



April 9, 2014

Congressional Committees

Defense Infrastructure: In-Kind Projects Initiated during Fiscal Years 2011 and 2012

The Department of Defense (DOD) has, for over 20 years, accepted from host nations and domestic third parties facilities constructed or renovated either as host-nation support, or in exchange for goods, services, real property, or an interest in real property that the department provides to third parties. DOD uses these in-kind construction or renovation projects as alternatives to using appropriated funds to help manage a global real-property portfolio with more than 555,000 facilities worldwide and with a replacement value of nearly \$850 billion. The National Defense Authorization Act for Fiscal Year 2013 mandates GAO to report on the construction or renovation of DOD facilities with in-kind payments, covering in-kind projects begun during the preceding 2 years. To respond to this mandate, we examined the processes DOD used to select in-kind construction and renovation projects in Asia (Japan and the Republic of Korea) and domestically, and provided a listing of each facility constructed or renovated in-kind for DOD (including those in Germany), the value in U.S. dollars of that construction or renovation, the source of the in-kind project, the agreement pursuant to which the construction or renovation was performed, and a description of the purpose and need for the construction or renovation. Our review expands upon the preliminary information we provided to you on September 30, 2013, about overseas and domestic in-kind construction and renovation projects initiated during fiscal years 2011 and 2012.

For our review, we defined “in-kind construction and renovation projects” as those resulting from certain host-nation support programs or from transactions (whether domestic or overseas) in which DOD provides goods, services, real property, or an interest in real property (including, but not limited to, a leasehold or easement) in exchange for compensation, and in which any part of that compensation is provided in the form of construction or renovation services. This definition of “in-kind construction and renovation projects” is broader than the concept of in-kind “payments” for residual value or received in lieu of cash compensation as part of a domestic agreement with a third party because the definition includes host-nation support for installation facilities overseas. Voluntary contributions made by a host nation for the purpose of defraying costs to station, maintain, and train U.S. military forces in its country do not constitute a payment or obligate a host nation to make payments to the United States. Host-nation support provided in the form of direct construction rather than a cash contribution is viewed by DOD as one of three basic types of in-kind construction.¹ We excluded from our definition of “in kind

¹DOD officials describe three basic types of in-kind construction: (1) host-nation support provided in the form of direct construction rather than a cash contribution (e.g., in Japan and the Republic of Korea), (2) construction provided by a host nation as compensation for the residual value of U.S.-funded improvements returned to that host nation (e.g., PIK in Germany), and (3) fair market value consideration for U.S. property leased to a person/entity provided in the form of direct construction rather than cash (as authorized by 10 U.S.C. § 2667) (e.g., domestic in-kind). Given these three types, DOD believes only the last two fit the accepted definition of in-kind payments. A payment is something one party provides to another party in response to receiving something. Therefore in DOD’s view, any international agreements in which a host nation agrees to voluntarily offset U.S. stationing costs should not be misconstrued as a “payment” because there is no quid pro quo exchange of like goods or services.

construction or renovation projects” gifts, sustainment projects (e.g., regularly scheduled maintenance and inspections), and cash sales or rent used to finance construction or renovation. We defined “initiated” as that point at which the party responsible for completing the in-kind construction or renovation project received an official notice that allowed it to proceed with the project. For the purposes of this review we confirmed that knowledgeable officials in the Office of the Deputy Under Secretary of Defense for Installations and Environment agreed with our definitions.

To examine the processes DOD used to select in-kind projects in Asia and domestically, we identified and reviewed bilateral agreements with host nations and statutory authorities for domestic land use, along with guidance, policies, and relevant documents related to processes in place for selecting in-kind payment projects. We also interviewed officials at the Office of the Secretary of Defense, U.S. Pacific Command, U.S. Forces Korea, U.S. Forces Japan, and the military services. We did not review processes related to residual value payments for the return of facilities provided by the United States to the government of Germany because the processes for such compensation were recently reviewed by the DOD Inspector General and Congress.² For our second objective we compiled information and requested data on in-kind construction and renovation projects for fiscal years 2011 and 2012, their value in U.S. dollars, the source of the in-kind project, the agreement or statutory authority, and their purpose and need from DOD components—U.S. Pacific Command; U.S. European Command; the Departments of the Army, Navy (Marine Corps), and Air Force; and the TRICARE Management Activity.³ We conducted a data-reliability assessment of the data that each DOD component submitted by requesting that the component certify that the lists of projects provided to us were accurate and complete and that the component include all projects initiated during the specified dates. The Office of the Deputy Under Secretary of Defense for Installations and Environment also reviewed the data submitted by the components for consistency and to ensure that the data were for projects that we considered “in-kind projects.” We provided each component with an opportunity for a final review of the data we compiled. We found that the data provided were sufficiently reliable for the purposes of this assessment.

We conducted this performance audit from January 2013 to April 2014, in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

Accepting infrastructure improvements through in-kind construction and renovation projects allows DOD to fulfill some of its requirements for infrastructure overseas and domestically without the use of appropriated funds. In Asia, in-kind construction and renovation projects are completed using host-nation resources provided through the host nation’s budget process. Depending upon whether projects are initiated overseas or domestically, the selection of in-kind construction and renovation projects are subject to specific bilateral agreements and statutory

²Committee on Armed Services, U.S. Senate, *Inquiry Into U.S. Costs and Allied Contributions to Support the U.S. Military Presence Overseas*, S. Rep. No. 113-12 (2013); and Department of Defense Inspector General, *DOD Can Improve Its Accounting for Residual Value From the Sale of U.S. Facilities in Europe*, DODIG-2012-082 (Alexandria, Va.: May 4, 2012). “Residual value” is the negotiated monetary or nonmonetary compensation that host nations provide to DOD following the return of DOD-funded facilities or other capital improvements to the host nation.

³During this period all in-kind projects overseas were located in Japan, the Republic of Korea, and Germany.

authorities. Bilateral agreements include efforts to relocate U.S. forces and consolidate infrastructure being used by DOD. There are also other agreements between the United States and host nations to defray some of the costs of stationing U.S. forces overseas, and to support installations that will continue to be used by the United States—known as enduring installations—through the use of host-nation resources. Real property and improvements to infrastructure contributed by host nations in Asia do not result in an obligation on the part of the host nation to provide residual value payments (as it does in Germany), and there is generally no obligation for the United States to return real property or facilities in their original condition. Domestically, the Departments of the Army, Navy, and Air Force have statutory authority to lease or issue an easement on underutilized real property under their control or jurisdiction in exchange for in-kind construction or renovation projects. See enclosure I for more-detailed information about the specific bilateral agreements and statutory authorities related to in-kind overseas and domestic construction and renovation projects.

Results in Brief

In summary, DOD's processes for selecting in-kind projects in Asia vary by country and by whether the project is intended to support force-structure initiatives or enduring installations, although these efforts are not mutually exclusive; domestically, DOD's processes for selecting in-kind projects vary by military service and by statutory authority. In Asia, the selection of in-kind projects to support initiatives for the relocation of U.S. troops within Japan and the Republic of Korea generally results from a schedule-driven process based on resources and infrastructure made available by the host nation to fulfill initiatives agreed to in prior years with target dates for completion, and input from affected military bases. The selection of in-kind projects to support enduring installations is characterized by priority-based processes with input from installations and unit commanders. All in-kind projects to support U.S. forces in Asia are the result of host-nation support as agreed to bilaterally, with the exception of facilities provided through the Japan Facilities Improvement Program, which is a voluntary effort on the part of the government of Japan. All DOD facility planning and project selection at enduring locations is based on military and operational requirements, independent of location. When compared with the project-selection processes in Japan, DOD has more ability to prioritize and select projects in the Republic of Korea. Domestically, the services select projects based on military and operational need regardless of location, but the processes followed vary somewhat depending on the authorizing statute for the in-kind projects—for example, the authorities for enhanced-use leases, exchanges, or easements. For more-detailed information on the processes DOD uses to select in-kind projects in Asia and in the continental United States, see enclosure II.

During fiscal years 2011 and 2012, DOD initiated 107 in-kind construction and renovation projects overseas (in Japan, the Republic of Korea, and Germany) and in the continental United States (see enc. III and enc. IV for listings—for overseas and domestic projects, respectively—of each facility constructed or renovated for DOD as payment in-kind, the value in U.S. dollars of that construction or renovation, the source of the in-kind payment, the agreement pursuant to which the payment was made, and a description of the purpose and need for the construction or renovation).

- In Asia, DOD initiated 68 construction and renovation projects, and DOD officials provided estimated values totaling about \$1.3 billion for 44 of those projects. DOD initiated 38 in-kind projects in Japan, and DOD independent budget estimates for 14 of the 38 projects indicate that the projects are valued at \$257 million; however, at the time of our study, there were no DOD planning estimates available for the remaining 24 projects. Under the bilateral agreements between the United States and Japan, Japan is not obligated to disclose the

value of these projects. DOD initiated 30 projects in the Republic of Korea, and DOD officials estimate that these projects were valued at about \$1 billion. Most of the in-kind projects initiated in Japan and the Republic of Korea were for operations and training facilities and for housing and community facilities. The remaining projects were for utility and ground improvements and for maintenance and production, supply, administrative, and hospital and medical facilities.

- In Germany, DOD initiated 3 in-kind projects and funded them with residual value payments from the government of Germany that DOD officials estimated were valued at about \$11.3 million. One project was for operation and training, and the other two projects were for housing and community facilities.
- Domestically, the military services—the Army, Navy, and Air Force—initiated 36 in-kind construction and renovation projects that, on the basis of service estimates, total \$421.1 million.⁴ Of the 36 in-kind projects, 1 project (totaling an estimated value of \$334 million) went to the Army’s single housing and community project; 3 projects (totaling an estimated value of \$73.4 million) went to construction or renovation projects involving operation and training; and 32 projects (totaling an estimated value of \$13.7 million) went to real-property capitalization, utility and ground improvements, supply, real-property management, and facility-condition assessment.⁵ Comparatively, the Air Force had the most in-kind projects for fiscal years 2011 and 2012 (24 projects) compared to the Army (5 projects) and Navy (7 projects). Specifically, 20 of the Air Force’s 24 projects were for an easement granted to Florida’s Mid-Bay Bridge Authority (a state agency) worth an estimated value of about \$7.8 million, in exchange for building a road connector on Air Force property. The 20 in-kind projects resulting from the easement primarily went towards operations and training, and made up about 83 percent of Air Force’s in-kind construction and renovation projects initiated during fiscal years 2011 and 2012.

Agency Comments and Our Evaluation

In commenting on a draft of this report, DOD stated that the report properly highlights how DOD uses in-kind construction from different sources to improve facilities and conserve appropriated funds. On the other hand, DOD was concerned that we did not clearly distinguish in-kind payments from in-kind construction provided by host nations under binding international agreements focused on cost sharing, and further stated that the vast majority of the projects identified in the draft report as paid for with “payments in-kind” are mischaracterized. As our report states, our definition of “in-kind construction and renovation projects” is broader than that stated in DOD’s letter because our definition includes host-nation support for installation facilities overseas. Specifically, any references in our report to “payments in-kind” were restricted to projects in the United States and Germany. Moreover, we confirmed our definition with officials from the Office of the Deputy Under Secretary of Defense for Installations and

⁴The Marine Corps did not initiate any in-kind projects during fiscal years 2011 and 2012.

⁵Army Lodging Privatization is included in our sample for the purpose of completeness, but according to DOD officials, this program differs in significant ways from the other in-kind projects listed here. While the lodging and housing privatization programs result in private in-kind construction or renovation of facilities that, in some cases, continue to be owned by DOD and will be returned to DOD at the conclusion of the relevant lease term. According to DOD officials, the purpose of these programs is to construct or renovate facilities to rent to servicemembers, not to obtain construction or renovation services of DOD facilities in-kind. These officials also note that due to the length of the leases in question (a typical lease term is 50–75 years) the facilities in question will not return to the department until late in their useful lives, which underscores the fact that these agreements are not intended to obtain construction or renovation in-kind.

Environment, who agreed with our use of the definition. Similarly, our report also states that the Office of the Deputy Under Secretary of Defense for Installations and Environment reviewed the data submitted by the military components for consistency and to ensure that the data were for projects that we considered “in-kind projects.” Therefore, we believe we have appropriately characterized these projects in our report. DOD’s comments are reprinted in enclosure V. DOD also provided technical comments, which we incorporated as appropriate.

We are sending copies of this report to appropriate congressional committees and to the Secretary of Defense; the Secretaries of the Army, Navy, and Air Force; and the Director of the Office of Management and Budget. In addition, this report is available at no charge on the GAO website at <http://www.gao.gov>.

If you or your staff have any questions concerning this report, please contact me at (202) 512-4523 or leporeb@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made key contributions to this report were Mark Wielgoszynski, Assistant Director; Timothy Burke; Mae F. Jones; Hia Quach; John E. Trubey; Amie Steele; and Michael Willems.

A handwritten signature in black ink, reading "Brian Lepore". The signature is written in a cursive, flowing style.

Brian J. Lepore, Director
Defense Capabilities and Management

Enclosures – 5

List of Committees

The Honorable Carl Levin
Chairman
The Honorable James M. Inhofe
Ranking Member
Committee on Armed Services
United States Senate

The Honorable Tim Johnson
Chairman
The Honorable Mark Kirk
Ranking Member
Subcommittee on Military Construction,
Veterans Affairs and Related Agencies
Committee on Appropriations
United States Senate

The Honorable Howard P. McKeon
Chairman
The Honorable Adam Smith
Ranking Member
Committee on Armed Services
House of Representatives

The Honorable John Culberson
Chairman
The Honorable Sanford D. Bishop, Jr.
Ranking Member
Subcommittee on Military Construction,
Veterans Affairs and Related Agencies
Committee on Appropriations
House of Representatives

Enclosure I: Bilateral Agreements in Asia and Domestic Statutory Authorities Related to In-Kind Construction and Renovation Projects

Accepting infrastructure improvements through in-kind construction and renovation projects allows the Department of Defense (DOD) to fulfill some of its requirements for infrastructure overseas and domestically without the use of appropriated funds. Depending upon whether the projects are initiated overseas or domestically, the selection of in-kind construction and renovation projects are subject to specific bilateral agreements and statutory authorities. In Asia, in-kind construction and renovation projects are completed using host-nation resources provided through the host nation's budget process, but planning and selecting projects at enduring locations overseas can be complicated by international agreements, host-nation budgets, and local politics. Domestically, the Departments of the Army, Navy, and Air Force have statutory authority to, among other things, lease or issue an easement on underutilized real property under their control or jurisdiction in exchange for in-kind construction or renovation projects.

In Asia, In-Kind Construction and Renovation Projects Are Subject to Bilateral Agreements

In Asia, DOD has embarked on the largest transformation of U.S. military posture in the Pacific region since the end of World War II, a transformation that requires the construction of hundreds of new facilities and more than 3,500 housing units.⁶ Billions of dollars in combined investments by host nations and the U.S. government have already been identified as necessary to implement these initiatives. Bilateral agreements include efforts to relocate U.S. forces and consolidate infrastructure being used by DOD and specify the amount to be contributed by the host nation and the United States to implement force-structure initiatives, or state which costs will be borne by the United States and which by the host nation. Much of the construction and renovation necessary for these initiatives is the result of in-kind projects contributed by the host nation. There are also other agreements between the United States and host nations to defray some of the costs of stationing U.S. forces overseas and to support installations that will continue to be used by the United States—known as enduring installations—through the use of host-nation resources. Real property and improvements to infrastructure contributed by host nations in Asia are not the result of an obligation to provide residual value payments in exchange for real property returned to the host nation; rather they are voluntary contributions to the support of the U.S. presence in that host nation. DOD recognizes the unique character of construction programs funded by host nations in the U.S. Pacific Command area of responsibility and addresses their management separately from other military construction programs. Additional guidance has also been provided by the Chairman of the Joint Chiefs of Staff; the Commander, U.S. Pacific Command; and the commanders of U.S. forces in Japan and Korea. U.S. agreements and associated programs with Japan and the Republic of Korea that may result in in-kind construction and renovation projects are presented in table 1.

⁶For more information, see GAO, *Defense Management: Comprehensive Cost Information and Analysis of Alternatives Needed to Assess Military Posture in Asia*, [GAO-11-316](#) (Washington, D.C.: May 25, 2011); and *Defense Management: More Reliable Cost Estimates and Further Planning Needed to Inform the Marine Corps Realignment Initiatives in the Pacific*, [GAO-13-360](#) (Washington, D.C.: June 11, 2013).

Table 1: Bilateral Agreements That May Result in In-Kind Construction and Renovation Projects

Host nation	Agreement or program	Description
Japan ^a	Special Action Committee on Okinawa ^b	Formed to reduce the effect of the U.S. military presence on the people of Okinawa, Japan, and strengthen the U.S.-Japan alliance.
	Defense Posture Review Initiative ^c	Relocates military units to reduce the burden of the U.S. military presence on Japanese communities while maintaining a continuing presence of U.S. forces in the region.
	Japan Facilities Improvement Program ^d	A government of Japan initiative, which started in 1979, to ease the financial burden of stationing U.S. Forces in Japan.
Korea ^e	Yongsan Relocation Plan ^f	Relocates U.S. Forces Korea Headquarters from current locations in Seoul to locations further south, primarily to the Pyeongtaek region.
	Land Partnership Plan ^g	Consolidates and relocates U.S. Forces Korea forces located north of the Han River to locations south of Seoul, primarily to the Pyeongtaek region.
	Republic of Korea–Funded Construction ^h	Can be used to provide new or replacement facilities to support the joint defense of the Republic of Korea.
	Logistics Cost Sharing ^h	Provides resources that can be used for sustaining facilities or conducting restoration and modernization activities.

Source: GAO analysis of DOD information.

^aAll projects in Japan are accepted as part of the *Agreement between the United States of America and Japan Concerning New Special Measures Relating to Article XXIV of the Agreement Under Article VI of the Treaty of Mutual Cooperation and Security between the United States of America and Japan, Regarding Facilities and Areas and the Status of United States Armed Forces in Japan* (Apr. 1, 2011).

^bSee *Special Action Committee on Okinawa, SACO Final Report* (Dec. 2, 1996). The Special Action Committee on Okinawa was established in November 1995 by the Governments of Japan and the United States.

^cSee *U.S.–Japan Security Consultative Committee Document, United States–Japan Roadmap for Realignment Implementation* (May 1, 2006), which finalized key implementation details of the proposed realignment of U.S. Forces in Japan.

^dSee *U.S.–Japan Security Consultative Committee Document, Host Nation Support* (June 21, 2011). This document indicated that Facilities Improvement Program funding in the current Special Measures Agreement period will be no less than 20.6 billion yen per year.

^eRepublic of Korea–Funded Construction and Logistics Cost Sharing projects in the Republic of Korea are subject to the *Agreement Between the United States of America and the Republic of Korea Concerning Special Measures Relating to Article V of the Agreement Under Article IV of the Mutual Defense Treaty Between The Republic of Korea and the United States of America Regarding Facilities and Areas and the Status of United States Armed Forces in the Republic of Korea* (Jan. 15, 2009).

^fSee *Memorandum of Agreement between the Government of the Republic of Korea and the Government of the United States of America Regarding the Agreed Recommendation for Implementation of the Agreement between the Republic of Korea and the United States of America on the Relocation of United States Forces from the Seoul Metropolitan Area* (Oct. 26, 2004).

^gSee *Agreement between the United States of America and the Republic of Korea amending the agreement between the United States of America and the Republic of Korea for the Land Partnership Plan of March 29, 2002* (Oct. 26, 2004).

^hSee *Implementation Arrangement For Special Measures Agreement* (Mar. 24, 2009).

In Japan, the Defense Policy Review Initiative and the Special Action Committee on Okinawa involve construction projects to relocate and consolidate U.S. forces. In 2005 and 2006 the United States–Japan Defense Policy Review Initiative outlined the effort to relocate American military units in Japan to other areas to reduce the burden of the U.S. military presence on Japanese communities while maintaining a continuing presence of U.S. forces in the region.

The Defense Policy Review Initiative was preceded by the Special Action Committee on Okinawa. The United States and Japan released the Final Report of the Special Action Committee on Okinawa on December 2, 1996, which made 27 recommendations to reduce the effect of the U.S. military presence on the people of Okinawa, including building a replacement facility for Marine Corps Air Station Futenma elsewhere on Okinawa. In addition, the government of Japan constructs facilities for U.S. forces through the Japan Facilities Improvement Program to defray U.S. construction costs. According to DOD officials, this program is on a voluntary basis, and also minimizes the impacts of base operations on local communities, and has been used to support enduring installations and reduce U.S. sustainment costs.

In the Republic of Korea, two DOD posture initiatives, known as the Yongsan Relocation Plan and the Land Partnership Plan, will relocate and consolidate defense infrastructure used by the United States. The Yongsan Relocation Plan agreed to between the governments of the United States and the Republic of Korea in October 2004 primarily involves the relocation the headquarters for the U.S. 8th Army, U.S. Forces–Korea, Combined Forces Command, and the United Nations Command from U.S. Army Garrison Yongsan, an installation located in Seoul, to U.S. Army Garrison Humphreys (Camp Humphreys) in the Pyeongtaek area. The Land Partnership Plan realignment, agreed to by the United States and the Republic of Korea in March 2002, will primarily move U.S. troops currently stationed north of Seoul farther south to Camp Humphreys. The cost of stationing U.S. troops in the Republic of Korea is also defrayed by the Republic of Korea–Funded Construction Program, which provides in-kind construction and renovation projects (but can also be used to support force-structure initiatives such as the Land Partnership Plan) and the Logistics Cost Sharing program, which ordinarily provides maintenance and repairs, but may be used for in-kind renovation projects.

Domestic In-Kind Construction and Renovation Projects Are Subject to Title 10 of the U.S. Code

The Departments of the Army, Navy, and Air Force have statutory authority under sections 2667, 2668, and 18240 of Title 10 of the United States Code to lease or issue an easement on underutilized real property under their control or jurisdiction in exchange for in-kind construction or renovation projects. Section 2667 provides authority to the Secretaries of the military departments to lease nonexcess real property under the control of the respective departments, subject to several provisions. Concerning consideration received in exchange for these leases, section 2667 provides that if the consideration is to be cash, then the cash payments must be deposited into a special account in the U.S. Treasury and may only be used in such amounts as provided in appropriations acts, but that at least 50 percent of that consideration will only be available for use at the installation where the leased property is located. If the consideration is in-kind, section 2667 provides examples of acceptable forms of in-kind consideration, which include the restoration of property or facilities and the construction of new facilities. Section 2668 allows the Secretaries of the military departments to grant easements to allow another person or organization to legally use property for a specified purpose provided that doing so would not be against the public interest, which according to officials might include uses that do not unreasonably interfere with the overall operation of the installation or impair the security of the installation. Easements can be granted to, among other things, provide rights-of-way for railroad tracks, gas/water/sewer/oil pipe lines, substations for electric power transmission lines, canals, ditches, flumes, tunnels, roads and streets, and poles and lines for the transmission or distribution of communications signals. Section 18240 of Title 10 allows DOD to acquire a facility, or addition to an existing facility, needed to satisfy military requirements for a reserve component through an exchange. A brief summary of these authorities is provided in table 2.

Table 2: Statutory Authorities Governing Domestic Construction and Renovation Projects Using In-Kind Payments

Statutory authority	Description of statutory authority
10 U.S.C. § 2667	Provides authority to Secretaries of the military departments to lease nonexcess real property under the control of the respective departments, subject to several provisions.
10 U.S.C. § 2668	Provides authority to Secretaries of the military departments for easements for rights-of way over, in, and upon public lands permanently withdrawn or reserved for the use of that department that will not be against the public interest.
10 U.S.C. § 18240	Provides authority to Secretaries of the military departments to acquire a facility, or addition to an existing facility, needed to satisfy military requirements for a reserve component by carrying out an exchange of an existing facility through an agreement with an executive agency, the United States Postal Service, or a state, local government, local authority, or private entity.

Source: U.S. Code.

Section 2667 of Title 10 of the United States Code Provides Military Secretaries with Authority to Lease Nonexcess Real Property

Section 2667 of Title 10 provides authority to Secretaries of the military departments to lease nonexcess real property under the control of the respective departments, subject to several provisions. For example, such leases must be considered by the respective Secretary to be advantageous to the United States and be on terms that the respective Secretary considers will promote the national defense or be in the public interest. In addition, each lease, among other things, (1) may not be for more than 5 years, unless the Secretary concerned determines that a lease for a longer period will promote the national defense or be in the public interest; (2) shall permit the Secretary to revoke the lease at any time, unless the Secretary determines that the omission of such a provision will promote the national defense or be in the public interest; (3) shall provide for the payment (in cash or in-kind) by the lessee of consideration in an amount that is not less than the fair market value of the lease interest, as determined by the Secretary.

Concerning lease consideration, section 2667 provides that if the consideration is to be cash, then the cash payments must be deposited into a special account in the U.S. Treasury and may only be used in such amounts as provided in appropriations acts. Also, once these amounts are appropriated, section 2667 provides that at least 50 percent of the lease proceeds are only available for use at the installation where the leased property is located, and that the appropriated funds may be used for specific enumerated purposes relating to real-property construction, maintenance services, lease of facilities, or payment of utility services. In the event that consideration for the lease is to be in-kind, then section 2667 provides a list of acceptable forms of in-kind consideration that includes the maintenance, protection, alteration, repair, improvement, or restoration of property or facilities; the construction of new facilities; and the provision of facilities, utility services, or real-property maintenance services.

Although the authorizing statute, section 2667, does not use “enhanced-use lease” to differentiate leases executed pursuant to this authority, the services generally distinguish an enhanced-use lease from a normal out-lease on the basis of scope, process, term, and consideration. For example, an enhanced-use lease might provide for a 50-year lease of military land to a private developer that would be expected to construct office or other commercial buildings on the land and then rent the facilities to private-sector tenants for profit. As

consideration, the military might receive cash or in-kind services valued at an amount equal to the fair market value of the lease.

Section 2668 of Title 10 of the United States Code Provides Military Secretaries with Authority to Lease Easements for Rights-of-Way

Under section 2668 of Title 10 of the United States Code, the military Secretaries have the authority to receive in-kind consideration in exchange for easements of rights-of-way over, in, and upon public lands that the Secretary determines will not be against the public interest. In the case of this statutory authority, the Secretaries of the military departments may grant other persons or organizations the legal right to use public land for a specified purpose. Uses for which an easement can be granted include, among other things, railroad tracks, gas/water/sewer/oil pipe lines, substations for electric power transmission lines, canals, ditches, flumes, tunnels, roads and streets, and poles and lines for the transmission or distribution of communications signals.

Section 18240 of Title 10 of the United States Code Provides Military Secretaries with Authority to Acquire a Facility or Addition to an Existing Facility

Section 18240 of Title 10 of the United States Code indicates that the Secretary of Defense may authorize the Secretary of a military department to acquire a facility, or addition to an existing facility, needed to satisfy military requirements for a reserve component by carrying out an exchange of an existing facility under the control of that Secretary through an agreement with an executive agency, the United States Postal Service, or a state, local government, local authority, or private entity. The acquisition of a facility or an addition to an existing facility may include the acquisition of utilities, equipment, and furnishings for the facility. In any exchange carried out using this authority, the value of the replacement facility, or addition to an existing facility, including any utilities, equipment, and furnishings, that is acquired by the United States shall be at least equal to the fair market value of the facility conveyed by the United States under the agreement. If the values are unequal, the values may not be equalized by any payment of cash consideration by either party to the agreement. Such an unequal exchange can only go forward when the value of the facility received by the government is greater than the fair market value of the facility the government is conveying, because the statute provides that exchanges may only be made when the value of the facility the government receives is at least equal to the fair market value of the facility the government is giving up.

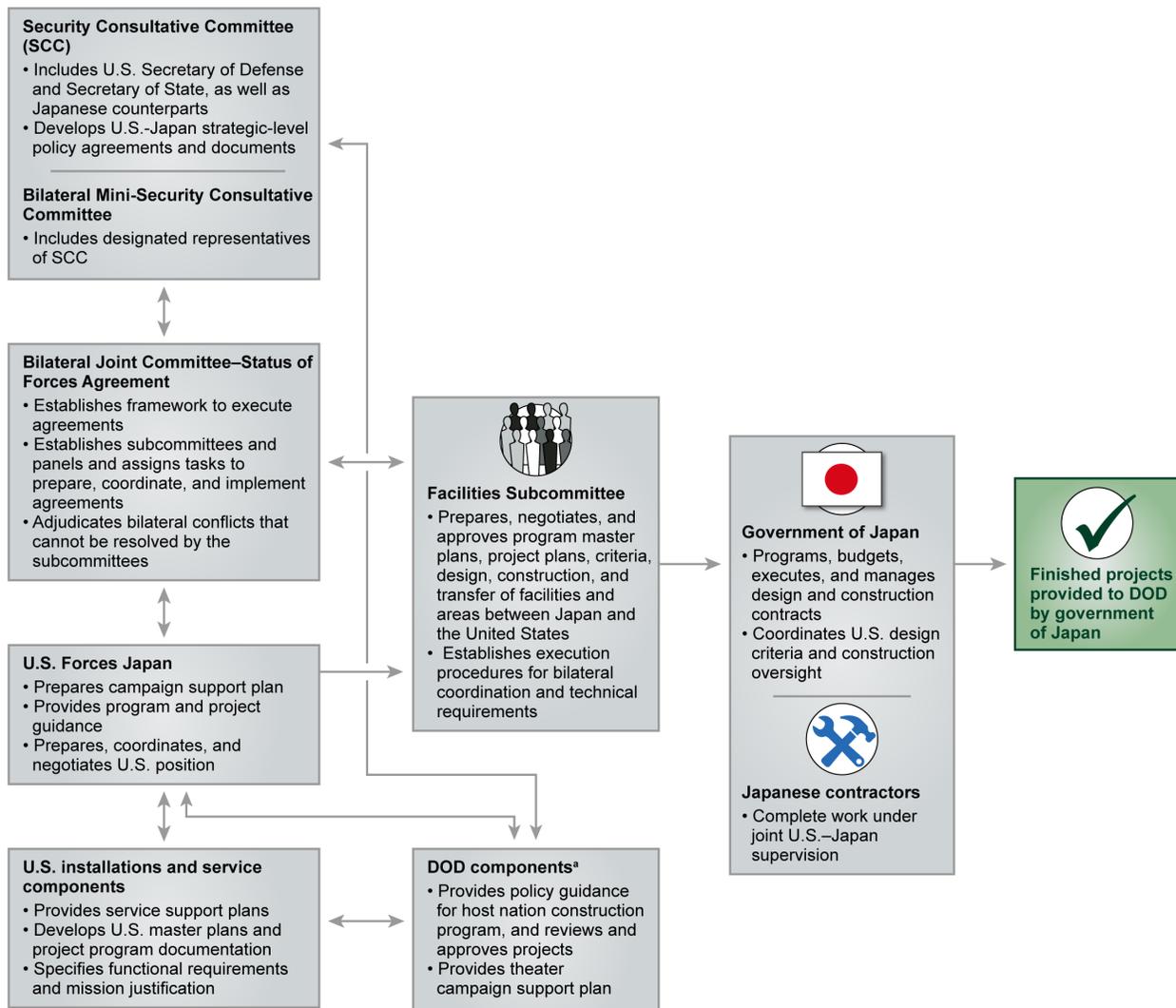
Enclosure II: DOD's Processes for Selecting In-Kind Projects in Asia and Domestically during Fiscal Years 2011 and 2012.

DOD's processes for selecting in-kind projects in Asia vary by country and by whether the project is intended to support force-structure initiatives or enduring installations; domestically, DOD's processes for selecting in-kind projects vary by military service and by statutory authority. In Asia, the selection of in-kind projects to support initiatives for the relocation of U.S. troops within Japan and the Republic of Korea generally results from a schedule-driven process based on resources and infrastructure made available by the host nation to fulfill initiatives agreed to in prior years with target dates for completion, and input from affected military bases. The selection of in-kind projects to support enduring installations in Asia is characterized by priority-based processes with input from installations and unit commanders. All in-kind projects to support U.S. forces in Asia in our scope are the result of host-nation support as agreed to bilaterally, with the exception of facilities provided through the Japan Facilities Improvement Program, which is a voluntary effort on the part of the government of Japan. When compared with the project-selection processes in Japan, DOD has more flexibility to select in-kind projects in the Republic of Korea. Domestically, the services select projects based on military and operational need regardless of location, but the processes followed vary somewhat depending on the authorizing statute for in-kind projects—for example, enhanced-use leases, exchanges, or easements.

DOD's Overseas Processes for Selecting In-Kind Projects in Asia Vary by Country and by Whether the Project Is to Support Force-Structure Initiatives or Enduring Installations

Irrespective of whether a project is in Japan or the Republic of Korea, or whether a project is intended to support force-structure initiatives or enduring installations, the process for selecting it ultimately involves a confluence between input from host country and DOD entities. In figures 1 and 2, we provide a general depiction of the processes used in Japan and the Republic of Korea, respectively, to select in-kind projects.

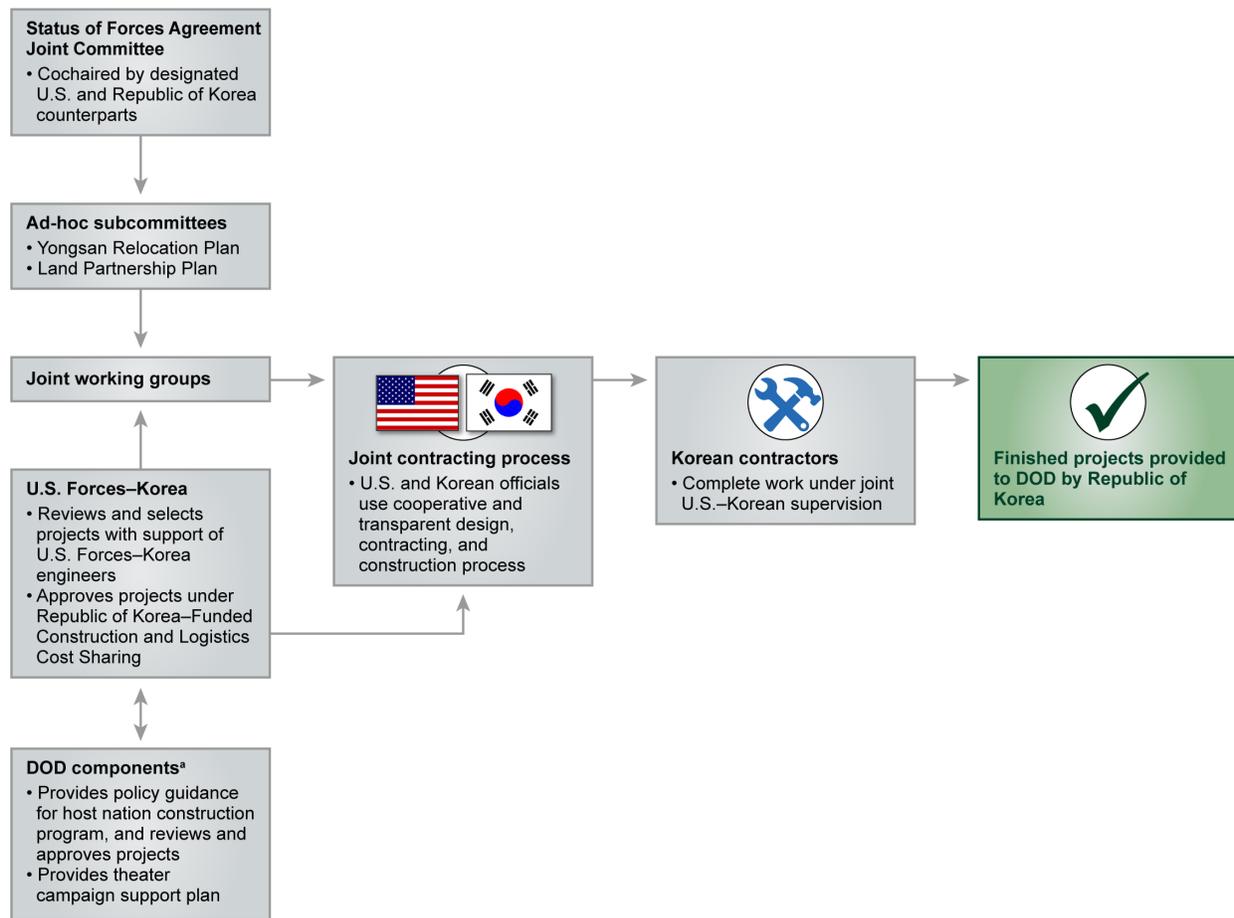
Figure 1: General Depiction of Processes Used in Japan to Select In-Kind Projects



Source: GAO analysis of DOD information.

^a DOD components include U.S. Pacific Command, U.S. Joint Chiefs of Staff/Engineer, and Deputy Under Secretary of Defense (Installations and Environment).

Figure 2: General Depiction of Processes in the Republic of Korea Used to Select In-Kind Projects



Source: GAO analysis of DOD information.

*DOD components include U.S. Pacific Command, U.S. Joint Chiefs of Staff/Engineer, and Deputy Under Secretary of Defense (Installations and Environment).

Selection of In-Kind Projects to Support Initiatives for the Relocation of U.S. Troops within Japan and the Republic of Korea Generally Results from a Schedule-Driven Process

Force-structure initiatives in Asia include the Defense Posture Review Initiative and the Special Action Committee on Okinawa in Japan, and the Yongsan Relocation Plan and the Land Partnership Plan in the Republic of Korea. To select projects for completing these initiatives the U.S. Pacific Command and Office of the Secretary of Defense review annual project lists to assure a logical progression towards completion. However, differences exist in the way projects related to these initiatives are selected in Japan and the Republic of Korea. For example, the Defense Posture Review Initiative for relocating and consolidating Infrastructure used by U.S. forces in Japan includes projects to replace facilities displaced by new construction. One such project using Defense Posture Review Initiative resources was to relocate an existing aircraft hangar at Marine Corps Air Station Iwakuni to a new location on the base in order to accommodate construction of military housing on the original site. After projects in Japan are selected, the United States provides design criteria and hands off projects to the government of Japan for design and construction with limited U.S. visibility into the cost of projects. There are differences in the way projects to support force-structure initiatives in the Republic of Korea are selected. For example, the United States anticipated expending approximately \$3.67 billion as

part of the Land Partnership Plan initiative to relocate and consolidate infrastructure used by U.S. forces in the Republic of Korea, but the Republic of Korea–Funded Construction program has been used to offset about \$2 billion of that planned expenditure. In addition, the Republic of Korea’s Logistics Cost Sharing, which is usually used for maintenance and repairs, included two in-kind renovation projects in fiscal years 2011 and 2012. After projects are selected, U.S. and Korean officials work together in the design and contracting process for in-kind projects, with the United States having full visibility into project costs. Other process differences affect project timelines. Specifically, officials stated that it can take up to 7 years to complete a project in South Korea and up to 14 years to complete a project in Japan after the need for a project is identified.

Selection of In-Kind Projects to Support Initiatives for Enduring Installations within Japan and the Republic of Korea Generally Results from Priority-Based Processes

Programs in Japan and the Republic of Korea to support the enduring presence of U.S. forces in those countries include the Japan Facilities Improvement Program and, for the Republic of Korea, the Republic of Korea–Funded Construction Program and the Logistics Cost Sharing Program. To select projects, a prioritized list is consolidated by U.S. forces, reviewed by the U.S. Pacific Command and the Office of the Secretary of Defense, and then returned for contracting and completion by the host nation. In Korea, the list prepared by U.S. forces is generally accepted as presented.⁷ In contrast, the government of Japan selects projects begun in the Japan Facility Improvement Program, and, according to DOD officials, projects may be deliberated before the Japanese Diet, which is the national legislature of Japan.

DOD Has More Flexibility to Select In-Kind Projects in the Republic of Korea than in Japan

There are notable differences in the degree to which DOD has flexibility to select in-kind projects in Japan and the Republic of Korea. For example, according to DOD officials, the U.S. Forces Korea Commander has the ability to designate how resources provided by the Republic of Korea for in-kind projects will be allocated between Republic of Korea Funded Construction (to include support for the Land Partnership Plan) and Logistics Cost Sharing projects. This has allowed the United States to offset some of its planned expenditures to implement the Land Partnership Plan by using Republic of Korea–Funded Construction resources, which would continue to be available whether the force-structure initiative were being implemented or not.⁸ However, the government of Japan has final approval authority for projects selected in the Japan Facilities Improvement Program and selects projects from a prioritized list prepared by U.S. officials, but recognizes the need for improved facilities and the concerns of local communities. Under the latest agreements between the United States and Japan, the government of Japan is required to make its “best effort” to meet U.S. priorities, but has final approval authority for projects selected. Only 5 of the top 10 highest-priority projects proposed by U.S. authorities for initiation in 2011 were selected by the government of Japan for initiation during fiscal years 2011 and 2012. Other projects selected were either lower priority, or added

⁷The Republic of Korea has some prohibitions against specific project types, such as recreation facilities, and these are not presented for contracting and completion.

⁸The Republic of Korea supports force-structure initiatives through separate bilateral agreements, but the Special Measures Agreement defines an annual amount that the Republic of Korea will provide either in cash or in-kind. The contribution of the Republic of Korea for 2009 was 760 billion Korean won, and the 2010, 2011, 2012, and 2013 contributions were determined by increasing the contribution of the previous year by the inflation rate (consumer price index). Expressed in dollars, the amount that the Republic of Korea provides is about \$800 million for 2012.

by the government of Japan to address local concerns. For example, two projects were selected to erect golf nets to protect local residences adjacent to golf courses on U.S. installations.

Processes for Selecting Domestic Projects Vary by the Military Department and the Type of In-Kind Payment

Domestically, the military departments generally use their existing real-estate leasing processes to select in-kind projects. DOD officials state that the military departments select projects based on military and operational need regardless of location, but the processes followed vary somewhat depending on the authorizing statute for the in-kind projects—for example, the authorities vary for enhanced-use leases, exchanges, and easements.

The Military Departments Generally Use Their Existing Real-Estate Leasing Processes to Select In-Kind Projects

The military departments generally select in-kind construction and renovation projects as part of the established real-estate leasing processes to provide leases, real-property exchanges, or easements to third parties. For example, the Army, Navy, and Air Force identify potential enhanced-use leases at the installation level, with the installation determining potential in-kind consideration requirements and providing them to the lessee. For all three departments, after the installation identifies the project requirements, the services conduct an economic and market feasibility study which includes, among other things, an analysis of site conditions, economic and demographic area data, and financial feasibility. Following its existing real-estate leasing process, a department puts out a request for qualifications to solicit developer interest in the project, selects a developer (sometimes using a competitive process), negotiates a business and leasing plan, requires environmental documentation (including historical and cultural), executes the lease, and administers the lease. Specifically, during the negotiation process, the service and the offeror work out the lease agreement and assess environmental impact and financial viability. If the lease terms are complex, how long it could take to negotiate the lease and develop the details of the arrangement varies among the departments and on a case-by-case basis. Similar processes are followed for exchanges and easements. For example, when the Army acquires facilities by exchange it is similar to the leasing process, with the valuation of property appraised to assure that fair market value is received by the military. According to Air Force officials, the Air Force's process for granting an easement begins with the installation receiving an easement request from a potential user (e.g., local utility, landowner, or government entity), and the availability of space is approved by the Facilities Utilization Board,⁹ with the Air Force Civil Engineering Center approving the transaction.

There Are Variations among the Military Departments in How In-Kind Projects Are Selected

There are variations in the processes that the military departments use to select the in-kind projects.¹⁰ For example, the Navy uses a two-phase approach for enhanced-use leases and

⁹According to Air Force officials, the Facilities Utilization Board prioritizes every project in the civil engineering arena, to include in-kind payment projects, with the Wing Commander chairing the meeting. Officials stated that the board comprises members from the Air Base Wing, Air Armament Center, Special Forces Group, Test Wing, Civil Engineer Group, Special Operations Wing, Air Armament Center, Air Forces Research Lab, Ranger Training Brigade, Space Control Squadron, and Naval School Explosive Ordnance Disposal.

¹⁰The Army was the only service that reported acquiring facilities by exchange within fiscal years 2011–2012 and the Air Force was the only service that reported granting an easement within the same years

negotiates in-kind consideration as part of the process with notification to Congress before entering into the actual lease, including a description of any in-kind consideration that will be accepted.¹¹ The Army's process is similar to the Navy's and begins with an installation identifying a potential enhanced-use lease and preparing a business proposal for the lease including the in-kind consideration, and the affected installation is allowed to select in-kind projects. However, while the Air Force installation does prepare an integrated priority list of unfunded projects to facilitate the selection of projects as in-kind consideration, the actual selection of in-kind projects is approved by the Director of the Air Force Civil Engineering Center rather than at the installation level. Air Force officials also stated that the granting of large easements is a relatively new process and variations may occur in the way in-kind projects are selected. For example, the Air Force's easement with the Mid-Bay Bridge Authority in Florida included 20 negotiated in-kind projects approved by the Facilities Utilization Board, with the exception of one project. That project was a data-recovery project (similar to a survey), which went directly to the Air Base Wing Commander at Eglin Air Force Base because the project had potential cost savings for future projects, and was not part of constructing or renovating facilities for the Air Force in that fiscal year.

¹¹For certain leases entered into under 10 U.S.C. § 2667, a two-step notification process is required under section 2662 of Title 10 of the United States Code.

Enclosure III: Overseas In-Kind Construction and Renovation Projects Initiated for the Department of Defense during Fiscal Years 2011 and 2012

Host-nation support in Japan and South Korea resulted in the initiation of 68 in-kind construction and renovation projects valued at over \$1.3 billion during fiscal years 2011–2012 (38 projects in Japan and 30 in South Korea). The estimate for Japan (about \$257 million) does not include dollar values for 24 of the 38 in-kind projects initiated in Japan during this period since the government of Japan is not obligated to disclose the value of in-kind construction and renovation projects, and often does not disclose such costs. In Germany, residual value payments to the United States totaled about \$11.3 million for 3 in-kind projects. In-kind projects initiated in Japan and South Korea during fiscal years 2011 and 2012 supported various purposes of the U.S. military's presence in those nations.¹² Most of the in-kind projects initiated in Japan were for operations and training (13 of 38 projects) and for housing and community facilities (12 of 38 projects). The remaining 13 of the 38 projects were for maintenance and production facilities, utility and ground improvements, supply facilities, and administrative facilities. Similarly, in South Korea most of the in-kind projects initiated were for housing and community facilities (10 of 30 projects) and for operations and training facilities (9 of 30 projects). The other 11 projects were for maintenance and production facilities, supply facilities, administrative facilities, and hospital and medical facilities. Among other things, the National Defense Authorization Act for Fiscal Year 2013¹³ requires that GAO provide a listing of each facility constructed or renovated for the Department of Defense (DOD) as payment in kind, the value in U.S. dollars of that construction or renovation, the source of the in-kind payment, the agreement pursuant to which the payment was made, and a description of the purpose and need for the construction or renovation. Table 3 provides a summary of the intended purposes and value of in-kind projects supporting U.S. forces initiated in Japan and South Korea during fiscal years 2011 and 2012. In tables 4, 5, and 6 we provide the information specified in the act in a listing of in-kind construction and renovation projects initiated in Japan, the Republic of Korea, and Germany, respectively, during fiscal years 2011 and 2012.

¹²Purpose categories were assigned by the Office of the Secretary of Defense based on facility classes listed in Department of Defense, *DOD Real Property Categorization*, DOD Instruction 4165.03 (Aug. 24, 2012), and assignment of categories was confirmed with Pacific Command.

¹³ Pub. L. No. 112-239, § 2805 (2013).

Table 3: Purposes and Values of In-Kind Construction and Renovation Projects Initiated in Japan and South Korea during Fiscal Years 2011 and 2012

Location	Number of projects	Approximate value (U.S. dollars in millions)	Purpose
Japan	2	Unavailable ^a	Administrative
	0	0.00	Hospital and Medical
	12	120.24 ^b	Housing and Community
	3	10.27 ^b	Maintenance and Production
	13	103.28 ^b	Operation and Training
	1	Unavailable ^a	Supply
	7	22.88 ^b	Utility and Ground Improvements
Total	38	\$256.67^b	
Republic of Korea	1	\$43.50 ^c	Administrative
	2	244.55	Hospital and Medical
	10	452.02	Housing and Community
	6	183.30	Maintenance and Production
	9	93.40	Operation and Training
	2	13.12	Supply
	0	0.00	Utility and Ground Improvements
Total	30	\$1,029.89	

Source: GAO summary of Department of Defense (DOD) data.

^aThe estimates of value, when available, were provided by U.S. officials in then-year U.S. dollars without input from Japanese officials, based on comparable projects. Estimates were not available for 24 of 38 projects in Japan because the specific costs incurred by the government of Japan are not required to be disclosed, according to the provisions of bilateral agreements with the government of Japan.

^bEstimates given with a dollar value do not include costs for all projects in this category, and are therefore minimum values. Actual total values are unknown.

^cValues for projects in Korea are based on estimated costs to be incurred by the Republic of Korea in Korean won and expressed by DOD officials in then-year U.S. dollars.

Table 4: In-Kind Construction and Renovation Projects Initiated in Japan during Fiscal Years 2011 and 2012

Estimated values in U.S. dollars

Component	Location	Project title or number, purpose, and description ^a	Agreement or program ^b	Source of in-kind project	Estimated value ^c
Air Force	Yokota	Project number: AF626 Purpose: Maintenance and Production Description: Reconstruction of aerospace ground equipment maintenance facility	Japan Facilities Improvement Program ^d	Host nation support	\$10,270,000
	Kadena	Project number: AF734 Purpose: Operation and Training Description: Construct aircraft parking apron	Special Action Committee on Okinawa ^e	Host nation support	18,320,000
	Kadena	Project number: AF737 Purpose: Operation and Training Description: Aircraft taxiway	Special Action Committee on Okinawa ^e	Host nation support	24,990,000

	Kadena	Project number: AF758 Purpose: Operation and Training Description: Aircraft parking space	Special Action Committee on Okinawa ^e	Host nation support	Not available
	Kadena	Project number: AF777 Purpose: Administrative Description: Consolidated parking	Special Action Committee on Okinawa ^e	Host nation support	Not available
	Yokota	Project Number: AF0012-T Purpose: Administrative Description: Air defense command parking structures	Defense Policy Review Initiative ^f	Host nation support	Not available
	Kadena	Project number: AF739 Purpose: Utility and Ground Improvements Description: Utility upgrade	Special Action Committee on Okinawa ^e	Host nation support	10,040,000
Army	Zama	Project number: AR0001-T Purpose: Housing and Community Description: Reconstruction of family housing	Defense Policy Review Initiative ^f	Host nation support	Not available
	Hiro	Project Number: AR814 Purpose: Operation and Training Description: Disaster prevention	Japan Facilities Improvement Program ^d	Host nation support	5,130,000
	Zama	Project number: AR1103 Purpose: Housing and Community Description: Golf net to protect local community residences adjacent to golf course on Camp Zama	Japan Facilities Improvement Program ^d	Host nation support	2,900,000
	Zama	Project number: AR0003-T Purpose: Housing and Community Description: Outdoor skate rink to replace skate rink displaced by relocation of a new morale, welfare, and recreation facility	Defense Policy Review Initiative ^f	Host nation support	Not available
	Sagamihara	Project Number: AR0020-T Purpose: Housing and Community Description: Outdoor recreation and sports facility, community center	Defense Policy Review Initiative ^f	Host nation support	Not available
	Sagamihara	Project Number: AR0024-T Purpose: Housing and Community Description: Rental storage sheds	Defense Policy Review Initiative ^f	Host nation support	Not available

	Sagamihara	Project Number: AR0027-T Purpose: Housing and Community Description: Community support facility	Defense Policy Review Initiative ^f	Host nation support	Not available
	Sagami	Project Number: AR-0018-T Purpose: Utility and Ground Improvements Description: Road upgrade	Defense Policy Review Initiative ^f	Host nation support	Not available
	Sagamihara	Project Number: AR-0031-T Purpose: Utility and Ground Improvements Description: Utility upgrade	Defense Policy Review Initiative ^f	Host nation support	Not available
Marine Corps	Iwakuni	Project Number: MC0404-T Purpose: Supply Description: Humidity controlled warehouse	Defense Policy Review Initiative ^f	Host nation support	Not available
	Iwakuni	Project Number: MC150-T Purpose: Maintenance and Production Description: Marine aviation logistics center, maintenance facility	Defense Policy Review Initiative ^f	Host nation support	Not available
	Iwakuni	Project Number: MC157-T Purpose: Operation and Training Description: Flight line fire station	Defense Policy Review Initiative ^f	Host nation support	Not available
	Iwakuni	Project Number: MC164-T Purpose: Operation and Training Description: Airfield pavement	Defense Policy Review Initiative ^f	Host nation support	Not available
	Iwakuni	Project Number: MC165-T Purpose: Operation and Training Description: Aircraft maintenance hangar	Defense Policy Review Initiative ^f	Host nation support	Not available
	Iwakuni	Project Number: MC250-T Purpose: Maintenance and Production Description: Aviation intermediate maintenance detachment	Defense Policy Review Initiative ^f	Host nation support	Not available
	Iwakuni	Project Number: MC909-T Purpose: Operation and Training Description: Aircraft direct fueling systems	Defense Policy Review Initiative ^f	Host nation support	Not available
	Iwakuni	Project Number: MC275-T Purpose: Housing and Community Description: Armed Forces Network antenna	Defense Policy Review Initiative ^f	Host nation support	Not available

	Iwakuni	Project Number: MC160-T Purpose: Operation and Training Description: North gate reconstruction	Defense Policy Review Initiative ^f	Host nation support	Not available
	Iwakuni	Project Number: MC163-T Purpose: Housing and Community Description: Relocation of north side unaccompanied enlisted housing	Defense Policy Review Initiative ^f	Host nation support	Not available
	Iwakuni	Project Number: MC0133 Purpose: Utility and Ground Improvements Description: Sewer system upgrade	Japan Facilities Improvement Program ^d	Host nation support	4,410,000
	Northern training area	Project Number: MC111 Purpose: Utility and Ground Improvements Description: Utilities upgrade	Japan Facilities Improvement Program ^d	Host nation support	8,430,000
	Iwakuni	Project Number: MC447-T Purpose: Utility and Ground Improvements Description: East utility plant	Defense Policy Review Initiative ^f	Host nation support	Not available
	Iwakuni	Project Number: MC201-T Purpose: Operation and Training Description: Marine Aircraft Group 12 dual squadron aircraft hangar	Defense Policy Review Initiative ^f	Host nation support	Not available
	Iwakuni	Project Number: MC0421-T Purpose: Operation and Training Description: Marine Aircraft Group 12 dual squadron aircraft hangar	Defense Policy Review Initiative ^f	Host nation support	Not available
Navy	Ikego	Project Number: NA218 Purpose: Housing and Community Description: Elementary school	Japan Facilities Improvement Program ^d	Host nation support	40,900,000
	Kadena	Project Number: NA859 Purpose: Operation and Training Description: Aircraft maintenance hangar	Special Action Committee on Okinawa ^e	Host nation support	49,220,000
	Atsugi	Project Number: NA939 Purpose: Housing and Community Description: Golf net to protect local community residences adjacent to golf course at Naval Air Facility Atsugi	Japan Facilities Improvement Program ^d	Host nation support	3,630,000

Yokose	Project Number: NA894 Purpose: Operation and Training Description: Fire station and security facility	Japan Facilities Improvement Program ^d	Host nation support	5,620,000
Zukeran	Project Number: NA842 Purpose: Housing and Community Description: Unaccompanied enlisted housing	Special Action Committee on Okinawa ^e	Host nation support	21,410,000
Zukeran	Project Number: NA873 Purpose: Utility and Ground Improvements Description: Secondary water source and tank	Special Action Committee on Okinawa ^e	Host nation support	Not available
Yokosuka	Project Number: NA908 Purpose: Housing and Community Description: Unaccompanied enlisted housing	Japan Facilities Improvement Program ^d	Host nation support	51,400,000

Source: GAO analysis of DOD information.

^aPurpose categories were assigned by the Office of the Secretary of Defense based on facility classes listed in DOD Instruction 4165.03, *DOD Real Property Categorization*, (Aug. 24, 2012) with approval of U.S. Pacific Command and U.S. Forces Japan.

^bAll projects in Japan are accepted as part of the *Agreement between the United States of America and Japan Concerning New Special Measures Relating to Article XXIV of the Agreement Under Article VI of the Treaty of Mutual Cooperation and Security between the United States of America and Japan, Regarding Facilities and Areas and the Status of United States Armed Forces in Japan* (Apr. 1, 2011). In-kind projects initiated in fiscal years 2011 and 2012 are begun either as part of the bilaterally agreed-upon force-structure initiatives known as the Defense Posture Review Initiative and the Special Action Committee on Okinawa, or under a program of the government of Japan known as the Facilities Improvement Program.

^cEstimated values were provided by DOD in then-year dollars. These estimates, when available, were developed by U.S. officials in Japan on the basis of comparisons with prior costs of similar projects.

^dSee U.S.–Japan Security Consultative Committee Document, *Host Nation Support* (June 21, 2011). This document indicated that Facilities Improvement Program funding in the current Special Measures Agreement period will be no less than 20.6 billion yen per year. The Japan Facilities Improvement Program is a government of Japan initiative, which started in 1979 to ease the financial burden of stationing U.S. forces in Japan. The program reduces U.S. government cost to improve the quality of life and military posture.

^eSee Special Action Committee on Okinawa, *SACO Final Report* (Dec. 2, 1996). The Special Action Committee on Okinawa was established in November 1995 by the governments of Japan and the United States. The two governments launched the SACO process to reduce the burden on the people of Okinawa and thereby strengthen the Japan–United States alliance.

^fSee U.S.–Japan Security Consultative Committee Document, *United States–Japan Roadmap for Realignment Implementation* (May 1, 2006), which finalized key implementation details of the proposed realignment of U.S. Forces in Japan.

Table 5: In-Kind Construction and Renovation Projects Initiated in the Republic of Korea during Fiscal Years 2011 and 2012

Estimated values in U.S. dollars

Component	Location	Project title or number, purpose, and description ^a	Agreement or program ^b	Source of in-kind project	Estimated value ^c
Air Force	Osan Air Base	Project Title: Construct Hot Cargo Pad Purpose: Operation and Training Description: New end-of-runway arm/disarm pad to provide adequate areas for arming and disarming of aircraft to mitigate safety violations	Land Partnership Plan ^d	Host nation support	\$10,200,000
	Kunsan Air Base	Project Title: Maintenance Complex (Phase 2) Accessory Shop Purpose: Maintenance and Production Description: Aircraft maintenance facilities to repair and maintain F-16 component parts	Republic of Korea–Funded Construction ^e	Host nation support	13,000,000
	Osan Air Base	Project Title: Consolidated Radar Approach Control/Airfield Management/Tower Facility Purpose: Operation and Training Description: Airfield management facility with control tower, weather, flight planning, dispatch, and lounge	Land Partnership Plan ^d	Host nation support	16,600,000
	Osan Air Base	Project Title: Construct 36th Fighter Squadron Operations and Aircraft Maintenance Unit Facility Purpose: Operation and Training Description: Construction of semihardened building to house 36th Fighter Squadron Operations and Aircraft Maintenance Unit personnel that includes new chemical-biological collective protection system, work spaces for existing squadron operations personnel, and features to support the upgraded Common Configuration Implementation Program aircraft—to support features required for survivability during contingency and wartime operations	Republic of Korea–Funded Construction ^e	Host nation support	25,000,000

Kunsan Air Base	<p>Project Title: Munitions Storage Igloos (14 each)</p> <p>Purpose: Supply</p> <p>Description: Construction of 14 munitions storage igloos and demolition of 20 module barricaded storage pads—to increase munitions storage ability and reduce existing explosive hazards</p>	Republic of Korea–Funded Construction ^e	Host nation support	12,900,000
Osan Air Base	<p>Project Title: Construct New End-of Runway Arm/Disarm Pad</p> <p>Purpose: Operation and Training</p> <p>Description: End of runway arm/disarm pad and demolition of old ones—to provide adequate areas for arming and disarming of aircraft in order to mitigate safety violations</p>	Republic of Korea–Funded Construction ^e	Host nation support	13,200,000
Osan Air Base	<p>Project Title: Construct Joint Non-Commissioned Officers Dormitory</p> <p>Purpose: Housing and Community</p> <p>Description: Construction of multistory, 277-person dormitory for joint noncommissioned officers (with fire protection system, force protection measures, splinter protection measures, communications, and emergency generators; one-bedroom living units, multipurpose activity rooms, public restrooms, bulk storage, and mechanical rooms)—to eliminate the deficiency in unaccompanied personnel housing for senior enlisted personnel currently living off base and better utilize existing dormitory space, grades E-5 to E-6</p>	Republic of Korea–Funded Construction ^e	Host nation support	47,000,000

Army	Army Garrison Humphreys	<p>Project Title: Elementary School</p> <p>Purpose: Housing and Community</p> <p>Description: Construction of an 875-student Department of Defense Dependent School Elementary School according to Department of Defense Education Activity specifications (e.g., classrooms, shops, auditorium, multipurpose rooms, and cafeteria with kitchen, gymnasium, information center, and administrative areas)—to provide elementary school facilities for the dependents of military and DOD civilian workforce relocating to Army Garrison Humphreys</p>	Yongsan Relocation Plan ^f	Host nation support	45,638,000
Army Garrison Humphreys	<p>Project Title: High School</p> <p>Purpose: Housing and Community</p> <p>Description: Construction of a 950-student Department of Defense Dependent School High School according to Department of Defense Education Activity specifications (e.g., classrooms, shops, auditorium, multipurpose rooms, and cafeteria with kitchen, gymnasium, information center, and administrative areas)—to provide high school facilities for dependents of military and DOD civilian workforce relocating to Army Garrison Humphreys</p>	Yongsan Relocation Plan ^f	Host nation support	74,091,000	
Army Garrison Humphreys	<p>Project Title: Child Development Center</p> <p>Purpose: Housing and Community</p> <p>Description: Large (338 children) standard-design child-development center with adjacent outdoor play area (16,900 square feet) for children between the ages of 6 weeks and 5 years—to provide required child-care support to military and DOD civilian workforce relocating to Army Garrison Humphreys</p>	Land Partnership Plan ^d	Host nation support	12,600,000	
Army Garrison Humphreys	<p>Project Title: Dental Clinic and Medical Brigade Headquarters Building</p> <p>Purpose: Hospital and Medical</p> <p>Description: 3,784 square meter dental clinic</p>	Yongsan Relocation Plan ^f	Host nation support	25,909,000	

Army Garrison Humphreys	<p>Project Title: Hospital and Ambulatory Care Center</p> <p>Purpose: Hospital and Medical</p> <p>Description: 379,752-square-foot hospital with 800-space parking lot—to relocate existing or similar facilities located on Army Garrison Yongsan to Army Garrison Humphreys to provide medical treatment services for servicemembers and their dependents relocating to Army Garrison Humphreys</p>	Yongsan Relocation Plan ^f	Host nation support	218,642,000
Rodriguez Live-Fire Complex	<p>Project Title: Directorate of Public Works Sub-Station</p> <p>Purpose: Maintenance and Production</p> <p>Description: 1,083-square-meter facility housing electrical, heating ventilation and air conditioning, carpentry, paint, sheet metal, and masonry shops; administrative offices; and warehouse storage space to support Directorate of Public Works operations at Rodriguez Live Fire Complex—to provide engineering services and maintenance to buildings, facilities, utilities, and grounds at the Rodriguez Live Fire Complex</p>	Land Partnership Plan ^d	Host nation support	4,600,000
Camp Carroll	<p>Project Title: Multipurpose Training Facility</p> <p>Purpose: Operation and Training</p> <p>Description: Training facility and auditorium for approximately 1,830 military personnel</p>	Republic of Korea–Funded Construction ^e	Host nation support	3,500,000
Army Garrison Humphreys	<p>Project Title: Consolidated Heavy Brigade Combat Team Headquarters</p> <p>Purpose: Administrative</p> <p>Description: Consolidated Heavy Brigade Combat Team headquarters building</p>	Land Partnership Plan ^d	Host nation support	43,500,000
Rodriguez Live-Fire Complex	<p>Project Title: Vehicle Maintenance Facility</p> <p>Purpose: Maintenance and Production</p> <p>Description: 530-square-meter, two-bay vehicle maintenance facility to support tanks, armored vehicles, and other heavy tactical equipment</p>	Land Partnership Plan ^d	Host nation support	2,600,000

Army Garrison Humphreys	<p>Project Title: Type II Aircraft Parking</p> <p>Purpose: Operation and Training</p> <p>Description: 294-square-foot concrete masonry block transmitter building with 525,000 square feet of Type II rotary-wing aircraft parking apron (capacity for 16 rotary-wing aircraft)—to upgrade and expand existing rotary-wing aircraft parking, which had been displaced due to other projects associated with relocation of units to Army Garrison Humphreys</p>	Land Partnership Plan ^d	Host nation support	6,700,000
Army Garrison Humphreys	<p>Project Title: Warrior Support Area Distribution Node</p> <p>Purpose: Operation and Training</p> <p>Description: 599-square-meter Communications Node building (Signal Complex) with supporting privately owned and government-owned vehicle parking areas</p>	Land Partnership Plan ^d	Host nation support	3,700,000
Army Garrison Humphreys	<p>Project Title: Heavy Brigade Combat Team Vehicle Maintenance Facilities I</p> <p>Purpose: Maintenance and Production</p> <p>Description: Two standard-design medium tactical equipment maintenance facility complexes, each with a five-company operations facility, supporting storage facilities, and tracked vehicle parking</p>	Land Partnership Plan ^d	Host nation support	60,000,000
Army Garrison Humphreys	<p>Project Title: Fires Support Vehicle Maintenance Facilities II</p> <p>Purpose: Maintenance and Production</p> <p>Description: Standard-design, 35,290-square-foot medium tactical equipment-maintenance facility, three company operations facilities, supporting storage facilities, and tracked vehicle parking</p>	Land Partnership Plan ^d	Host nation support	62,100,000

Army Garrison Humphreys	<p>Project Title: Heavy Brigade Combat Team Vehicle Maintenance Facilities II</p> <p>Purpose: Maintenance and Production</p> <p>Description: Standard medium tactical equipment-maintenance facility with a five-company operations facility, storage facilities, and organizational vehicle parking</p>	Land Partnership Plan ^d	Host nation support	41,000,000
K-16 (Seoul)	<p>Project Title: Commissary</p> <p>Purpose: Housing and Community</p> <p>Description: 752.5-square-meter commissary with areas for sales, electronic checkout, receiving, food preparation, cold and freeze storage and loading dock—to provide commissary support for 1,200 soldiers and family members residing in vicinity of K-16 Airfield, which will be the northernmost enduring installation and only Seoul Metropolitan Area installation after Yongsan Relocation and Land Partnership Plans are executed</p>	Republic of Korea–Funded Construction ^e	Host nation support	3,800,000
Army Garrison Humphreys	<p>Project Title: Heavy Brigade Combat Team Barracks and Dining Facility</p> <p>Purpose: Housing and Community</p> <p>Description: Heavy Brigade Combat Team barracks and dining facility</p>	Land Partnership Plan ^d	Host nation support	92,000,000
Army Garrison Humphreys	<p>Project Title: Enlisted Barracks and Dining Facilities</p> <p>Purpose: Housing and Community</p> <p>Description: Standard-design 302-person eight-story unaccompanied enlisted personnel housing (1+1E standard) and two standard-design 1,300-person dining facilities—to provide sufficient enlisted personnel barracks and dining facilities on Army Garrison Humphreys capable of meeting requirements generated by units relocating to Army Garrison Humphreys</p>	Land Partnership Plan ^d	Host nation support	51,000,000

Army Garrison Humphreys		<p>Project Title: Heavy Brigade Combat Team Barracks Part 1 of 2</p> <p>Purpose: Housing and Community</p> <p>Description: Four standard-design, 302-person eight-story unaccompanied enlisted personnel housing (1+1E standard) and one standard design physical fitness center—to provide sufficient enlisted personnel barracks and physical fitness facilities on Army Garrison Humphreys capable of meeting requirements generated by units relocating to Army Garrison Humphreys</p>	Land Partnership Plan ^d	Host nation support	120,300,000
Marine Corps	Pohang	<p>Project Title: Replace Aircraft Revetments</p> <p>Purpose: Operation and Training</p> <p>Description: Removal and replacement of deteriorated metal bin revetments (explosive containment structures) to provide splinter protection for fighter aircraft</p>	Republic of Korea–Funded Construction ^e	Host nation support	4,900,000
	Yechon	<p>Project Title: Replace Aircraft Revetments</p> <p>Purpose: Operation and Training</p> <p>Description: Removal and replacement of deteriorated metal bin revetments (explosive containment structures) to provide splinter protection for fighter aircraft</p>	Republic of Korea–Funded Construction ^e	Host nation support	9,600,000
Navy	Fleet Activities Chinhae	<p>Project Title: Supply/Logistics Office Renovation</p> <p>Purpose: Supply</p> <p>Description: Renovation and extension of existing supply/logistics building (i.e., office spaces for Human Resource Office personnel and supply logistics personnel to support relocation of Human Resource Office from Building 606)</p>	Logistics Cost Sharing ^g	Host nation support	218,000

Fleet Activities Chinhae	Project Title: Fire Station Renovation Purpose: Housing and Community Description: Renovation of existing fire station facility (Building 776) to support relocation of security department administrative offices from building 612 (i.e., renovation of men's and women's toilets and accessories and mechanical and electrical spaces and replacement of existing interior floors, bases, walls, ceilings, doors, windows, mechanical/electrical/fire suppression/communication and information systems)	Logistics Cost Sharing ^g	Host nation support	1,099,000
Camp Mujuk	Project Title: Personnel Barracks for Helicopter Mine Countermeasures Squadron 14 Detachment Purpose: Housing and Community Description: Construction of a 13,000-square-foot, two-story bachelor quarters with reinforced concrete exterior bearing walls, concrete floor slabs and foundations, and metal roofing—required to provide adequate bachelor quarters for personnel at the Tri-Service Hangar and detachment compound	Republic of Korea–Funded Construction ^e	Host nation support	4,500,000

Source: GAO analysis of DOD information.

^aPurpose categories were assigned by the Office of the Secretary of Defense based on facility classes listed in DOD Instruction 4165.03, *DOD Real Property Categorization*, (Aug. 24, 2012) with approval of categories assigned by U.S. Pacific Command and U.S. Forces Korea.

^bRepublic of Korea–Funded Construction and Logistics Cost Sharing projects in the Republic of Korea are subject to the *Agreement Between the United States of America and the Republic of Korea Concerning Special Measures Relating to Article V of the Agreement Under Article IV of the Mutual Defense Treaty Between The Republic of Korea and the United States of America Regarding Facilities and Areas and the Status of United States Armed Forces in the Republic of Korea* (Jan. 15, 2009), and implementation arrangements for the *Special Measures Agreement related to Republic of Korea–funded construction of In-Kind Projects under the Calendar Year 2009-2013 Implementation Arrangement*.

^cEstimated values were provided by DOD in then-year dollars. These estimates were provided by U.S. officials in Korea after converting figures provided by Republic of Korea officials for each project to U.S. dollars.

^dSee *Agreement between the United States of America and the Republic of Korea amending the agreement between the United States of America and the Republic of Korea for the Land Partnership Plan of March 29, 2002* (Oct. 26, 2004).

^eSee Article I of the *Special Measures Agreement* stating that the Republic of Korea shall bear, for the duration of this agreement a part of the expenditures associated with the stationing of the United States Armed Forces in Korea. This contribution of the Republic of Korea includes Republic of Korea–Funded Construction.

¹See Memorandum of Agreement between the Government of the Republic of Korea and the Government of the United States of America Regarding the Agreed Recommendation for Implementation of the Agreement between the Republic of Korea and the United States of America on the Relocation of United States Forces from the Seoul Metropolitan Area (Oct. 26, 2004) (known as the Yongsan Relocation Plan).

⁹See Articles I and II of the Special Measures Agreement related to Republic of Korea-funded construction of In-Kind Projects under the Calendar Year 2009-2013 Implementation Arrangement stating that the Republic of Korea shall bear, for the duration of this agreement a part of the expenditures associated with the stationing of the United States Armed Forces in Korea. This contribution of the Republic of Korea includes Logistics Cost Sharing.

Table 6: In-Kind Construction and Renovation Projects Initiated in Germany during Fiscal Years 2011 and 2012

Estimated values in U.S. dollars

Component	Location	Project title or number, purpose, and description ^a	Agreement or program ^b	Source of in-kind project ^c	Estimated value ^d
Air Force	Spangdahlem Air Base	Project Title: Base Expansion Purpose: Operation and Training Description: Development of approximately 85 acres of existing farmland and forest area by constructing common area infrastructure—the first step required to develop an expansion area so the 52nd Fighter Wing can smoothly enhance its mission at Spangdahlem Air Base as part of the Spangdahlem enhancement plan and to support the Spangdahlem consolidation plan	Agreement between U.S. contracting officer and German Construction Administration	Residual value payment	\$7,700,000
Army	Hainerberg Housing and Shopping Center	Project Title: Site Preparation Purpose: Housing and Community Description: Site preparation including road demolition, tree cutting, removal-relocation of infrastructure to prepare the site for follow-on, nonappropriated funds construction of a post exchange and commissary for work that contributes to the overall installation development	Agreement between U.S. contracting officer and German Construction Administration	Residual value payment	3,296,000
	Moehringen Family Housing	Project Title: Family Housing Additions Purpose: Housing and Community Description: Construction of building additions to three single houses	Agreement between U.S. contracting officer and German	Residual value payment	263,000

(approximately 215 square feet per unit) to increase size of single houses to meet the benchmark size standards outlined in U.S. Department of Defense, Unified Facilities Criteria 4-711-7, Family Housing (July 13, 2006)^e Construction Administration

Source: GAO analysis of Department of Defense (DOD) information.

^aPurpose categories were assigned by the Office of the Secretary of Defense based on facility classes listed in DOD Instruction 4165.03, *DOD Real Property Categorization*, (Aug. 24, 2012) and confirmed with the U.S. European Command.

^bSee the National Defense Authorization Act for Fiscal Year 1991, Pub. L. No. 101-510, § 2921, as amended (10 U.S.C § 2687 note), which indicates that it is the sense of Congress that the Secretary of Defense should take steps to ensure that the United States receive consideration equal to the fair market value of the improvements it made to facilities that will be returned to host countries. This provision includes the option for DOD to recover nonmonetary payment in kind in lieu of monetary compensation. DOD officials indicated that all agreements listed in this table were undertaken with this authority.

^c“Residual value” is the negotiated monetary or nonmonetary compensation host nations provide to DOD following the return of DOD-funded facilities or other capital improvements to a host nation.

^dEstimated values were provided by DOD in then-year dollars. These estimates were provided by U.S. officials in Germany after converting figures provided by German officials for each project to U.S. dollars.

^eWe did not evaluate the validity of the need or description expressed by DOD. For more information related to projects in Germany, see Committee on Armed Services, U.S. Senate, *Inquiry Into U.S. Costs and Allied Contributions to Support the U.S. Military Presence Overseas*, S. Rep. No. 113-12 (2013); and DOD Department of Defense Inspector General, *DOD Can Improve Its Accounting for Residual Value From the Sale of U.S. Facilities in Europe*, DODIG-2012-082 (Alexandria, Va.: May 4, 2012).

Enclosure IV: Domestic In-Kind Construction and Renovation Projects Initiated for the Department of Defense during Fiscal Years 2011 and 2012

Domestically, the military services—the Army, Navy, and Air Force—initiated 36 in-kind construction and renovation projects that, on the basis of service estimates, total \$421.1 million. Of the 36 in-kind projects, 1 project (totaling an estimated value of \$334 million) went to the Army’s single housing and community project; 3 projects (one from each military department) totaling an estimated value of \$73.4 million went to construction or renovation projects involving operation and training,¹⁴ and the balance of 32 (from all three military departments) totaling an estimated value of \$13.7 million were for purposes such as real-property capitalization, utility and ground improvements, supply, real-property management, and facility condition assessment.¹⁵ Comparatively, the Air Force had the most in-kind projects for fiscal years 2011-2012 (24 projects) compared to the Army (5 projects) and Navy (7 projects). Specifically, within its 24 projects, the Air Force granted an easement with a state agency, Florida’s Mid-Bay Bridge Authority, with an estimated value of about \$8 million, in exchange for building a road connector on Air Force property. Eglin Air Force Base negotiated 20 in-kind projects primarily going towards mission/operations support under its easement with the Mid-Bay Bridge Authority. The 20 in-kind projects under the easement alone constituted almost 83 percent of all the Air Force’s in-kind construction and renovation projects in fiscal years 2011-2012. Among other things, the National Defense Authorization Act for Fiscal Year 2013 requires that GAO provide a listing of each facility constructed or renovated for the Department of Defense (DOD) as payment in kind, the value in U.S. dollars of that construction or renovation, the source of the in-kind payment, the agreement pursuant to which the payment was made, and a description of the purpose and need for the construction or renovation. Table 7 summarizes the domestic construction and renovation projects that used in-kind payments initiated in fiscal years 2011 and 2012. In table 8, we provide the information specified in the act in a listing of in-kind construction and renovation projects initiated within the continental United States for DOD during fiscal years 2011 and 2012.

¹⁴Although there were four projects, cost data was not available for one Army mission/operations support project.

¹⁵Army Lodging Privatization is included in our sample for the purpose of completeness, but, according to DOD officials, this program differs in significant ways from the other in-kind projects listed here. While the lodging and housing privatization programs result in private in-kind construction or renovation of facilities that, in some cases, continue to be owned by DOD and will be returned to DOD at the conclusion of the relevant lease term, according to DOD officials, the purpose of these programs is to construct or renovate facilities to rent to servicemembers, not to obtain construction or renovation services of DOD facilities in-kind. These officials also note that due to the length of the leases in question (a typical lease term is 50–75 years) the facilities in question will not return to the department until late in their useful lives, which underscores the fact that these agreements are not intended to obtain construction or renovation in-kind.

Table 7: Domestic Construction and Renovation Projects That Used In-Kind Payments Initiated by the Military Departments in Fiscal Years 2011 and 2012

Military department	Number of projects	Approximate value (U.S. dollars)	Purpose
Army	1	\$334,000,000	Housing and Community
	2	66,000,000 ^a	Operation and Training
	1	270,005	Real Property Capitalization
	1	1,020,000	Supply
	Total	5	\$401,290,005
Navy ^b	4	\$1,176,323	Utility and Ground Improvements
	1	320,256	Operation and Training
	2	3,086,099	Housing and Community
	Total	7	\$4,582,678
Air Force	1	7,091,641	Operation and Training
	1	40,406	Real Property Management
	4	1,338,934	Utility and Ground Improvements
	14	5,445,593	Real Property Capitalization
	1	103,650	Facility Condition Assessment
	2	605,392	Housing and Community
	1	621,245	Supply
	Total	24	\$15,246,861
Total	36	\$421,119,544	

Source: GAO summary of Department of Defense (DOD) data.

^aCost data were not available for one of the two mission/operations support projects.

^bThe Marine Corps reported no domestic construction or renovation projects using in-kind payments in fiscal years 2011–2012.

Table 8: In-Kind Construction and Renovation Projects Initiated within the Continental United States for the Department of Defense (DOD) during Fiscal Years 2011 and 2012

Estimated values in U.S. dollars

Component	Location	Project title or number, purpose, and description ^a	Agreement or program	Source of in-kind project	Estimated value ^b
Navy	Virginia	Project Title: Solar Speed Warning Sign Purpose: Utility and Ground Improvements Description: Solar speed warning sign	Sprintcom, Inc. (Telecom: antennas on tower) Agreement #: N62470-00-RP-00165	Outlease ^c	\$19,962
	Virginia	Project Title: Illuminated Crosswalk System Purpose: Utility and Ground Improvements Description: Illuminated crosswalk system	Global Signal Acquisitions II, LLC (Telecom: cell tower) Agreement #: N62470-12-RP-00002	Outlease ^c	96,905

Florida	<p>Project Title: Lighting/Security Monitors</p> <p>Purpose: Utility and Ground Improvements</p> <p>Description: Lighting/security monitors to provide security/lighting for six locations at Port Ops and along the Mole Pier in Key West</p>	<p>City of Key West</p> <p>Agreement #: N69467-03-RP-00077</p>	Enhanced-use lease ^c	377,755
California	<p>Project title: Military Working Dog Facility</p> <p>Purpose: Operation and Training</p> <p>Description: Design and installation of military working dog facility at Point Mugu and Port Hueneme—to design and construct two fenced exercise areas including grass covering, irrigation, waste cleanup system and animal watering equipment</p>	<p>Global Auto Processing Services, Inc. (Land: 78 acres)</p> <p>Agreement #: N62473-07-RP-00046</p>	Enhanced-use lease ^c	320,256
California	<p>Project title: Repairs to Ship Stores and Theater (San Nicolas Island)</p> <p>Purpose: Housing and Community</p> <p>Description: Repairs to Ship Store and Station Theater, San Nicolas Island, Building SNI-151—to improve quality of life at remote island location, sustain morale, welfare, and recreation and ship store operations and comply with National Fire Protection Association requirements</p>	<p>Global Auto Processing Services, Inc. (Land: 78 acres)</p> <p>Agreement #: N62473-07-RP-00046</p>	Enhanced-use lease ^c	2,293,000
California	<p>Project title: Repairs to SurfNet Club and Building PM-20</p> <p>Purpose: Housing and Community</p> <p>Description: Repairs to SurfNet Club, Point Mugu Building PM-</p>	<p>Global Auto Processing Services, Inc. (Land: 78 acres)</p> <p>Agreement #: N62473-07-RP-00046</p>	Enhanced-use lease ^c	793,099

		20—to improve quality of life for enlisted troops at Point Mugu. Facility primarily serves as Internet café and social gathering place for off-duty sailors.			
	California	Project title: Lighted Crosswalks/Street Lighting Purpose: Utility and Ground Improvements Description: Lighted crosswalks/street lighting for base beautification	National Steel and Shipbuilding Company Agreement #: N62473-07-RP-00084	Enhanced-use lease ^c	681,701
Air Force	Texas	Project title: Real Property Boundary Survey Purpose: Real Property Management Description: Metes and Bounds survey of enhanced-use lease property at Joint Base San Antonio Fort Sam Houston	Old Brook Army Medical Center II Enhanced-Use Lease Agreement #: DACA63-1-07-0554	Enhanced-use lease ^c	40,406 ^c
	Texas	Project title: Design/Build Storm Water Detention Structure Purpose: Utility and Ground Improvement Description: Detention pond drainage—to design and construct detention pond outflow for property at Joint Base San Antonio Fort Sam Houston	Old Brook Army Medical Center II Enhanced-Use Lease Agreement #: DACA63-1-07-0554	Enhanced-use lease ^c	239,469 ^c
	Utah	Project title: Construct Security Building Purpose: Operation and Training Description: Building 408—to provide new facility to meet mission requirements and replace substandard facility for Security Forces / Office of	Master Lease Agreement #: AFMC-HL-1-08-666	Enhanced-use lease ^c	7,091,641

Special Investigations

Florida	<p>Project title: Site Preparation</p> <p>Purpose: Utility and Ground Improvements</p> <p>Description: Data recovery at Federal Prison Camp to prepare site for construction project</p>	<p>Mid-Bay Bridge Easement</p> <p>Agreement #: AFMC-EG-2-09-001</p>	Easement ^c	868,766
Florida	<p>Project title: Solar Pool Water Heater</p> <p>Purpose: Housing and Community</p> <p>Description: Solar water heater for base pool</p>	<p>Mid-Bay Bridge Easement</p> <p>Agreement #: AFMC-EG-2-09-001</p>	Easement ^c	158,392
Florida	<p>Project title: Locker Room Renovation</p> <p>Purpose: Housing and Community</p> <p>Description: Renovation of locker room at Oak Hill building</p>	<p>Mid-Bay Bridge Easement</p> <p>Agreement #: AFMC-EG-2-09-001</p>	Easement ^c	447,000
Florida	<p>Project title: Munitions Storage Building</p> <p>Purpose: Supply</p> <p>Description: Munitions storage building</p>	<p>Mid-Bay Bridge Easement</p> <p>Agreement #: AFMC-EG-2-09-001</p>	Easement ^c	621,245
Florida	<p>Project title: Roof Replacement</p> <p>Purpose: Real Property Recapitalization</p> <p>Description: Replacement of roof for Building 18C</p>	<p>Mid-Bay Bridge Easement</p> <p>Agreement #: AFMC-EG-2-09-001</p>	Easement ^c	224,540
Florida	<p>Project title: Roof Replacement</p> <p>Purpose: Real Property Recapitalization</p> <p>Description: Replacement of roof for Buildings 1759 and 1762</p>	<p>Mid-Bay Bridge Easement</p> <p>Agreement #: AFMC-EG-2-09-001</p>	Easement ^c	149,178
Florida	<p>Project title: Roof Replacement</p>	<p>Mid-Bay Bridge</p>	Easement ^c	174,651

		Purpose: Real Property Recapitalization	Easement		
		Description: Replacement of roof for Building 253	Agreement #: AFMC-EG-2-09-001		
Florida	Project title: Bridge Inspection Services	Purpose: Facility Condition Assessment	Mid-Bay Bridge Easement	Easement ^c	103,650
		Description: Inspect installation bridges for repairs	Agreement #: AFMC-EG-2-09-001		
Florida	Project title: Roof Replacement	Purpose: Real Property Recapitalization	Mid-Bay Bridge Easement	Easement ^c	215,181
		Description: Replacement of roof for Buildings 95 and 101	Agreement #: AFMC-EG-2-09-001		
Florida	Project title: Roof Replacement	Purpose: Real Property Recapitalization	Mid-Bay Bridge Easement	Easement ^c	843,000
		Description: Replacement of roof for Building 134	Agreement #: AFMC-EG-2-09-001		
Florida	Project title: Roof Replacement	Purpose: Real Property Recapitalization	Mid-Bay Bridge Easement	Easement ^c	736,279
		Description: Replacements of roof for Buildings 102 and 102A	Agreement #: AFMC-EG-2-09-001		
Florida	Project title: Roof Replacement/Lightning Protection	Purpose: Real Property Recapitalization	Mid-Bay Bridge Easement	Easement ^c	810,000
		Description: Replacement of roof on Building 100 and construction of lightning protection system	Agreement #: AFMC-EG-2-09-001		

Florida	<p>Project title: Engineering Design Services</p> <p>Purpose: Real Property Recapitalization</p> <p>Description: Design of heating, ventilation, and air conditioning (HVAC) system for Building 129</p>	<p>Mid-Bay Bridge Easement</p> <p>Agreement #: AFMC-EG-2-09-001</p>	Easement ^c	129,650
Florida	<p>Project title: Engineering Design Services</p> <p>Purpose: Real Property Recapitalization</p> <p>Description: Design of fire protection system for Buildings 746-751</p>	<p>Mid-Bay Bridge Easement</p> <p>Agreement #: AFMC-EG-2-09-001</p>	Easement ^c	5,965
Florida	<p>Project title: Engineering Design Services</p> <p>Purpose: Real Property Recapitalization</p> <p>Description: Design of fire protection system for Building 350</p>	<p>Mid-Bay Bridge Easement</p> <p>Agreement #: AFMC-EG-2-09-001</p>	Easement ^c	81,690
Florida	<p>Project title: Install Lightning Protection System</p> <p>Purpose: Real Property Recapitalization</p> <p>Description: Installation of lightning protection system on various buildings</p>	<p>Mid-Bay Bridge Easement</p> <p>Agreement #: AFMC-EG-2-09-001</p>	Easement ^c	675,202
Florida	<p>Project title: Solar Domestic Hot Water System</p> <p>Purpose: Real Property Recapitalization</p> <p>Description: Solar water heater to install solar water heating on Building 862</p>	<p>Mid-Bay Bridge Easement</p> <p>Agreement #: AFMC-EG-2-09-001</p>	Easement ^c	144,753
Florida	<p>Project title: Airfield Restriping</p> <p>Purpose: Real Property Recapitalization</p> <p>Description: Airfield stripping to</p>	<p>Mid-Bay Bridge Easement</p> <p>Agreement #: AFMC-EG-2-09-001</p>	Easement ^c	1,172,424

		remove rubber and restripe runway			
	Florida	Project title: Traffic Signal Purpose: Utility and Ground Improvements Description: Mast arm traffic signal installed at 8th Avenue	Mid-Bay Bridge Easement Agreement #: AFMC-EG-2-09-001	Easement ^c	194,999
	Florida	Project title: Hurricane Upgrade Purpose: Real Property Recapitalization Description: Hurricane upgrade to Building 380	Mid-Bay Bridge Easement Agreement #: AFMC-EG-2-09-001	Easement ^c	83,080
	Florida	Project title: Engineering Design Services Purpose: Utility and Ground Improvements Description: Design for cathodic protection for water tanks	Okaloosa County Enhanced-use lease	Enhanced-use lease ^c	35,700
Army	Various locations within continental United States ^d	Project title: Privatization of Army Lodge Group B Purpose: Housing and Community Description: Privatization of Army lodging to renovate, replace, or construct lodging to Intercontinental Hotels Group brand standard and provide lodging services at 11 installations ^e	Department of the Army Second Amended and Restated Lease and Conveyance of Improvements for Privatization of Army Lodging Agreement #: DACA65-1-09-47	Private funding	334,000,000
	Ohio	Project title: Joint Systems Manufacturing Center Lease Improvements Purpose: Real Property Recapitalization Description: Joint Systems Manufacturing Center to renovate the leased facilities	Joint Systems Manufacturing Center-Lima Allen County Agreement #: DACA27-1-12-016	Enhanced-use lease ^c	270,005

Kentucky	<p>Project title: Fuel Service Operations Facility</p> <p>Purpose: Operation and Training</p> <p>Description: Government Owned / Contractor Operated— Contractor Owned / Contractor Operated (GOCO/COCO) Fuel services operations and maintenance</p>	<p>Fort Campbell Military Installation</p> <p>Agreement #: DACA27-1-11-397</p>	Enhanced-use lease ^c	Not available
California	<p>Project title: Facility Construction</p> <p>Purpose: Operation and Training</p> <p>Description: Real-property exchange to build six new facilities/projects</p>	Exchange Agreement per 10 U.S.C. § 18240	Exchange ^c	66,000,000
Maryland	<p>Project title: Warehouse Facility</p> <p>Purpose: Supply</p> <p>Description: Real-property exchange to build new heated warehouse for storage of unit equipment and renovate warehouse to store marine equipment used in boat operations</p>	Exchange Agreement per 10 U.S.C. § 18240	Exchange ^c	1,020,000

Source: GAO analysis of DOD information.

^aPurpose categories were assigned by the Office of the Secretary of Defense based on facility classes listed in DOD Instruction 4165.03 , *DOD Real Property Categorization*, (Aug. 24, 2012).

^bEstimated values were provided by DOD in then-year dollars.

^cStatutory authorities for these agreements include, among others: 10 U.S.C. § 2667 (leases and enhanced-use leases); 10 U.S.C. § 2668 (easements); and 10 U.S.C. § 18240 (real property exchange).

^dThe installations include: Fort Belvoir; Fort Bliss; Fort Buchanan; Fort Campbell; Fort Hamilton; Fort Huachuca; Fort Gordon; Fort Knox; Fort Leonard Wood; Fort Wainwright; and White Sands Missile Range.

^ePrivatization of Army Lodging is included for the purpose of completeness, but, according to DOD officials, this program differs in significant ways from the other in-kind projects listed here. While the lodging and housing privatization programs result in private in-kind construction or renovation of facilities that, in some cases, continue to be owned by DOD and will be returned to DOD at the conclusion of the relevant lease term, according to DOD officials, the purpose of these programs is to construct or renovate facilities to rent to servicemembers, not to obtain construction or renovation services of DOD facilities as payment in kind. These officials also note that due to the length of the leases in question (a typical lease term is 50–75 years) the facilities in question will not return to the department until late in their useful lives, which underscores the fact that these agreements are not intended to be arrangements for obtaining construction or renovation as payment in kind.

Enclosure V: Comments from the Department of Defense



ACQUISITION,
TECHNOLOGY
AND LOGISTICS

OFFICE OF THE UNDER SECRETARY OF DEFENSE
3000 DEFENSE PENTAGON
WASHINGTON, DC 20301-3010

MAR 27 2014

Mr. Brian Lepore
Director, Defense Capabilities and Management
U.S. Government Accountability Office
441 G Street, NW
Washington DC 20548

Dear Mr. Lepore:

This is the Department of Defense (DoD) response to the GAO Draft Report GAO-14-280R, "Defense Infrastructure: In-Kind Projects Initiated during Fiscal Years 2011 and 2012," dated February 25, 2014 (GAO Code 351796).

We thank you and your staff for your efforts in producing a comprehensive look into the complex topic of DoD use of in-kind construction and renovation projects. The report properly highlights how the Department uses in-kind construction from different outside sources to help offset and conserve the appropriated funds needed to build and improve facilities in support of military needs in the United States and overseas. However, as we previously indicated in our review of GAO's Draft Statement of Fact, the Department is concerned that GAO's report fails to clearly distinguish in-kind payments from in-kind construction provided by the United States' strategic host nation partners under binding international agreements focused on cost sharing.

While GAO included a footnote summarizing the DoD's concern about host nation cost-sharing contributions being identified in the report as payment in-kind projects, the Department believes the vast majority of the projects – all those based on international agreements between the U.S. Government and the Governments of Japan or Korea – identified in the draft GAO report as paid for with "payments in-kind" are in fact mischaracterized.

The Department has provided technical corrections under separate cover. We continue to appreciate the good working relationship that exists between our staffs and look forward to continuing this into the future as GAO finalizes this report and completes future examinations of Defense infrastructure.

Sincerely,

A handwritten signature in black ink, which appears to read "John Conger".

John Conger
Acting, Deputy Under Secretary of Defense
(Installations and Environment)

(351796)

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