other barriers
  - Develop plan and recommendation
  - Incorporate best practices from private sector
- **What the study is not**
  - Review of BRAC; commissary and exchange system
- **Project Goals / Guiding Principles**
  - Understand the current governance model
  - Focus on things that warrant attention in the short term
  - Ensure that recommendations on reductions in expenditures do not increase capital expenditure over time
  - Recognize and highlight successes
- **Timeline**
  - Final findings and recommendations to be reported at the January 2016 Board meeting

# Problem Areas/Real World Examples

- DoD enterprise not fully taking advantage of outsourcing services to best provider – e.g., Inpatient military treatment facilities (MTFs) in Europe: 4 of 6 have average daily patient load less than 2.6
- More economical long-term to own but tight budgets incentivize leasing – easier to get an approval to lease than to own; – e.g., Joint IED Defeat Organization
- Commercial-like buildings more costly versus private sector – e.g., Defense Health Agency request for a new fixed dental clinic at Miramar for \$35 million, or at 10x cost of private sector equivalent
- Building requirements for common facilities such as childcare centers, barracks, and athletic centers are unique to each Service
- DoD cannot repurpose existing facilities for another use (e.g., converting a barracks to administrative space) without having to re-justify the request as new Military Construction, a different set of funds which requires costly compliance (e.g., Davis-Bacon, etc.)



# Title X Impact

- SecDef has the authority to manage Real Property and related activities, but defers those decisions to the Services under Title X
- Service culture and tradition can be stumbling blocks to efficient management of the Department – especially in a period of budget constraints
- More of an enterprise (DoD) perspective must be adopted to leverage common services and standards to provide the necessary funding for high-priority, mission-critical initiatives



# Owned vs. Leased Sub-Task

- There are two main components to this subtask:
  - Data – We will run numbers on the National Capital Region (NCR) footprint to serve as prototype for finding inefficiencies/sub-optimizations that should be rationalized
    - Through the data analysis we expect to identify those changes in the real east portfolio DoD that deserve the most focus
    - Recommendations will focus on creating a methodology to be piloted in NCR that can be expanded to other regions
  - Process Rationalization – What is the right process for decision-making on acquisition of space of leased vs. owned?
    - We will make observations and recommendations on how much standardization/centralization should be layered into the defense department decision-making on space acquisition
    - One major question to be answered will be: “Does DoD have the right controls in place to ensure smart space acquisition decisions (e.g., reflective of 21st century realities)?”





# Joint Basing and Installations Services Sub-Tasks

- Joint Basing was intended to facilitate: lead Service execution, combined Service governance, contracted services and delivery consolidation, and sharing of best practices at a base geographical level
- The expectation was that Joint Basing would breed efficiencies and savings
  - But there is no agreed upon report card or tracking mechanism to determine how well these goals are being accomplished, where and how tweaks should be made, and how to determine future opportunities
  - On an anecdotal level, buy-in by the Services is mediocre to poor
- We will explore the benefits of enhanced visibility and accountability, and the development of a common evaluation method to determine current success and future opportunities on a more objective basis. We will also consider the current tools being used as compared to those being used by the private sector



# Joint Basing and Installations Services Sub-Tasks

- Installation services beyond joint basing is accomplished on a decentralized basis at the Service level (or possibly even lower) and by different agencies depending on the facility
- We will discover more in our upcoming meetings with the Services, but expect that there is room for contract, vendor, service and service standard improvements that could save money
  - The splintered ownership by facility and installation is a rich environment for best practice sharing and possible consolidation

