



THE UNDER SECRETARY OF DEFENSE

3010 DEFENSE PENTAGON
WASHINGTON, DC 20301-3010

ACQUISITION,
TECHNOLOGY
AND LOGISTICS

JUN 26 2013

The Honorable Carl Levin
Chairman
Committee on Armed Services
United States Senate
Washington, DC 20510

Dear Mr. Chairman:

Enclosed is the Department of Defense response to the report of the Committee on Appropriations accompanying H.R. Report 2055, the Military Construction, Veterans Affairs, and Related Agencies Appropriation Bill, 2012 (Senate Report 112-29); and the report of the Committee on Appropriations accompanying S. 3215, the Military Construction, Veterans Affairs, and Related Agencies Appropriation Bill, 2013 (Senate Report 112-168). The Department of Defense was tasked to conduct cost and benefit analyses of alternative housing arrangements for all general and flag officer quarters (GFOQs) acquired under the Department's traditional leasing authority, or that are high cost and located in foreign countries.

The report identifies 32 GFOQs met the criteria identified in the Senate reports. Of those reports, retaining the status quo was determined to be the most advantageous alternative for ten GFOQs (six leased, three U.S. Government-owned, and one host-nation-owned), based on life-cycle cost analyses and mission considerations. Of the remaining 22 GFOQs, one is no longer required, seven will be replaced through housing privatization or the use of housing allowances, and the remaining 14 will be evaluated by the Military Departments with the goal of reducing costs. The Military Services are evaluating a range of options to reduce costs of the remaining 14, including purchasing existing residences, lower-cost leases, new construction, and finding alternative residences within housing allowance limits.

The Department remains committed to ensure GFOQs funds are expended prudently, and in accordance with mission requirements. GFOQ expenditures will continue to be a focus area for the Department, especially during this period of fiscal austerity.

Your continued support of the Department's family housing program is greatly appreciated. Identical letters have been sent to the other congressional defense committees.

Sincerely,



Frank Kendall

Enclosure:
As stated

cc:
The Honorable James M. Inhofe
Ranking Member



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WASHINGTON, DC 20301-3010

ACQUISITION,
TECHNOLOGY
AND LOGISTICS

JUN 26 2013

The Honorable Richard J. Durbin
Chairman, Subcommittee on Defense
Committee on Appropriations
United States Senate
Washington, DC 20510

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Frank Kendall

Enclosure:
As stated

cc:
The Honorable Thad Cochran
Vice Chairman



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WASHINGTON, DC 20301-3010

ACQUISITION,
TECHNOLOGY
AND LOGISTICS

The Honorable C.W. Bill Young
Chairman
Subcommittee on Defense
Committee on Appropriations
U.S. House of Representatives
Washington, DC 20515

JUN 26 2013

Dear Mr. Chairman:

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Sincerely,



Frank Kendall

Enclosure:
As stated

cc:
The Honorable Peter J. Visclosky
Ranking Member



THE UNDER SECRETARY OF DEFENSE

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WASHINGTON, DC 20301-3010

ACQUISITION,
TECHNOLOGY
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JUN 26 2013

The Honorable Howard P. "Buck" McKeon
Chairman
Committee on Armed Services
U.S. House of Representatives
Washington, DC 20515

Dear Mr. Chairman:

Enclosed is the Department of Defense response to the report of the Committee on Appropriations accompanying H.R. Report 2055, the Military Construction, Veterans Affairs, and Related Agencies Appropriation Bill, 2012 (Senate Report 112-29); and the report of the Committee on Appropriations accompanying S. 3215, the Military Construction, Veterans Affairs, and Related Agencies Appropriation Bill, 2013 (Senate Report 112-168). The Department of Defense was tasked to conduct cost and benefit analyses of alternative housing arrangements for all general and flag officer quarters (GFOQs) acquired under the Department's traditional leasing authority, or that are high cost and located in foreign countries.

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Frank Kendall

Enclosure:
As stated

cc:
The Honorable Adam Smith
Ranking Member



THE UNDER SECRETARY OF DEFENSE

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WASHINGTON, DC 20301-3010

ACQUISITION,
TECHNOLOGY
AND LOGISTICS

The Honorable Tim Johnson
Chairman
Subcommittee on Military Construction,
Veterans Affairs, and Related Agencies
Committee on Appropriations
United States Senate
Washington, DC 20510

JUN 26 2013

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Enclosure:
As stated

cc:
The Honorable Mark Kirk



THE UNDER SECRETARY OF DEFENSE

3010 DEFENSE PENTAGON
WASHINGTON, DC 20301-3010

ACQUISITION,
TECHNOLOGY
AND LOGISTICS

JUN 26 2013

The Honorable John Culberson
Chairman
Subcommittee on Military Construction,
Veterans Affairs, and Related Agencies
Committee on Appropriations
U.S. House of Representatives
Washington, DC 20515

Dear Mr. Chairman:

Enclosed is the Department of Defense response to the report of the Committee on Appropriations accompanying H.R. Report 2055, the Military Construction, Veterans Affairs, and Related Agencies Appropriation Bill, 2012 (Senate Report 112-29); and the report of the Committee on Appropriations accompanying S. 3215, the Military Construction, Veterans Affairs, and Related Agencies Appropriation Bill, 2013 (Senate Report 112-168). The Department of Defense was tasked to conduct cost and benefit analyses of alternative housing arrangements for all general and flag officer quarters (GFOQs) acquired under the Department's traditional leasing authority, or that are high cost and located in foreign countries.

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Sincerely,



Frank Kendall

Enclosure:
As stated

cc:
The Honorable Sanford D. Bishop, Jr.
Ranking Member

TAB

B

Report to Congress

on

General and Flag Officer Quarters



June 2013

The estimated cost of this report for the Department of Defense was approximately \$320,000 in Fiscal Years 2012 - 2013. This includes \$290,000 in expenses and \$30,000 in DoD labor.

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**Report to Congress
on
General and Flag Officer Quarters
(GFOQs)**

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Report on General and Flag Officer Quarters

EXECUTIVE SUMMARY

Congress asked the Department of Defense (DoD) to conduct a cost and benefit analysis of all general and flag officer quarters (GFOQs) leased under the authority of section 2828¹ of title 10, U.S.C., or that are high-cost and located in foreign countries. Specifically,

- Senate Report 112-29, accompanying the Military Construction, Veterans Affairs, and Related Agencies Appropriation Bill, 2012, asked DoD to “reevaluate the cost of all leased GFOQs and to submit a report no later than December 30, 2011, to the Committees on Appropriations of both Houses of Congress on the cost benefit of maintaining each lease.”
- Senate Report 112-168, accompanying the Military Construction, Veterans Affairs, and Related Agencies Appropriation Bill, 2013, asked DoD to “initiate a thorough review of all planned expenditures on GFOQ housing, and provide a report to the congressional defense committees, no later than December 21, 2012; outlining a business case analysis for all high-cost GFOQ overseas housing, including a justification of whether the lease or other housing arrangement is advantageous to the Government, and an evaluation of any reasonable alternatives.”

The report indicates that 32 GFOQs met the criteria identified in the Senate reports. Of those, retaining the status quo was determined to be the most advantageous alternative for ten GFOQs (six leased, three U.S. Government-owned, and one host-nation-owned), based on life-cycle cost analyses and mission considerations. Evaluations of the remaining GFOQs resulted in the following outcomes:

- One is being replaced through the privatization of a residence.
- Another one is no longer required because the new billet will be occupied by an unaccompanied general officer.
- The need for six others will be eliminated through the issuance of housing allowances.
- The Military Services are continuing to evaluate a range of options to reduce costs of the remaining 14, including acquisition of the existing residences, lower-cost leases, new construction, and finding alternative residences within housing allowance limits.

Lastly, historical and planned expenditures for GFOQs by the Military Departments are thoroughly reviewed by the Office of the Secretary of Defense as part of the Planning, Programming, Budgeting, and Execution process, including review of GFOQ budget exhibits proposed by the Military Departments for their annual Family Housing budget requests to Congress.

¹ DoD also obtains family housing leases in foreign countries through the Department of State (DOS), pursuant to section 2834 of title 10, U.S.C. Those leases were not reviewed as part of this effort because they are rarely used for GFOQs. Such leases are generally accepted as the most cost-effective solution because they are used in countries where the Defense Components do not have a strong presence, and DOS usually obtains a group of leases for cost efficiency and security purposes.

BACKGROUND

Identifying GFOQs to Evaluate.

A total of 32 GFOQs met the criteria for inclusion in this report, which addresses the combined requirements of Senate Report 112-29 and Senate Report 112-168.

Senate Report 112-29 requested an evaluation of all leased GFOQs. At the time that the Military Services conducted their review for this study, there were 27 leased GFOQs that met the Senate Report criteria. This number is less than the 41 leased GFOQs identified in the FY 2012 GFOQ expenditure report that DoD submitted to Congress on February 4, 2013; ten of the earlier reported leases have been terminated, and four of the earlier reported leases were executed after the Military Services completed their analysis for this June 2013 report. Table 1 identifies the 27 leased GFOQs evaluated in response to Senate Report 112-29.

Table 1 – Leased GFOQs Evaluated in this Report

State/Country	City	Military Service	Quarters ID	Gross Square Feet, GSF	Rank/Grade
Florida	Miami	Army	3501	3,898	O-10
Florida	Miami	Army	10405	2,971	O-7
Florida	Miami	Army	11018	3,069	O-8
Florida	Miami	Army	11132	2,970	O-8
Florida	Miami	Army	11327	2,650	O-8
South Carolina	Sumter	Army	1385	3,800	O-9
Bahrain	Manama	Navy	Villa 1266	8,815	O-9
Belgium	Brussels	Army	005	5,382	SES-6
Belgium	Brussels	Army	009	5,124	SES-5
Belgium	Brussels	Army	012	4,036	O-9
Belgium	Brussels	Army	020	4,580	O-7
Belgium	Chievres	Army	002	4,793	O-9
Belgium	Chievres	Army	024	3,461	SES-3
Belgium	Chievres	Army	031	4,930	O-8
Belgium	Chievres	Army	032	4,930	SES-4
Belgium	Chievres	Army	033	4,930	O-7
Germany	Geilenkirchen	Air Force	00072	5,388	O-7
Italy	Naples	Navy	Villa Anna	5,624	O-7
Italy	Naples	Navy	Villa de Iorio	6,652	O-7
Italy	Naples	Navy	Villa Maria	6,100	O-8
Italy	Naples	Navy	Villa Pisa 2	3,056	O-7
Italy	Naples	Navy	Villa Sara	8,073	O-9
Italy	Pordenone	Air Force	57086	6,402	O-7
Netherlands	Schinnen	Army	698	4,841	O-8
Norway	Stavanger	Air Force	00119	3,627	O-7
Singapore	Singapore	Navy	Temashek House	2,239	O-7
Turkey	Izmir	Air Force	00701	4,533	O-9

Senate Report 112-168 requested a review of high-cost GFOQ housing in foreign countries. DoD first had to define what constituted a high-cost, overseas GFOQ. For the purposes of this review, the term “high-cost” was defined as a GFOQ that had at least \$50,000 of Family Housing Operations and Maintenance (O&M) expenditures each year for the last three years (FYs 2009-2011). Excluding leased GFOQs that were already being evaluated under Senate Report 112-29, the Military Services identified five high-cost GFOQs in foreign countries that were added to this study in response to Senate Report 112-168. A summary of these additional five GFOQs is provided in Table 2.

Table 2 – High-Cost GFOQs in Foreign Countries Evaluated in this Report (Not Leased)

State/Country	City or Installation	Military Service	Quarters ID	Gross Square Feet, GSF	Grade/Rank
Belgium	Chievres	Army	001	15,048	O-10
Italy	Naples	Navy	Villa Nike	12,660	O-10
Japan	NS Yokosuka	Navy	16 Halsey	4,125	O-7
Japan	NS Yokosuka	Navy	17 Halsey	4,515	O-8
Japan	NS Yokosuka	Navy	18 Halsey	4,515	O-9

GFOQ Standards and Requirements

GFOQs serve not only as family residences, but also as extensions of the workplace, whether for conducting official entertainment activities or conducting after-hours communications using secure information systems. In addition, the security requirements for GFOQs are higher than for lower rank personnel due to the leadership roles that general and flag officers (GFOs) fulfill. For these reasons, factors beyond cost are used in assessing GFOQ housing requirements.

The DoD Housing Management Manual (DoD 4165.63-M) states that for family housing units to be suitable for occupancy by DoD personnel, they must meet basic standards of affordability, location, features (including residence floor area and number of bedrooms), and physical condition. Housing for GFOs and some senior DoD civilians also have to meet specific suitability standards based on rank or pay grade, security threats, sensitive communications requirements, and the need to conduct official entertainment in their residence.

The required size and number of bedrooms for newly constructed, Government-owned GFOQs are described in Table 4-1 of the DoD Unified Facility Criteria document for Family Housing (UFC 4-711-01). Based on this table, the standard GFOQ for a one-star (O-7) through four-star (O-10) GFO is a 4-bedroom house with a minimum area of 2,600 gross square feet (GSF), and a maximum area of 4,060 GSF, with a programming benchmark of 3,330 GSF. Gross area can be increased up to 10 percent for a GFO or senior DoD civilian designated by the Office of the Secretary of Defense as a Special Command Position (SCP) or for the commanding officer of a military installation. For this reason, the programming benchmark and maximum area for a new

SCP residence are 3,663 GSF and 4,466 GSF, respectively. Additional area is provided for an SCP residence due to the increased official entertainment responsibilities, which also require Government-provided furnishings for official entertainment areas (e.g., large dining room table, rugs, and additional seating), and table linen, dishes, glassware, silver, and kitchen/serving utensils.

When not on a military installation, the location of a GFOQ may warrant special consideration for certain occupants if there is a heightened security risk, especially in foreign countries. Depending on the potential threat, appropriate security measures may need to be incorporated into the GFOQ: for example, by ensuring the home is within a walled or fenced secure compound with two exits; that it has a safe room, and/or that it is co-located with other GFOQs to provide more cost-effective security. Furthermore, security considerations, as well as the responsibilities of a command position, may dictate that commuting distances be less than the normal maximum commuting limit of 20 miles or 1 hour (during peak traffic). In a 2009 DoD Status of Forces survey, actual commutes for officers were found to average 23 minutes and 14 miles in the United States and 20 minutes and 11 miles in foreign countries. It is not uncommon for homes closer to a military installation to cost more, so requirements that limit commuting distance will increase housing costs. For the purposes of this report, when identifying potential GFOQ units in the local community, the Military Services generally limited their search radius to a reasonable maximum of a 30-minute commute during peak traffic (unless stated otherwise).

Alternatives Considered

In preparing the business case analysis to determine whether an existing GFOQ lease or other housing arrangement is advantageous to the Government, the Military Services considered some or all of the following options for each GFOQ, taking into account the standards and requirements for the specific unit:

- **Status Quo**: The current acquisition method for the 32 GFOQs reviewed in this report (leased, U.S. Government-owned, or host-nation-owned).
- **Construction**: This alternative evaluated a Military Construction (MilCon)-funded dwelling, sized and cost-estimated to DoD standards as described in the GFOQ Standards and Requirements section. This alternative considered but did not fully evaluate the availability of land for construction, as that can be an especially challenging variable in foreign countries. New construction can also be problematic due to host-nation agreements. For example, in Belgium, the Status of Forces agreement makes it necessary for the host nation to acquire the land for DoD's use. Limitations such as these drive a higher cost premium.
- **Leasing**: This alternative evaluated leased housing options based on the inventory of available houses identified through online searches that were conducted using the DoD Automated Housing Referral Network, host-nation real estate offices, and private sector databases. Initial searches focused on residences that fell within the new construction size ranges/standards, but in some cases, larger residences had to be included in searches to maintain appropriate commuting time and distance limits and/or to meet security requirements.

- **Purchase an Existing Residence:** This alternative considered available for-sale housing that could be purchased to meet the GFOQ housing requirements, with the purchase made by the United States or host nation, depending on the Status of Forces requirements for owning property in the host country. Section 2854 of title 10, U.S.C., authorizes the Military Departments to acquire existing housing in lieu of construction and, in foreign countries, the Secretary concerned may acquire less than sole interest in existing family housing units. Potential residences for purchase were identified using the same real estate search tools used for potential leased homes. Also, as with leased homes, the initial objective was to find a potential purchase within DoD's new construction size ranges/standards, unless there were extenuating circumstances, such as the need to maintain appropriate commuting time and distance limits and/or to meet security requirements.
- **Housing Allowance:** This alternative examined the potential for GFOQ requirements to be met by the GFO or senior DoD civilian using their housing allowance to privately lease a residence. In the absence of a special mission requirement, security threat, or host-nation agreement that requires occupancy in U.S. Government-controlled housing, it is DoD policy that DoD personnel use their housing allowance to obtain suitable housing in the local community. However, an underlying limitation with using housing allowances for GFOs and senior DoD civilians is that the U.S. Government is generally prohibited by statute from providing any support to a privately leased or owned residence, such as installing and monitoring intrusion detection systems, installing secure communications, or providing supplemental furnishings for official entertainment. For these reasons, when there are special mission requirements for a GFOQ, the housing allowance option becomes untenable. Another challenge with this option is that in certain locations, the housing allowance for a GFO or senior DoD civilian might be insufficient to obtain a suitable home within the authorized size range. For example, in Chievres, Belgium, the benchmark size of a four-bedroom home for an O-8 is 44 percent larger than a four-bedroom home for an O-5. However, the housing-plus-utilities allowance for an O-8 in Chievres is only 3 percent more than for an O-5.

In spite of the above challenges, there is a growing trend in the Military Services to require GFOs and senior DoD civilians to live in the community using their housing allowance. In 2011, the Army Europe Installation Management Command issued a policy that requires DoD senior civilians to live in the community using their housing allowance unless they are in an SCP billet. Also, the Navy Secretariat issued a policy in 2012 that restricts high cost leases (HCLs) to designated Level 1 or Level 2 High Risk Billets/High Risk Personnel and limits their use for when there are not less expensive options available to ensure the provision of a secure residence in accordance with applicable vulnerability assessments. For example, in Naples, Italy, the Navy housing office developed a process for incoming GFOs to include a briefing on their housing options and assistance with finding and negotiating for a home in the community within their housing allowance and within a 30-minute commute. Of note, one of the currently available homes was formerly acquired as an HCL but now is being offered at a much lower rate within a GFO-housing allowance.

- **Privatization:** This alternative considers the potential to meet GFOQ requirements through privatized housing. DoD has the authority to privatize housing located in the United States pursuant to sections 2871 et seq. of title 10, U.S.C.; DoD has no such authority in foreign countries. In the United States, most family housing privatization deals include GFOQs,

some of which are historic and have high carrying costs. What makes it financially feasible to include GFOQs into such deals is that they are part of a large base inventory of lower-cost homes. While the Military Services could negotiate with project owners to add additional GFOQs into existing privatization deals, the owners and their lenders are unlikely to be accepting, given the high costs associated with constructing, renovating, and maintaining GFOQs. It would prove even more challenging to find an existing or new owner interested in entering into an agreement to privatize one or more GFOQs that are not near any DoD installation that has privatized family housing.

EVALUATION METHODS

Overall Methods of Evaluation

The Military Services compared the status quo housing arrangement for each GFOQ in this report with some or all of the alternatives identified above. The first comparison factor considered was the net present value (NPV) of the 25-year life-cycle cost. The NPV calculations and methods are described in the following section. The alternative with the lowest NPV was not always the most practical option as the Military Services exercised their judgment to select alternatives that represented the best value, based on a variety of factors, including:

- Security requirements (based on local threat analyses)
- Availability of required secure communications
- Time and distance of commute
- Whether the housing requirement is enduring
- Suitability of the quarters given the occupant's position, rank, or SCP designation
- Availability and ownership of land for a new construction GFOQ
- Potential execution challenges/constraints due to Status of Forces agreements and local conditions

Cost Components of Economic Analyses

The economic analyses for the various housing alternatives considered the following cost components:

- **Lease**: The annual lease amount due to the lessor. Depending on the lease terms, the lessor could also be responsible for some maintenance and repair costs.
- **Purchase of an Existing Residence**: The initial cash cost to buy an existing property, including land and applicable fees and commissions. In certain foreign countries, the host nation would have to purchase the residence on behalf of the U.S. Government, in compliance with the Status of Forces agreement.
- **Construction**: The total development cost to design and build a home that meets DoD standards and requirements and complies with applicable host-nation agreements.
- **Land Acquisition**: The total cost to acquire developable land to construct a new GFOQ, including applicable fees and commissions. In certain foreign countries, the host nation

would have to purchase or lease the land on behalf of the U.S. Government, in compliance with the Status of Forces agreement.

- **Renovation**: Newly constructed homes were assumed to require renovation after 25 years; for the purchase of an older home, a renovation was assumed to be required 12.5 years after its purchase. For use as a GFOQ, a renovation was assumed to cost 20 to 25 percent of the original purchase/construction cost, which would cover the cost of renovating the kitchen and bathrooms, replacing the heating and cooling systems, and refreshing interior and exterior finishes.
- **Salvage Value**: The terminal or salvage value was assumed to be 50 percent of the GFOQ construction/acquisition cost at the end of the 25-year analysis period, unless there were compelling reasons to use a different value. Fifty percent was selected as the default percentage to represent the value of a residence that is maintained and renovated at a reasonable level, but not at a level high enough to prevent minor degradation and functional obsolescence.
- **Housing Allowance**: For locations in the United States, the Basic Allowance for Housing for the particular area and pay grade was used; in foreign countries, the cost components include the Overseas Housing Allowance Rental Allowance, Utilities and Recurring Maintenance Allowance, and periodic Move-In Housing Allowance for the specific location and pay grade.
- **Operations**: The cost of furnishings needed for official entertainment purposes, administrative support, refuse collection, and insect and pest control.
- **Maintenance and Repair (M&R)**: The activities necessary to keep facilities in good working order. M&R includes regularly scheduled adjustments and inspections, preventive maintenance tasks, and emergency response and service calls for minor repairs. It also includes major repairs or replacement of components that are expected to occur periodically throughout the facility life cycle. This work includes regular roof replacement, refinishing of wall surfaces, repairing and replacement of building systems (e.g., heating and cooling systems), replacing flooring, and similar types of work. Depending on the terms of an agreement (for host-nation-owned GFOQs) or lease, the U.S. Government may be responsible for all or a portion of the M&R costs, such as grounds maintenance and landscaping. If historical data was unavailable for extrapolation, M&R costs were estimated using empirical unit costs from the DoD Facilities Pricing Guide, UFC 3-701-01 and adjusted by the local Area Cost Factor and DoD inflation rate.
- **Utilities**: Future utility costs based on historical records or empirical calculations.
- **Security, Information Systems, and Antiterrorism Measures**: The initial construction/facility related costs for installing security, information systems, and antiterrorism measures, as well as the recurring construction/facility related O&M costs.
- **Change of Occupancy**: The cost to perform minor and routine M&R between periods of occupancy. Examples include drywall repair and painting; carpet cleaning or replacement; and furnishings repair or replacement.

Net Present Value

A NPV life-cycle cost analysis (LCCA) for each housing alternative was completed in accordance with Office of Management and Budget (OMB) guidelines and based on the following:

- Economic analyses were started in 2014, and used 2014 constant dollars, which assumes that all costs rise at the rate of inflation.
- Costs were inflated to 2014 using DoD rates published in National Defense Budget Estimates for FY 2013, March 2012, Table 5-8, DoD Deflators for Outlays (Family Housing). These indices yield the following inflation rates for Family Housing: FY 2011 to FY 2012 – 2.1 percent; FY 2012 to FY 2013 – 1.5 percent; and FY 2013 to FY 2014 – 1.3 percent.
- Area cost factors were obtained from DoD UFC 3-701-01, DoD Facilities Pricing Guide.
- For analyses involving constant dollar cash flows, OMB Circular A-94 directs the use of real discount rates instead of nominal discount rates. By the memorandum dated January 3, 2012, OMB established the 2012 real discount rate for 25 years at 1.85 percent.
- Annual, periodic, and one-time costs were projected over the 25-year analysis period and were discounted back using the OMB 2012 real discount rate (1.85 percent).
- The leasing option was started in 2014 and ran for 25 years at the constant cost of the 2014 lease cost. In addition to shelter rent or other costs required by the lease itself, the analyses included all O&M costs the Government is required to pay above the lease amount such as utilities, M&R, renovation, furnishings for official entertainment, landscaping, and special mission requirements such as information systems, security, and antiterrorism. These included both recurring annual costs and any non-recurring costs that were expected to occur during the 25-year analysis period (e.g., change of occupancy).
- The alternative for a MilCon-funded new construction project or purchased residence assumed that it could be budgeted and executed in FY 2014. After occupancy, all applicable recurring and non-recurring O&M costs were added through the end of the economic analysis period in year 2038.
- Currency fluctuations were not included in the LCCA because they are covered by the foreign currency fluctuation account. For currency exchange purposes, the LCAA used DoD-approved foreign currency exchange rates included in the FY 2012 President's Budget Request.

EVALUATION OUTCOMES

Summary

The evaluations of these 32 GFOQs showed that the Department is making progress towards reducing the funds spent on housing for GFOs. Providing a housing allowance is the lowest cost alternative for every GFOQ; as a result of new Navy and Army policies, this alternative is being actively pursued for six leased GFOQs (one lease has already been terminated). However, using a housing allowance for GFOs, especially in foreign countries, is often untenable or a challenge mainly because of two reasons: (1) if there is a need for security measures, they generally cannot be Government-funded on a privately leased home; and/or (2) the housing allowance can be insufficient to acquire a suitable residence that meets GFOQ size ranges and standards.

Using NPVs calculated for all the identified alternatives (summarized on Table 3), and considering other factors (e.g., security, secure communications, commuting time, enduring nature of the billet, etc.), the Military Services developed the following outcomes for the 32 GFOQs evaluated in this report:

- The status quo is more advantageous than any reasonable alternative for ten GFOQs (six leased, three U.S. Government-owned, and one host-nation-owned).
- One leased GFOQ is being replaced by a privatized GFOQ under construction (with the housing allowance used for rent).
- Another leased GFOQ is no longer required because the new billet will be occupied by an unaccompanied general officer who will either be placed in Government-owned quarters or will rent in the community using his/her housing allowance.
- The need for six other GFOQs will be eliminated through the issuance of housing allowances.
- The Military Services are continuing to evaluate a range of options to reduce costs for the remaining 14 GFOQs, including purchasing existing residences, constructing new residences, lower cost leases, and finding alternative residences within housing allowance limits. Table 3 provides details on the comparison of alternatives for each GFOQ.

Table 3 – Comparison of Net Present Values of GFOQ Alternatives

State or Country	City or Installation	Military Service	Quarters ID	Grade/Rank	Special Command Position	Gross Square Feet	Status Quo	Net Present Value, \$000					Evaluation Outcomes*
								Status Quo	Purchase	Construct	Lease	Housing Allowance	
Florida	Miami	Army	3501	O-10	Y	3,898	Leased	\$2,539	\$1,735	Unavailable	\$2,667	\$730	A
Florida	Miami	Army	10405	O-7	N	2,971	Leased	\$1,047	\$969	Unavailable	\$1,330	\$730	A
Florida	Miami	Army	11018	O-8	N	3,069	Leased	\$1,142	\$969	Unavailable	\$1,330	\$730	A
Florida	Miami	Army	11132	O-8	N	2,970	Leased	\$944	\$969	Unavailable	\$1,330	\$730	A
Florida	Miami	Army	11327	O-8	N	2,650	Leased	\$943	\$969	Unavailable	\$1,330	\$730	A
S. Carolina	Sumter	Army	1385	O-9	N	3,800	Leased	\$937	\$913	Unavailable	\$996	\$501	B
Bahrain	Manama	Navy	Villa 1266	O-9	Y	8,815	Leased	\$3,588	Unavailable	\$3,786	2,920	\$800	A
Belgium	Brussels	Army	005	SES-6	Y	5,382	Leased	\$2,807	\$2,726	Unavailable	\$2,333	\$1,142	A
Belgium	Brussels	Army	009	SES-5	Y	5,124	Leased	\$2,404	\$2,726	Unavailable	\$2,333	\$1,142	A
Belgium	Brussels	Army	012	O-9	Y	4,036	Leased	3,09	\$2,726	Unavailable	\$2,333	\$1,142	A
Belgium	Brussels	Army	020	O-7	N	4,580	Leased	\$2,966	\$2,076	Unavailable	\$2,185	\$1,142	A
Belgium	Chievres	Army	001	O-10	Y	15,048	HN Owned	\$2,607	\$2,770	\$2,723	Unavailable	\$847	C
Belgium	Chievres	Army	002	O-9	N	4,793	Leased	\$1,794	\$1,404	Unavailable	Unavailable	\$847	D
Belgium	Chievres	Army	024	SES-3	N	3,461	Leased	\$1,749	\$1,404	Unavailable	Unavailable	\$847	E
Belgium	Chievres	Army	031	O-8	N	4,930	Leased	\$1,732	\$1,404	Unavailable	Unavailable	\$847	F
Belgium	Chievres	Army	032	SES-4	N	4,930	Leased	\$1,711	\$1,404	Unavailable	Unavailable	\$847	E
Belgium	Chievres	Army	033	O-7	N	4,930	Leased	\$1,713	\$1,404	Unavailable	Unavailable	\$847	A
Germany	Geilenkirchen	Air Force	00072	O-7	N	5,388	Leased	\$795	Unavailable	\$953	Unavailable	\$679	D
Italy	Naples	Navy	Villa Anna	O-7	N	5,624	Leased	\$4,596	Unavailable	\$4,167	\$3,502	\$1,072	E
Italy	Naples	Navy	Villa de Iorio	O-7	N	6,652	Leased	\$4,318	Unavailable	\$4,162	\$3,486	\$1,072	E

Table 3 – Comparison of Net Present Values of GFOQ Alternatives (continued)

State or Country	City or Installation	Service	Quarters ID	Grade/Rank	Special Command Position	Gross Square Feet	Status Quo	Net Present Value, \$000					Evaluation Outcomes*
								Status Quo	Purchase	Construct	Lease	Housing Allowance	
Italy	Naples	Navy	Villa Maria	O-8	N	6,100	Leased	\$4,197	Unavailable	\$4,152	\$3,463	\$1,072	E
Italy	Naples	Navy	Villa Nike	O-10	Y	12,660	HN Owned	\$4,632	Unavailable	\$3,889	\$4,057	\$1,072	A
Italy	Naples	Navy	Villa Pisa 2	O-7	N	3,056	Leased	\$3,349	Unavailable	\$4,130	\$3,439	\$1,072	E
Italy	Naples	Navy	Villa Sara	O-9	N	8,073	Leased	\$4,860	Unavailable	\$4,157	\$3,468	\$1,072	A
Italy	Pordenone	Air Force	57086	O-7	N	6,402	Leased	\$1,216	Unavailable	\$1,520	Unavailable	\$847	D
Japan	Naval Sta Yokosuka	Navy	16 Halsey	O-7	N	4,125	U.S. Govt	\$1,765	Unavailable	\$2,610	\$2,500	\$1,145	C
Japan	Naval Sta Yokosuka	Navy	17 Halsey	O-8	Y	4,515	U.S. Govt	\$1,608	Unavailable	\$2,912	\$3,090	\$1,145	C
Japan	Naval Sta Yokosuka	Navy	18 Halsey	O-9	N	4,515	U.S. Govt	\$2,011	Unavailable	\$2,610	\$2,500	\$1,145	C
Netherland	Schinnen	Army	698	O-8	N	4,841	Leased	\$2,001	\$2,093	Unavailable	Unavailable	\$820	A
Norway	Stavanger	Air Force	00119	O-7	Y	3,627	Leased	\$2,185	\$2,682	Unavailable	Unavailable	\$1,401	D
Singapore	Singapore	Navy	Temashek House	O-7	Y	2,239	Leased	\$1,105	Unavailable	Unavailable	\$1,691	\$2,018	D
Turkey	Izmir	Air Force	00701	O-9	Y	4,533	Leased	\$2,014	Unavailable	Unavailable	Unavailable	\$497	D

* Notes for Evaluation Outcomes:

A - Explore in more detail a range of options including purchasing an existing residence, construction, leasing, or using a housing allowance

B - Lease will be terminated after construction of a new privatized residence is completed.

C - Status quo (host-nation-owned or U.S. Government-owned) most advantageous to U.S. Government.

D - Status quo (lease) most advantageous to U.S. Government.

E - As a result of new Navy and Army policies, the lease will be/has been terminated after the current occupant leaves, and the new member in the billet will either be provided U.S. Government-owned housing, or will use his/her housing allowance to rent in the community.

F - Since the next member in the billet will be unaccompanied, the lease will be terminated after the current occupant leaves, and the new member in the billet will either be provided U.S. Government-owned housing, or will use his/her housing allowance to rent in the community.

Florida, Miami - GFOQ 3501

Occupant: Commander, SOUTHCOM, O-10 (Special Command Position)
Managing Service: Army
Gross Area: 3,898 Gross Square Feet (GSF)
NPV Status Quo (Lease): \$3,200,000
NPV Purchase: \$1,735,000
NPV Construction: Not available
NPV Alternative Lease: \$2,667,000
NPV Privatization: Not available
NPV Housing Allowance: \$730,000

Background:

When Headquarters (HQ) SOUTHCOM relocated to Florida, the Army evaluated many family housing options including the purchase of existing homes, new construction, leasing, and privatization. For GFOQs, the initial solution was provided by an amendment to section 2828 of title 10, U.S.C., that authorized up to eight leases for SOUTHCOM key & essential (K&E) personnel, as designated by the Secretary of the Army, to exceed the normal lease cost limits in section 2828 paragraphs (b)(2) and (b)(3). This special authority allowed housing to be acquired for K&E personnel in the immediate vicinity of HQ SOUTHCOM (five-mile or 20-minute driving radius), which is in a high cost area (Doral, Florida).

Status Quo:

The leased residence for the SOUTHCOM Commander, which is an SCP, is located in Coral Gables, and although it is only six miles from HQ SOUTHCOM, the rush-hour commute normally takes 30 to 45 minutes. At 3,898 GSF, it is well within the maximum size for a newly constructed SCP home (4,466 GSF). A residence had to be selected outside of the immediate vicinity of HQ SOUTHCOM to find a lot large enough to meet security stand-off and other unique SCP requirements. This house is owned by the City of Coral Gables, so there are not concerns about foreclosure or non-renewal, which could be a problem with a private landlord. Considering the high up-front costs with an SCP house (due to special requirements for security, communications, auxiliary power, etc.), it would be very costly to incur these costs every few years should a private landlord refuse to renew a lease. When SOUTHCOM was relocated from Panama, the Commander had to be moved three times over a two year period due to a variety of security and landlord non-renewal issues.

In 2000, the City of Coral Gables purchased the current Commander's dwelling and leased it to the U.S. Government at a below market rate; however, at that reduced rent, the City did not budget enough for adequate M&R and the home needed renovations, as it was built in 1948. In 2012, the government renegotiated the rent to a market rate of \$106,200 per year in return for the City making the needed renovations and providing more appropriate maintenance. These renovations will be completed in late 2013. Including security, operations, utilities, and M&R in the 25-year LCCA, yielded a, the NPV (NPV) of \$3.2 million.

Purchase:

The basis for this analysis was a house with the characteristics of new homes anticipated to be built within five miles of HQ SOUTHCOM. There are indications that at least one housing development is being planned for the area near HQ SOUTHCOM. The house used in the analysis was a single-family home with about 3,663 GSF of living space, four bedrooms, and a

garage, which is consistent with the criteria in Army Regulation (AR) 420-1. The Commander SOUTHCOM is in a High Risk billet, so additional costs were included for required security measures. The NPV for this purchase was calculated to be \$1.7 million.

Construction:

The Army did not conduct a cost analysis of a construction alternative for this unit because of the unavailability of land. To construct a home adequate for this K&E position, the Army would need to acquire property in the immediate vicinity of HQ SOUTHCOM. Undeveloped land within this zone (i.e., the Doral area) is scarce, and a suitably sized, zoned, and located land parcel for this requirement was unavailable.

Alternative Lease:

A real-estate search was conducted using the same criteria as for the purchased home, and limiting the age to 25 years to minimize M&R costs. Two houses meeting the criteria were identified, but were outside the immediate vicinity of HQ SOUTHCOM. Additional costs were added for security measures. The representative dwelling was a single-family house with 3,887 GSF of living space, five bedrooms, and a garage. The NPV for this alternative lease was \$2.7 million.

Privatization:

In 2009, the Army conducted a thorough study of the feasibility of using privatization authorities pursuant to section 2871 of title 10, U.S.C. for meeting the HQ SOUTHCOM family housing requirement of 88 homes, which included GFOQs. The study concluded that as Service members in the Miami area had high housing allowances, and there was an abundant supply of housing, Service members had a wide range of choices that allowed them to find suitable housing below their housing allowances. Therefore, competition for military tenants in any privatized or government-owned housing project would have been strong, which would have made it difficult to maintain a high level of occupancy. Furthermore, the best available land would have been on a Florida Army National Guard site, but it was uncertain if the land could be acquired, and HQ SOUTHCOM considered it too far away (15 miles) for K&E personnel. For all of these reasons, the Army concluded that a privatization project would not have been attractive for either the government or a developer. Due to this uncertainty, a final NPV could not be calculated for the privatization option; but if it would have been feasible without an equity investment by the government, the NPV of the BAH stream for this GFOQ would have been \$0.7 million.

Housing Allowance:

Although this is the lowest cost option with an NPV of \$0.7 million, it is not a viable alternative because the housing allowance is insufficient to provide a residence in the required size range for a GFO in a designated SCP billet, and because the government is prohibited by statute to provide the special features required for this residence such as security measures, secure communications systems, and support for official entertainment.

Evaluation Outcome:

The analysis indicates that the status quo lease strikes a reasonable balance between cost and requirements. Nevertheless, prior to the lease renewal, the Army will explore other options such as purchase, construction, and alternative lease.

Florida, Miami - GFOQ 10405

Occupant: SOUTHCOM Director of Intelligence, SC-J2, O-7
Managing Service: Army
Gross Area: 2,971 Gross Square Feet (GSF)
NPV Status Quo (Lease): \$1,047,000
NPV Purchase: \$969,000
NPV Construction: Not available
NPV Alternative Lease: \$1,330,000
NPV Privatization: Not available
NPV Housing Allowance: \$730,000

Background:

When HQ SOUTHCOM relocated to Miami, Florida, the Army evaluated many family housing options including purchasing existing homes, new construction, leasing, and privatization. For GFOQs, the initial solution was provided by an amendment to section 2828 of title 10, U.S.C., that authorized up to eight leases for SOUTHCOM key & essential (K&E) personnel, as designated by the Secretary of the Army, to exceed the normal lease cost limits in section 2828 paragraphs (b)(2) and (b)(3). This special authority allowed housing to be acquired for the K&E personnel in the immediate vicinity of HQ SOUTHCOM (five-mile or 20-minute driving radius), which is in a high cost area (Doral, Florida).

Status Quo:

This residence, which was initially leased in 2011 as one of the SOUTHCOM special K&E leases, is two miles away from HQ SOUTHCOM (a six-minute commute). In 2012, the annual lease payment (not including operations, utilities, or M&R) was \$42,882, which was 22 percent more than the O-7+ housing allowance in this area. Based on a 25-year LCCA, the NPV (NPV) was calculated to be \$1.0 million.

Purchase:

The basis for this analysis was a house with the characteristics of new homes anticipated to be built within five miles of HQ SOUTHCOM. There are indications that at least one housing development is being planned for the area near HQ SOUTHCOM. The house used in the analysis was a single-family home with about 3,330 GSF of living space, four bedrooms, and a garage, which is consistent with the criteria in Army Regulation 420-1. The NPV for this purchase was calculated to be \$1.0 million.

Construction:

The Army did not conduct a cost analysis of a construction alternative for this unit because of the unavailability of land. To construct a home adequate for this K&E position, the Army would need to acquire property in the immediate vicinity of HQ SOUTHCOM. Undeveloped land within this zone (i.e., the Doral area) is scarce, and a suitably sized, zoned, and located land parcel for this requirement was unavailable.

Alternative Lease:

A real-estate search was conducted using the same criteria as for the purchased home, and limiting the age to 25 years to minimize M&R costs. Eight homes meeting these criteria were found, but were located outside of the immediate vicinity of HQ SOUTHCOM. The

representative dwelling is a single-family house with 3,746 GSF of living space, four bedrooms, and a garage. The NPV for this alternative lease was \$1.3 million.

Privatization:

In 2009, the Army conducted a thorough study of the feasibility of using privatization authorities pursuant to section 2871 of title 10, U.S.C. for meeting the HQ SOUTHCOM family housing requirement of 88 homes, which included GFOQs. The study concluded that as Service members in the Miami area had high housing allowances, and there was an abundant supply of housing, Service members had a wide range of choices that allowed them to find suitable housing below their housing allowances. Therefore, competition for military tenants in any privatized or government-owned housing project would have been strong, which would have made it difficult to maintain a high level of occupancy. Furthermore, the best available land would have been on a Florida Army National Guard site, but it was uncertain if the land could be acquired, and HQ SOUTHCOM considered it too far away (15 miles) for K&E personnel. For all of these reasons, the Army concluded that a privatization project would not have been attractive for either the government or a developer. Due to this uncertainty, a final NPV could not be calculated for the privatization option; but if it would have been feasible without an equity investment by the government, the NPV of the BAH stream for this GFOQ would have been \$0.7 million.

Housing Allowance:

The online rental real estate search found three houses for rent that met the square footage and bedroom requirements for non-SCP occupants, and rented for less than the housing allowance. The detached single-family houses had at least 3,330 GSF of living space, four or more bedrooms, and a garage. However, all of the homes were located outside of the immediate vicinity of HQ SOUTHCOM. The NPV for the housing allowance was \$0.7 million.

Evaluation Outcome:

The analysis indicates that the status quo lease strikes a reasonable balance between cost and requirements. Nevertheless, prior to the lease renewal, the Army will explore other options such as purchase, construction, and alternative lease.

Florida, Miami - GFOQ 11018

Occupant: SOUTHCOM Director for Training, Exercises & Engagement, SC-J7, O-8
Managing Service: Army
Gross Area: 3,069 Gross Square Feet (GSF)
NPV Status Quo (Lease): \$1,142,000
NPV Purchase: \$969,000
NPV Construction: Not available
NPV Alternative Lease: \$1,330,000
NPV Privatization: Not available
NPV Housing Allowance: \$730,000

Background:

When HQ SOUTHCOM relocated to Miami, Florida, the Army evaluated many family housing options including purchasing existing homes, new construction, leasing, and privatization. For GFOQs, the initial solution was provided by an amendment to section 2828 of title 10, U.S.C., that authorized up to eight leases for SOUTHCOM key & essential (K&E) personnel, as designated by the Secretary of the Army, to exceed the normal lease cost limits in section 2828 paragraphs (b)(2) and (b)(3). This special authority allowed housing to be acquired for the K&E personnel in the immediate vicinity of HQ SOUTHCOM (five-mile or 20-minute driving radius), which is in a high cost area (Doral, Florida).

Status Quo:

This residence, which was initially leased in 2011 as one of the SOUTHCOM special K&E leases, is six miles away from HQ SOUTHCOM (a 13-minute commute). In 2012, the annual lease payment (not including operations, utilities, or M&R) was \$45,332, which was 29 percent more than the O-7+ housing allowance in this area. Based on a 25-year LCCA, the NPV (NPV) was calculated to be \$1.1 million.

Purchase:

The basis for this analysis was a house with the characteristics of new homes anticipated to be built within five miles of HQ SOUTHCOM. There are indications that at least one housing development is being planned for the area near HQ SOUTHCOM. The house used in the analysis was a single-family home with about 3,330 GSF of living space, four bedrooms, and a garage, which is consistent with the criteria in Army Regulation 420-1. The NPV for this purchase was calculated to be \$1.0 million.

Construction:

The Army did not conduct a cost analysis of a construction alternative for this unit because of the unavailability of land. To construct a home adequate for this K&E position, the Army would need to acquire property in the immediate vicinity of HQ SOUTHCOM. Undeveloped land within this zone (i.e., the Doral area) is scarce, and a suitably sized, zoned, and located land parcel for this requirement was unavailable.

Alternative Lease:

A real-estate search was conducted using the same criteria as for the purchased home, and limiting the age to 25 years to minimize M&R costs. Eight homes meeting these criteria were found, but were located outside of the immediate vicinity of HQ SOUTHCOM. The

representative dwelling is a single-family house with 3,746 GSF of living space, four bedrooms, and a garage. The NPV for this alternative lease was \$1.3 million.

Privatization:

In 2009, the Army conducted a thorough study of the feasibility of using privatization authorities pursuant to section 2871 of title 10, U.S.C. for meeting the HQ SOUTHCOM family housing requirement of 88 homes, which included GFOQs. The study concluded that as Service members in the Miami area had high housing allowances, and there was an abundant supply of housing, Service members had a wide range of choices that allowed them to find suitable housing below their housing allowances. Therefore, competition for military tenants in any privatized or government-owned housing project would have been strong, which would have made it difficult to maintain a high level of occupancy. Furthermore, the best available land would have been on a Florida Army National Guard site, but it was uncertain if the land could be acquired, and HQ SOUTHCOM considered it too far away (15 miles) for K&E personnel. For all of these reasons, the Army concluded that a privatization project would not have been attractive for either the government or a developer. Due to this uncertainty, a final NPV could not be calculated for the privatization option; but if it would have been feasible without an equity investment by the government, the NPV of the BAH stream for this GFOQ would have been \$0.7 million.

Housing Allowance:

The online rental real estate search found three houses for rent that met the square footage and bedroom requirements for non-SCP occupants, and rented for less than the housing allowance. The detached single-family houses had at least 3,330 GSF of living space, four or more bedrooms, and a garage. However, all of the homes were located outside of the immediate vicinity of HQ SOUTHCOM. The NPV for the housing allowance was \$0.7 million.

Evaluation Outcome:

The analysis indicates that the status quo lease strikes a reasonable balance between cost and requirements. Nevertheless, prior to the lease renewal, the Army will explore other options such as purchase, construction, and alternative lease.

Florida, Miami - GFOQ 11132

Occupant: SOUTHCOM Chief of Staff, SC-COS, O-8
Managing Service: Army
Gross Area: 2,970 Gross Square Feet (GSF)
NPV Status Quo (Lease): \$944,000
NPV Purchase: \$969,000
NPV Construction: Not available
NPV Alternative Lease: \$1,330,000
NPV Privatization: Not available
NPV Housing Allowance: \$730,000

Background:

When HQ SOUTHCOM relocated to Miami, Florida, the Army evaluated many family housing options including purchasing existing homes, new construction, leasing, and privatization. For GFOQs, the initial solution was provided by an amendment to section 2828 of title 10, U.S.C., that authorized up to eight leases for SOUTHCOM key & essential (K&E) personnel, as designated by the Secretary of the Army, to exceed the normal lease cost limits in section 2828 paragraphs (b)(2) and (b)(3). This special authority allowed housing to be acquired for the K&E personnel in the immediate vicinity of HQ SOUTHCOM (five-mile or 20-minute driving radius), which is in a high cost area (Doral, Florida).

Status Quo:

This residence, which was initially leased in 2011 as one of the SOUTHCOM special K&E leases, is six miles away from HQ SOUTHCOM (a 13-minute commute). In 2012, the annual lease payment (not including operations, utilities, or M&R) was \$36,756, which was five percent more than the O-7+ housing allowance in this area. Based on a 25-year LCCA, the NPV (NPV) was calculated to be \$0.9 million.

Purchase:

The basis for this analysis was a house with the characteristics of new homes anticipated to be built within five miles of HQ SOUTHCOM. There are indications that at least one housing development is being planned for the area near HQ SOUTHCOM. The house used in the analysis was a single-family home with about 3,330 GSF of living space, four bedrooms, and a garage, which is consistent with the criteria in Army Regulation 420-1. The NPV for this purchase was calculated to be \$1.0 million.

Construction:

The Army did not conduct a cost analysis of a construction alternative for this unit because of the unavailability of land. To construct a home adequate for this K&E position, the Army would need to acquire property in the immediate vicinity of HQ SOUTHCOM. Undeveloped land within this zone (i.e., the Doral area) is scarce, and a suitably sized, zoned, and located land parcel for this requirement was unavailable.

Alternative Lease:

A real-estate search was conducted using the same criteria as for the purchased home, and limiting the age to 25 years to minimize M&R costs. Eight homes meeting these criteria were found, but were located outside of the immediate vicinity of HQ SOUTHCOM. The

representative dwelling is a single-family house with 3,746 GSF of living space, four bedrooms, and a garage. The NPV for this alternative lease was \$1.3 million.

Privatization:

In 2009, the Army conducted a thorough study of the feasibility of using privatization authorities pursuant to section 2871 of title 10, U.S.C. for meeting the HQ SOUTHCOM family housing requirement of 88 homes, which included GFOQs. The study concluded that as Service members in the Miami area had high housing allowances, and there was an abundant supply of housing, Service members had a wide range of choices that allowed them to find suitable housing below their housing allowances. Therefore, competition for military tenants in any privatized or government-owned housing project would have been strong, which would have made it difficult to maintain a high level of occupancy. Furthermore, the best available land would have been on a Florida Army National Guard site, but it was uncertain if the land could be acquired, and HQ SOUTHCOM considered it too far away (15 miles) for K&E personnel. For all of these reasons, the Army concluded that a privatization project would not have been attractive for either the government or a developer. Due to this uncertainty, a final NPV could not be calculated for the privatization option; but if it would have been feasible without an equity investment by the government, the NPV of the BAH stream for this GFOQ would have been \$0.7 million.

Housing Allowance:

The online rental real estate search found three houses for rent that met the square footage and bedroom requirements for non-SCP occupants, and rented for less than the housing allowance. The detached single-family houses had at least 3,330 GSF of living space, four or more bedrooms, and a garage. However, all of the homes were located outside of the immediate vicinity of HQ SOUTHCOM. The NPV for the housing allowance was \$0.7 million.

Evaluation Outcome:

The analysis indicates that the status quo lease strikes a reasonable balance between cost and requirements. Nevertheless, prior to the lease renewal, the Army will explore other options such as purchase, construction, and alternative lease.

Florida, Miami - GFOQ 11327

Occupant: SOUTHCOM Director of Operations, SC-J3, O-8
Managing Service: Army
Gross Area: 2,650 Gross Square Feet GSF
NPV Status Quo (Lease): \$943,000
NPV Purchase: \$969,000
NPV Construction: Not available
NPV Alternative Lease: \$1,330,000
NPV Privatization: Not available
NPV Housing Allowance: \$730,000

Background:

When HQ SOUTHCOM relocated to Miami, Florida, the Army evaluated many family housing options including purchasing existing homes, new construction, leasing, and privatization. For GFOQs, the initial solution was provided by an amendment to section 2828 of title 10, U.S.C., that authorized up to eight leases for SOUTHCOM key & essential (K&E) personnel, as designated by the Secretary of the Army, to exceed the normal lease cost limits in section 2828 paragraphs (b)(2) and (b)(3). This special authority allowed housing to be acquired for the K&E personnel in the immediate vicinity of HQ SOUTHCOM (five-mile or 20-minute driving radius), which is in a high cost area (Doral, Florida).

Status Quo:

This residence, which was initially leased in 2011 as one of the SOUTHCOM special K&E leases, is six miles away from HQ SOUTHCOM (a 13-minute commute). In 2012, the annual lease payment (not including operations, utilities, or M&R) was \$36,756, which was five percent more than the O-7+ housing allowance in this area. Based on a 25-year LCCA, the NPV (NPV) was calculated to be \$0.9 million.

Purchase:

The basis for this analysis was a house with the characteristics of new homes anticipated to be built within five miles of HQ SOUTHCOM. There are indications that at least one housing development is being planned for the area near HQ SOUTHCOM. The house used in the analysis was a single-family home with about 3,330 GSF of living space, four bedrooms, and a garage, which is consistent with the criteria in Army Regulation 420-1. The NPV for this purchase was calculated to be \$1.0 million.

Construction:

The Army did not conduct a cost analysis of a construction alternative for this unit because of the unavailability of land. To construct a home adequate for this K&E position, the Army would need to acquire property in the immediate vicinity of HQ SOUTHCOM. Undeveloped land within this zone (i.e., the Doral area) is scarce, and a suitably sized, zoned, and located land parcel for this requirement was unavailable.

Alternative Lease:

A real-estate search was conducted using the same criteria as for the purchased home, and limiting the age to 25 years to minimize M&R costs. Eight homes meeting these criteria were found, but were located outside of the immediate vicinity of HQ SOUTHCOM. The

representative dwelling is a single-family house with 3,746 GSF of living space, four bedrooms, and a garage. The NPV for this alternative lease was \$1.3 million.

Privatization:

In 2009, the Army conducted a thorough study of the feasibility of using privatization authorities pursuant to section 2871 of title 10, U.S.C. for meeting the HQ SOUTHCOM family housing requirement of 88 homes, which included GFOQs. The study concluded that as Service members in the Miami area had high housing allowances, and there was an abundant supply of housing, Service members had a wide range of choices that allowed them to find suitable housing below their housing allowances. Therefore, competition for military tenants in any privatized or government-owned housing project would have been strong, which would have made it difficult to maintain a high level of occupancy. Furthermore, the best available land would have been on a Florida Army National Guard site, but it was uncertain if the land could be acquired, and HQ SOUTHCOM considered it too far away (15 miles) for K&E personnel. For all of these reasons, the Army concluded that a privatization project would not have been attractive for either the government or a developer. Due to this uncertainty, a final NPV could not be calculated for the privatization option; but if it would have been feasible without an equity investment by the government, the NPV of the BAH stream for this GFOQ would have been \$0.7 million.

Housing Allowance:

The online rental real estate search found three houses that met the square footage and bedroom requirements for non-SCP occupants, and rented for less than the housing allowance. The detached single-family houses had at least 3,330 GSF of living space, four or more bedrooms, and a garage. However, all of the homes were located outside of the immediate vicinity of HQ SOUTHCOM. The NPV for the housing allowance was \$0.7 million.

Evaluation Outcome:

The analysis indicates that the status quo lease strikes a reasonable balance between cost and requirements. Nevertheless, prior to the lease renewal, the Army will explore other options such as purchase, construction, and alternative lease.

South Carolina, Sumter - GFOQ 1385

Occupant: Commanding General 3rd Army / USARCENT, O-9
Managing Service: Army
Gross Area: 3,800 Gross Square Feet (GSF)
NPV Status Quo (Lease): \$937,000
NPV Purchase: Not available
NPV Construction: Not available
NPV Alternative Lease: Not available
NPV Housing Allowance: \$501,000

Background:

The position of Commanding General 3rd Army is assigned to Shaw Air Force Base, South Carolina, having been transferred from Fort McPherson, Georgia as a result of BRAC 2005. The Air Force had planned to house this general in a GFOQ being constructed as part of a privatized housing deal at Shaw AFB, which part of the Southern Group privatization project. However, this project was initially delayed due to acquisition issues, so the Army agreed to lease a home starting in May 2011 until the privatized GFOQ (executive home) for this position was available for occupancy. This executive home is part of a project phase that has unfortunately been further delayed due to a soil contamination issue that is currently being resolved. The issue has delayed the scheduled completion of the executive home until May 2014.

Status Quo:

Based on a survey of potential properties, a 3,800 GSF house was leased that is within the authorized size range, and which met the necessary security and mission considerations for this O-9 position. The current lease amount of \$3,276 per month is about 50 percent greater than the \$2,121 per month housing allowance. If this lease continued for 25 years, it would have a NPV of \$0.9 million.

Purchase, Construction, and Alternative Lease:

A LCCA was not conducted for either of these alternatives because the privatization option was determined to be the best alternative in 2011, and the privatized home is under construction.

Housing Allowance:

Examination of data gathered during the online rental real estate search indicated that there were no for-rent houses that met the square footage and bedroom requirements for the occupant, and also rented for less than the housing allowance. For this reason, the Army acquired a temporary lease. The NPV of 25 years of housing allowances is \$0.5 million, which demonstrates the cost-effectiveness of the privatization project, as the rent on the new executive home will be equal to the housing allowance.

Evaluation Outcome:

It is most advantageous for the government to continue the current lease until 2014 when construction of a privatized GFOQ for this position will be completed as part of an Air Force family-housing privatization project at Shaw AFB.

Manama, Bahrain - Villa 1266

Occupant: Commander, Fifth Fleet, O-9 (Special Command Position)

Managing Service: Navy

Gross Area: 8,815 Gross Square Feet (GSF)

NPV Status Quo (Lease): \$3,588,000

NPV Construction: \$3,786,000

NPV Alternative Lease: \$2,900,000

NPV Purchase: Not available

NPV Housing Allowance: \$800,000

Status Quo:

This residence, which was initially leased in 2006, is located 40 minutes from the base. It was selected based on the security requirements of the billet, and it already has all required security upgrades and other items associated with an SCP GFOQ. Using historical costs, the NPV of a 25-year LCCA was computed to be \$3.6 million.

Construction:

There is no available land on the base to construct military family housing, so all military families reside in the local community. Thus a new construction project would require a land acquisition, which would present a challenge due to the host-nation approval and security needs associated with this billet. Assuming these challenges could be overcome, the NPV for this option was estimated to be \$3.8 million.

Alternative Lease:

Based on available properties within the authorized size range, the NPV for an alternative lease was estimated at \$2.9 million.

Purchase:

The availability of alternative residences to lease indicates that similar residences could be available for purchase. The Navy's experience has been that the estimated acquisition cost of a purchase is similar to that for new construction. Therefore, the purchase alternative was not separately analyzed.

Housing Allowance:

This option has the lowest NPV at \$0.8 million. In June 2012, the Department of the Navy issued a policy memorandum stating that high-cost leases be restricted to designated Level 1 or Level 2 High Risk Billets/High Risk Personnel, and only when there are not less expensive options available that are able to ensure the security of the residence in accordance with applicable vulnerability assessments. This is a high risk billet, so the housing allowance option is not viable.

Evaluation Outcome:

While the current lease is not the lowest-cost option, it provides the necessary security for this SCP billet, and it is most adaptable to changing requirements. Nevertheless, prior to the lease renewal, the Navy will explore the viability of a lower cost lease, and making a capital investment for a more permanent presence.

Belgium, Brussels - PQ 005

Occupant: Defense Advisor, U.S. Mission, NATO, SES-6 (Special Command Position)
Managing Service: Army
Gross Area: 5,382 Gross Square Feet (GSF)
NPV Status Quo (Lease): \$2,807,000
NPV Purchase: \$2,726,000
NPV Construction: Not available
NPV Alternative Lease: \$2,333,000
NPV Housing Allowance: \$1,142,000

Status Quo:

This residence has been leased since 2011, and was outfitted with security upgrades. Based on historical costs, the 25-year LCCA (LCCA) NPV (NPV) was calculated to be \$2.8 million.

Purchase:

The online search criteria for homes-for-sale in the NATO Headquarters area was based on the programming benchmark for a new construction SCP GFOQ: four bedrooms, at least two full bathrooms, a garage, and 3,663 GSF (ten percent more than the non-SCP benchmark of 3,330 GSF). The search was also limited to homes: (1) no older than 25 years to minimize M&R costs; and (2) within an acceptable commuting distance for Army IMCOM Europe key & essential (K&E) personnel (20-miles or 30-minute driving radius). Five homes that met these criteria were found to be within 15 miles of NATO Headquarters. The representative sample of the homes was a 3,793 GSF single-family home with four bedrooms, two full bathrooms, and a garage. Up-front costs were assumed to include security measures appropriate for an SCP home. The 25-year LCCA resulted in an NPV of \$2.7 million.

Construction:

The Army did not conduct a detailed cost analysis of the construction option for this unit. A market search showed that suitably sized, zoned, and located land parcels are unavailable to meet this requirement. Adequately sized and zoned land parcels were only found outside of the acceptable commuting distance for K&E personnel. Additionally, acquisition of property in Brussels is problematic due to constraints imposed by host-nation agreements.

Alternative Lease:

Based on the search criteria developed for the purchase alternative, five houses were identified within a 15-mile commute of NATO Headquarters. The representative unit identified in this search was a single-family house with 4,445 GSF of living space (less than the SCP home maximum of 4,466 GSF), five bedrooms, three bathrooms, and a garage. Also included were security measures appropriate for an SCP residence, which resulted in an NPV of \$2.3 million.

Housing Allowance:

An online rental real estate search identified seven homes in the appropriate size range and at a rent less than the housing allowance for a DoD civilian in an SCP billet. The commuting distance to NATO Headquarters ranged from 6 to 18 miles. The problem is that SCP homes require government funding for security measures and official entertainment, but by statute the government is unable to provide such funding on privately rented or owned homes. For this reason, the housing allowance option is not viable, although it had the lowest NPV of \$1.1 million.

Evaluation Outcome:

The analysis indicates that the status quo lease strikes a reasonable balance between cost and requirements. Nevertheless, prior to the lease renewal, the Army will explore other options such as purchase and alternative lease.

Belgium, Brussels - PQ 009

Occupant: Deputy Defense Advisor, U.S. Mission, NATO, SES-5 (Special Command Position)
Managing Service: Army
Gross Area: 5,124 Gross Square Feet (GSF)
NPV Status Quo (Lease): \$2,404,000
NPV Purchase: \$2,726,000
NPV Construction: Not available
NPV Alternative Lease: \$2,333,000
NPV Housing Allowance: \$1,142,000

Status Quo:

This residence has been leased since 2011, and was outfitted with security upgrades. Based on historical costs, the 25-year LCCA (LCCA) NPV (NPV) was calculated to be \$2.4 million.

Purchase:

The online search criteria for homes-for-sale in the NATO Headquarters area was based on the programming benchmark for a new-construction SCP GFOQ: four bedrooms, at least two full bathrooms, a garage, and 3,663 GSF of living space (ten percent more than the non-SCP benchmark of 3,330 GSF). The search was limited to homes no older than 25 years to minimize M&R costs. Five homes that met these criteria were found within 15 miles of NATO Headquarters. The representative sample of the homes was a 3,793 GSF single-family home with four bedrooms, two full bathrooms, and a garage. Up-front costs were assumed to include security measures appropriate for an SCP home. The 25-year LCCA resulted in an NPV of \$2.7 million.

Construction:

The Army did not conduct a detailed cost analysis of the construction option for this unit. A market search showed that suitably sized, zoned, and located land parcels are unavailable to meet this requirement. Adequately sized and zoned land parcels were only found outside of the acceptable commuting distance for K&E personnel. Additionally, acquisition of property in Brussels is problematic due to constraints imposed by host-nation agreements.

Alternative Lease:

Based on the search criteria developed for the purchase alternative, five houses were identified within a 15-mile commute of NATO Headquarters. The representative unit identified in this search was a single-family house with 4,445 GSF of living space (less than the SCP-home maximum of 4,466 GSF), five bedrooms, three bathrooms, and a garage. Also included were security measures appropriate for an SCP residence, which resulted in an NPV of \$2.3 million.

Housing Allowance:

The online rental real estate search identified seven homes for rent that met SCP criteria and rented for less than the housing allowance. The commuting distance to NATO Headquarters was ranged from 6 to 18 miles. The problem is that SCP homes require government funding for security measures and official entertainment, but by statute the government is unable to provide such funding on privately rented or owned homes. For this reason, the housing allowance option is not viable, although it had the lowest NPV of \$1.1 million.

Evaluation Outcome:

The analysis indicates that the status quo lease strikes a reasonable balance between cost and requirements. Nevertheless, prior to the lease renewal, the Army will explore other options such as purchase and alternative lease.

Belgium, Brussels - PQ 012

Occupant: Deputy Chairman, NATO Military Committee, O-9 (Special Command Position)
Managing Service: Army
Gross Area: 4,036 Gross Square Feet (GSF)
NPV Status Quo (Lease): \$3,099,000
NPV Purchase: \$2,726,000
NPV Construction: Not available
NPV Alternative Lease: \$2,333,000
NPV Housing Allowance: \$1,142,000

Status Quo:

This GFOQ has been leased since 2003, and was outfitted with security upgrades. Based on historical costs, the 25-year LCCA (LCCA) NPV (NPV) was calculated to be \$3.1 million.

Purchase:

The online search criteria for homes-for-sale in the NATO Headquarters area was based on the programming benchmark for a new construction SCP GFOQ: four bedrooms, at least two full bathrooms, a garage, and 3,663 GSF (ten percent more than the non-SCP benchmark of 3,330 GSF). The search was limited to homes no older than 25 years to minimize M&R costs. Five homes that met these criteria were found to be within 15 miles of NATO Headquarters. The representative sample of the homes was a 3,793 GSF single-family home with four bedrooms, two full bathrooms, and a garage. Up-front costs were assumed to include security measures appropriate for an SCP home. The 25-year LCCA resulted in an NPV of \$2.7 million.

Construction:

The Army did not conduct a detailed cost analysis of the construction option for this unit. A market search showed that suitably sized, zoned, and located land parcels are unavailable to meet this requirement. Adequately sized and zoned land parcels were only found outside of the acceptable commuting distance for K&E personnel. Additionally, acquisition of property in Brussels is problematic due to constraints imposed by host-nation agreements.

Alternative Lease:

Based on the search criteria developed for the purchase alternative, five houses were identified within a 15-mile commute of NATO Headquarters. The representative unit identified in this search was a single-family house with 4,445 GSF of living space (less than the SCP home maximum of 4,466 GSF), five bedrooms, three bathrooms, and a garage. Also included were security measures appropriate for an SCP residence, which resulted in an NPV of \$2.3 million.

Housing Allowance:

An online rental real estate search identified seven homes for rent that met SCP criteria and rented for less than the housing allowance. The commuting distance to NATO Headquarters ranged from 6 to 18 miles. The problem is that SCP homes require government funding for security measures and official entertainment, but by statute the government is unable to provide such funding on privately rented or owned homes. For this reason, the housing allowance option is not viable, although it had the lowest NPV of \$1.1 million.

Evaluation Outcome:

The analysis indicates that the status quo lease strikes a reasonable balance between cost and requirements. Nevertheless, prior to the lease renewal, the Army will explore other options such as purchase and alternative lease.

Belgium, Brussels - PQ 020

Occupant: Deputy U.S. Military Representative to NATO Military Committee, O-7

Managing Service: Army

Gross Area: 4,580 Gross Square Feet (GSF)

NPV Status Quo (Lease): \$2,966,000

NPV Purchase: \$2,076,000

NPV Construction: Not available

NPV Alternative Lease: \$2,185,000

NPV Housing Allowance: \$1,142,000

Status Quo:

This GFOQ has been leased since 2003, and was outfitted with security measures. Based on historical costs, the 25-year LCCA (LCCA) NPV (NPV) was calculated to be \$3.0 million.

Purchase:

The online search criteria for homes-for-sale in the NATO Headquarters area was based on the programming benchmark for a new construction non-SCP GFOQ: four bedrooms, at least two full bathrooms, a garage, and 3,330 GSF. The search was limited to homes no older than 25 years to minimize M&R costs. Five homes that met these criteria were found ranging from within 8 to 15 miles of NATO Headquarters. The representative sample of the homes was a 3,705 GSF single-family home with four bedrooms, two full bathrooms, and a garage. The economic analysis assumed that security measures would have to be added to the home. The 25-year LCCA resulted in an NPV of \$2.0 million.

Construction:

The Army did not conduct a detailed cost analysis of the construction option for this unit. A market search showed that suitably sized, zoned, and located land parcels are unavailable to meet this requirement. Adequately sized and zoned land parcels were only found outside of the acceptable commuting distance for K&E personnel. Additionally, acquisition of property in Brussels is problematic due to constraints imposed by host-nation agreements.

Alternative Lease

Based on the search criteria developed for the purchase alternative, three houses were identified ranging from within 10 to 15 miles of NATO Headquarters. The representative unit identified in this search was a single-family house with 3,731 GSF of living space, five bedrooms, three bathrooms, and a garage. Security measures were also included in the up-front costs. This home had an NPV of \$2.2 million.

Housing Allowance:

An online rental real estate search identified nine homes for rent that met the criteria for a non-SCP GFOQ, and rented for less than the housing allowance. The commuting distance to NATO Headquarters ranged from 6 to 18 miles. The problem is that GFOQs often require government funding for security measures and official entertainment, but by statute the government is unable to provide such funding on privately rented or owned homes. For this reason, the housing allowance option is not viable, although it had the lowest NPV of \$1.1 million.

Evaluation Outcome:

The analysis indicates that the status quo lease strikes a reasonable balance between cost and requirements. Nevertheless, prior to the lease renewal, the Army will explore other options such as purchase and alternative lease.

Belgium, Chievres - PQ 001

Occupant: Supreme Allied Commander, Europe (SACEUR) / Commander European Command
O-10 (Special Command Position)

Managing Service: Army

Gross Area: 15,048 Gross Square Feet (GSF)

NPV Status Quo (Host-Nation-Owned): \$2,607,000

NPV Purchase: \$2,770,000

NPV Construction: \$2,723,000

NPV Alternative Lease: Not available

NPV Housing Allowance: \$847,000

Status Quo:

The Belgian Government owns this historic residence, built in 1892, and since 1970 has provided it to the U.S. Government rent-free for an indefinite period of time, provided the U.S.

Government pays for operations costs and a portion of M&R (M&R) costs. The Belgian Government performs M&R work such as exterior plastering & painting, floor repairs, roof repairs, and grounds maintenance. From FY 2009 to FY 2012, the total cost to the U.S.

Government for this residence (including security) has averaged about \$117,000 per year, with about 42 percent attributed to the cost of utilities. Using historical data, the 25-year LCCA (LCCA) resulted in a NPV (NPV) of \$2.6 million. This residence is located in a compound that includes a home leased for the Commanding General, NATO Special Operations (PQ002).

Purchase:

The Army conducted a real-estate survey of homes for sale within 15 miles of Supreme Headquarters Allied Powers Europe (SHAPE), built within the last 25 years (to minimize M&R costs), and within the 4,466 GSF limit for an SCP O-10. The search identified five homes that met these criteria, including official entertainment and private space requirements. The investment cost used for the LCCA was the average for sale price of these five homes. All of the homes would require up-front renovations for security measures such as an intrusion detection system closed circuit television, and a safe room. Security estimates were based on a 2004 security improvement project at the existing residence. Additional up-front costs included information system infrastructure and equipment, and drapes/sheers for the official entertainment area. The 25-year LCCA resulted in an NPV of \$2.8 million.

Construction:

The Army assumed a new residence could be built on land provided at no cost by the Belgian Government on Chievres Air Base, which is approximately 11 miles from SHAPE. The new home would be sized within the 4,466 GSF limit for an SCP O-10, and would include the same up-front costs needed for the Purchase Alternative. The 25-year LCCA resulted in an NPV of \$2.7 million.

Alternative Lease:

This option was not evaluated in detail because the cost sharing arrangements with the host-nation on the existing residence would make it difficult to find a suitable home to lease with a lower NPV.

Housing Allowance:

This alternative has the lowest NPV at \$0.8 million, but it is not viable because this position has special security and communications requirements that could not be funded by the U.S. Government with a privately rented home. Furthermore, no private rental houses that meet these special requirements are available in the vicinity of SHAPE, and within the housing-allowance limit.

Evaluation Outcome:

The status quo has the lowest NPV of the viable alternatives by a small margin. Further, the Purchase or Construction alternatives would require finding an alternate housing solution for the Commanding General NATO Special Operations, whose residence (PQ002) is located within the same compound as PQ001. In addition to the cost advantage, the status quo offers continuation of a mutually beneficial relationship in sharing the maintenance responsibilities of the residence with the host nation. For example, during the initial renovation of this residence by the Belgian Government, they erected a prefabricated house on the estate as a temporary home for the SACEUR, which has become PQ002. For all of these reasons, the status quo is the most advantageous alternative for the U.S. Government.

Belgium, Chievres - PQ 002

Occupant: Commanding General, North Atlantic Treaty Organization (NATO) Special Operations, O-9

Managing Service: Army

Gross Area: 4,793 Gross Square Feet (GSF)

NPV Status Quo (Lease): \$1,794,000

NPV Purchase: \$1,404,000

NPV Construction: Not available

NPV Alternative Lease: Not available

NPV Housing Allowance: \$847,000

Status Quo:

The compound for the SACEUR's home (PQ001) also contains this residence, which is owned by the Belgian Government. The U.S. is responsible for operations and maintenance on PQ002, but grounds maintenance is handled by the Belgian Government. Using historical data for PQ002, the 25-year LCCA (LCCA) resulted in a NPV (NPV) of \$1.8 million.

Purchase:

The representative house for this alternative included characteristics identified in an online search for homes for sale in the SHAPE area. The criteria for selection were for a four-bedroom house with at least 3,330 GSF of living area, with a minimum of two full bathrooms, a garage, and not older than 25 years, to minimize M&R. Five homes that met these criteria were found to be within 15 miles of SHAPE. The representative sample was a single-family home with 3,793 GSF of living space, four bedrooms, two full bathrooms, and a garage. The 25-year LCCA resulted in an NPV of \$1.4 million.

Construction:

The Army did not conduct a detailed cost analysis of the construction option for this unit. A market search showed that suitably sized, zoned, and located land parcels are unavailable to meet this requirement. Adequately sized and zoned land parcels were only found outside of the acceptable commuting distance for K&E personnel. Additionally, acquisition of property in Chievres is problematic due to constraints imposed by host-nation agreements.

Alternative Lease:

The Army did not cost out this option because this GFOQ is located on the compound for PQ001, which is being retained for the SACEUR's residence.

Housing Allowance:

This was the lowest NPV at \$0.8 million, but it is not a viable option. An online rental real estate search found no houses for rent that met the configuration and size requirements for an O-9 home; was within the housing allowance limits; and within a reasonable commuting distance of SHAPE. Two potentially suitable homes were identified, but they both required commutes of about 20 miles.

Evaluation Outcome:

Although it has a slightly higher NPV than the purchase alternative, the status quo is most advantageous for the government because the compound is being retained for PQ001.

Belgium, Chievres - PQ 024

Occupant: Special Assistant to the ACOSI, SES-3
Managing Service: Army
Gross Area: 3,461 Gross Square Feet (GSF)
NPV Status Quo (Lease): \$1,749,000
NPV Purchase: \$1,404,000
NPV Construction: Not available
NPV Alternative Lease: Not available
NPV Housing Allowance: \$847,000

Status Quo:

This residence has been leased since 2004, and was outfitted with security upgrades. Based on historical costs, the 25-year LCCA (LCCA) NPV (NPV) was calculated to be \$1.7 million.

Purchase:

The representative house for this alternative included characteristics identified in an online search for homes for sale in the SHAPE area. The criteria for selection were for a four-bedroom house with at least 3,330 GSF of living area, with a minimum of two full bathrooms, a garage, and not older than 25 years, to minimize M&R. Five homes that met these criteria were found to be within 15 miles of SHAPE. The representative sample was a single-family home with 3,793 GSF of living space, four bedrooms, two full bathrooms, and a garage. The 25-year LCCA resulted in an NPV of \$1.4 million.

Housing Allowance:

This option has the lowest NPV at \$0.8 million. In June 2011, the Army Europe Installation Management Command issued a policy that requires senior DoD civilians to live in the community using their housing allowance unless they are in a designated SCP billet. Since this lease was intended for a non-SCP senior DoD civilian, it will be terminated.

Construction and Alternative Lease:

Neither of these options was evaluated because of the above housing policy change for non-SCP personnel, which is resulting in the current lease being terminated.

Evaluation Outcome:

This lease will be terminated in August 2014 after the current occupant's tour is over. The new member assigned to this billet will either be provided government-owned housing, or obtain housing in the local community using their housing allowance.

Belgium, Chievres - PQ 031

Occupant: Deputy Chief of Staff for Operations, SHAPE, O-8
Managing Service: Army
Gross Area: 4,930 Gross Square Feet (GSF)
NPV Status Quo (Lease): \$1,732,000
NPV Purchase: \$1,404,000
NPV Construction: Not available
NPV Alternative Lease: Not available
NPV Housing Allowance: \$847,000

Status Quo:

This GFOQ has been leased since 2004, and was outfitted with security upgrades. The 25-year LCCA (LCCA) NPV (NPV) was calculated to be \$1.7 million.

Purchase:

The representative house for this alternative included characteristics identified in an online search for homes for sale in the SHAPE area. The criteria for selection were for a four-bedroom house with at least 3,330 GSF of living area, with a minimum of two full bathrooms, a garage, and not older than 25 years, to minimize M&R. Five homes that met these criteria were found to be within 15 miles of SHAPE. The representative sample was a single-family home with 3,793 GSF of living space, four bedrooms, two full bathrooms, and a garage. The 25-year LCCA resulted in an NPV of \$1.4 million.

Construction:

The Army did not conduct a detailed cost analysis of the construction option for this unit. A market search showed that suitably sized, zoned, and located land parcels are unavailable to meet this requirement. Adequately sized and zoned land parcels were only found outside of the acceptable commuting distance for K&E personnel. Additionally, acquisition of property in Chievres is problematic due to constraints imposed by host-nation agreements.

Alternative Lease:

The availability of suitably sized residences to purchase indicates that similar residences could be available for lease. Although the Army did not cost out an alternative lease, there could be a potential for cost savings since the current leased home is about 20 percent larger than the construction area limit for a non-SCP GFOQ.

Housing Allowance:

This was the lowest NPV at \$0.8 million, but it is not a viable option. An online rental real estate search found no rentals that met the size requirements for an O-8 home; met the housing allowance limits; and were within reasonable commuting distance of SHAPE. Two potentially suitable homes were identified, but they both required commutes of about 20 miles.

Evaluation Outcome:

The analysis indicates that the status quo lease strikes a reasonable balance between cost and requirements. Nevertheless, this lease is planned for termination in September 2013 because the billet this GFOQ supports will next be filled by an unaccompanied GFO. Should there be a future need to provide government housing for this billet, the Army will explore options besides leasing such as purchase and construction.

Belgium, Chievres - PQ 032

Occupant: Special Advisor to SACEUR for Strategic Affairs, SHAPE, SES-4
Managing Service: Army
Gross Area: 4,930 Gross Square Feet (GSF)
NPV Status Quo (Lease): \$1,711,000
NPV Purchase: \$1,404,000
NPV Construction: Not available
NPV Alternative Lease: Not available
NPV Housing Allowance: \$847,000

Status Quo:

This residence has been leased since 2004, and was outfitted with security upgrades. Based on historical costs, the 25-year LCCA NPV (NPV) was calculated to be \$1.7 million.

Purchase:

The representative house for this alternative included characteristics identified in an online search for homes for sale in the SHAPE area. The criteria for selection were for a four-bedroom house with at least 3,330 GSF of living area, with a minimum of two full bathrooms, a garage, and not older than 25 years, to minimize M&R. Five homes that met these criteria were found to be within 15 miles of SHAPE. The representative sample was a single-family home with 3,793 GSF of living space, four bedrooms, two full bathrooms, and a garage. The 25-year LCCA resulted in an NPV of \$1.4 million.

Housing Allowance:

This option has the lowest NPV at \$0.8 million. In June 2011, the Army Europe Installation Management Command issued a policy that requires senior DoD civilians who are not in a designated SCP billet to live in the community, using their housing allowance. Since this lease was intended for a non-SCP senior DoD civilian, it will be terminated.

Construction and Alternative Lease:

Neither of these options were evaluated because of the above housing policy change for non-SCP personnel, which is resulting in the current lease being terminated.

Evaluation Outcome:

This lease will be terminated in August 2014 after the current occupant's tour is over. The new member assigned to this billet will either be provided government-owned housing, or obtain housing in the local community using their housing allowance.

Belgium, Chievres - PQ 033

Occupant: Executive Officer to SACEUR, O-7

Managing Service: Army

Gross Area: 4,930 Gross Square Feet (GSF)

NPV Status Quo (Lease): \$1,713,000

NPV Purchase: \$1,404,000

NPV Construction: Not available

NPV Alternative Lease: Not available

NPV Housing Allowance: \$847,000

Status Quo:

This GFOQ has been leased since 2002, and was outfitted with security upgrades. The 25-year LCCA (LCCA) NPV (NPV) was calculated to be \$1.7 million.

Purchase:

The representative house for this alternative included characteristics identified in an online search for homes for sale in the SHAPE area. The criteria for selection were for a four-bedroom house with at least 3,330 GSF of living area, with a minimum of two full bathrooms, a garage, and not older than 25 years, to minimize M&R. Five homes that met these criteria were found to be within 15 miles of SHAPE. The representative sample was a single-family home with 3,793 GSF of living space, four bedrooms, two full bathrooms, and a garage. The 25-year LCCA resulted in an NPV of \$1.4 million.

Construction:

The Army did not conduct a detailed cost analysis of the construction option for this unit. A market search showed that suitably sized, zoned, and located land parcels are unavailable to meet this requirement. Adequately sized and zoned land parcels were only found outside of the acceptable commuting distance for K&E personnel. Additionally, acquisition of property in Chievres is problematic due to constraints imposed by host-nation agreements.

Alternative Lease:

The availability of suitably sized residences to purchase indicates that similar residences could be available for lease. Although the Army did not cost out an alternative lease, there could be a potential for cost savings since the current leased home is about 20 percent larger than the construction area limit for a non-SCP GFOQ.

Housing Allowance:

This was the lowest NPV at \$0.8 million, but it is not a viable option. An online rental real estate search found no houses for rent that met the configuration and size requirements for an O-7 home; was within the housing allowance limits; and was within a reasonable commuting distance of SHAPE. Two potentially suitable homes were identified, but they both required commutes of about 20 miles.

Evaluation Outcome:

The analysis indicates that the status quo lease strikes a reasonable balance between cost and requirements. Nevertheless, prior to the lease renewal, the Army will explore other options such as purchase and alternative lease.

Germany, Geilenkirchen - Quarters 00072

Occupant: Commander, E-3A Component, NATO Airborne Early Warning, O-7
Managing Service: Air Force
Gross Area: 5,388 Gross Square Feet (GSF)
NPV Status Quo (Lease): \$795,000
NPV Construction: \$953,000
NPV Purchase: Not available
NPV Alternative Lease: Not available
NPV Housing Allowance: \$679,000

Status Quo:

Typically, this position rotates in 2-year cycles between a German officer and U.S. officer. The Air Force only leases a housing unit through the host nation when a U.S. GFO is assigned to the position; otherwise, there is not a requirement for a leased unit. The German Government also leases a home for their general officer. Per the NATO Status of Forces Agreement, all real estate transactions are processed through the German Federal Agency for Real Estate Issues (BIMA). The Air Force worked with BIMA to conduct an extensive rental market search in the rural community of 30,000 surrounding the Geilenkirchen NATO Air Base. Twelve candidate homes were visited and assessed for security and size/adequacy requirements, and the selected leased unit was determined to meet requirements and be the best value. The lease agreement between BIMA and the landlord was finalized in 2012, and subsequently BIMA signed a separate agreement with the U.S. Government, as represented by the Air Force. The NPV (NPV) for this lease is estimated to be \$0.8 million.

Construction:

Land is available on the NATO installation for construction of a GFOQ. A LCCA based on construction of a 3,330-GSF home resulted in an NPV of \$1.0 million.

Purchase:

This alternative was not evaluated because it does not offer the needed flexibility should the position or NATO requirements change, in addition to being less desirable operationally than constructing a new unit on the NATO installation (when land is available).

Alternative Lease:

Prior to renewal of the existing lease, the Air Force will review the feasibility of entering into an agreement with the German Government to share the cost of a leased home, which would provide more stability and some cost savings.

Housing Allowance:

Although this option had the lowest NPV at \$0.7 million, it was not deemed feasible, as the housing allowance is too low to acquire secure adequate housing for this position.

Evaluation Outcome:

The current lease is the best option to meet the housing needs of this position, which also affords the Air Force the needed flexibility should the position or NATO requirements change. Prior to the lease renewal, the Air Force will explore other options such as a leased or constructed home cost-shared with the German Government.

Italy, Naples - Villa Anna

Occupant: Commander, Navy Region Europe, O-7

Managing Service: Navy

Gross Area: 5,624 Gross Square Feet (GSF)

NPV Status Quo (Lease): \$4,596,000

NPV Construction: \$4,167,000

NPV Purchase: Not available

NPV Alternative Lease: \$3,502,000

NPV Housing Allowance: \$1,072,000

Status Quo:

This GFOQ has been leased since 2010, and was outfitted with security upgrades. Based on historical costs, the NPV (NPV) was calculated to be \$4.6 million.

Construction:

There is little space left on Naval Support Activity Naples on which to build a replacement GFOQ for this billet. For this reason, it was assumed that a land parcel in the community would have to be acquired for the new construction alternative. The NPV for new construction was estimated to be \$4.2 million. Depending on the availability of properties, purchasing an existing residence with military construction funds could be less costly than new construction.

Alternative Lease

Based on other available properties within the authorized size range, the NPV for an alternative lease is \$3.5 million.

Purchase:

The availability of alternative residences to lease indicates that similar residences could be available for purchase. The Navy's experience has been that the estimated acquisition cost of a purchase is similar to that for new construction. Therefore, the purchase alternative was not separately analyzed.

Housing Allowance:

This option has the lowest NPV at \$1.1 million. In June 2012, the Department of the Navy issued a policy memorandum stating that high-cost leases be restricted to designated Level 1 or Level 2 High Risk Billets/High Risk Personnel, and only when there are not less costly options available to ensure the security of the residence in accordance with applicable vulnerability assessments. Since this billet did not meet the high-risk criteria, this lease will be terminated.

Evaluation Outcome:

In accordance with Navy policy, this lease will be terminated in August 2013 after the current occupant's tour is over.

Italy, Naples - Villa de Iorio

Occupant: Commander, Subgroup 8, O-7
Managing Service: Navy
Gross Area: 6,652 Gross Square Feet (GSF)
NPV Status Quo (Lease): \$4,318,000
NPV Construction: \$4,162,000
NPV Purchase: Not available
NPV Alternative Lease: \$3,486,000
NPV Housing Allowance: \$1,072,000

Status Quo:

This GFOQ has been leased since 2008, and was outfitted with security upgrades. Based on historical costs, the NPV (NPV) was calculated to be \$4.3 million.

Construction:

There is little space left on Naval Support Activity Naples on which to build a replacement GFOQ for this billet. For this reason, it was assumed that a land parcel in the community would have to be acquired for the new construction alternative. The NPV for new construction was estimated to be \$4.2 million. Depending on the availability of properties, purchasing an existing residence with military construction funds could be less costly than new construction.

Alternative Lease

Based on other available properties within the authorized size range, the NPV for an alternative lease is \$3.5 million.

Purchase:

The availability of alternative residences to lease indicates that similar residences could be available for purchase. The Navy's experience has been that the estimated acquisition cost of a purchase is similar to that for new construction. Therefore, the purchase alternative was not separately analyzed.

Housing Allowance:

This option has the lowest NPV at \$1.1 million. In June 2012, the Department of the Navy issued a policy memorandum stating that high-cost leases be restricted to designated Level 1 or Level 2 High Risk Billets/High Risk Personnel, and only when there are not less costly options available to ensure the security of the residence in accordance with applicable vulnerability assessments. Since this billet did not meet the high-risk criteria, this lease will be terminated.

Evaluation Outcome:

In accordance with Navy policy, this lease will be terminated in May 2014 after the current occupant's tour is over.

Italy, Naples - Villa Maria

Occupant: Director of Operations, Allied Forces Command, O-7
Managing Service: Navy
Gross Area: 6,100 Gross Square Feet (GSF)
NPV Status Quo (Lease): \$4,197,000
NPV Construction: \$4,152,000
NPV Purchase: Not available
NPV Alternative Lease: \$3,463,000
NPV Housing Allowance: \$1,072,000

Status Quo:

This GFOQ has been leased since 2009, and was outfitted with security upgrades. Based on historical costs, the NPV (NPV) was calculated to be \$4.2 million.

Construction:

There is little space left on Naval Support Activity Naples on which to build a replacement GFOQ for this billet. For this reason, it was assumed that a land parcel in the community would have to be acquired for the new construction alternative. The NPV for new construction was estimated to be \$4.2 million. Depending on the availability of properties, purchasing an existing residence with military construction funds could be less costly than new construction.

Alternative Lease

Based on other available properties within the authorized size range, the NPV for an alternative lease is \$3.5 million.

Purchase:

The availability of alternative residences to lease indicates that similar residences could be available for purchase. The Navy's experience has been that the estimated acquisition cost of a purchase is similar to that for new construction. Therefore, the purchase alternative was not separately analyzed.

Housing Allowance:

This option has the lowest NPV at \$1.1 million. In June 2012, the Department of the Navy issued a policy memorandum stating that high-cost leases be restricted to designated Level 1 or Level 2 High Risk Billets/High Risk Personnel, and only when there are not less costly options available to ensure the security of the residence in accordance with applicable vulnerability assessments. Since this billet did not meet the high-risk criteria, this lease will be terminated.

Evaluation Outcome:

In accordance with Navy policy, this lease will be terminated in December 2013 after the current occupant's tour is over.

Italy, Naples - Villa Nike

Occupant: Commander, U.S. Naval Forces, Europe / Commander, U.S. Naval Forces Africa /
Commander, Allied Joint Forces Command, Naples, O-10 (Special Command Position)

Managing Service: Navy

Gross Area: 12,660 Gross Square Feet (GSF)

NPV Status Quo (Host-Nation-Owned): \$4,632,000

NPV Construction: \$3,889,000

NPV Lease: \$4,057,000

NPV Purchase: Not available

NPV Housing Allowance: \$1,072,000

Status Quo:

The Navy has continuously occupied this home since construction was completed in 1949. The Government of Italy permits the U.S. to use this home under an agreement whereby the U.S. supports the dwelling's operations and maintenance requirements. From FY 2009 to FY 2012, the total cost to the U.S. Government for this residence (including security) averaged about \$220,000 per year, with about one-third attributed to the cost of utilities. Using historical data, the 25-year LCCA resulted in a NPV (NPV) of \$4.6 million.

The Navy plans to temporarily relocate the Commander, U.S. Navy Forces Europe from Villa Nike to Villa Capri, which is an existing leased unit located inside the fence line of Naval Support Activity Naples. On April 29, 2013, the Navy sent letters related to the future disposition of Villa Nike to the Senate and House Subcommittees on Military Construction, Veterans Affairs, and Related Agencies, Committees on Appropriations. The letters served as 21-day notifications, as required by House Report 112-491 (page 24), that this relocation will require the total annual lease cost for Villa Capri to exceed the \$60,811 high-cost lease threshold established pursuant to section 2828(e)(1) of title 10, U.S.C.

The Navy has determined that Villa Nike is no longer suitable for this billet. Progressive deterioration caused by significant water damage, structural concerns, and an aging electrical system necessitates a major restoration of the unit, which could cost as much as \$3 million. Villa Capri, which was previously leased as senior officer housing, will require the addition of a secure communications room, exterior repairs, and additional furnishings to make it suitable for an O-10 SCP. These initial costs are estimated to amount to \$35,000; and the annual costs are estimated to total \$77,200 (including lease payment, utilities, M&R, and operations).

Construction:

There is little space available at the Naval Support Activity Naples installation on which to build a replacement GFOQ for this SCP billet. For this reason, it was assumed that a land parcel in the community would have to be acquired on which to build a new GFOQ. While this option would provide a stable living environment, its execution would be challenging because of the Status of Forces agreement. The NPV for new construction was calculated to be \$3.9 million.

Leasing:

Potential properties were identified that met the SCP billet operational and space requirements, and were within a reasonable commuting distance. Averaging the cost of these properties — including up-front costs for security, other up-front costs, and operations and maintenance

costs—yielded an NPV of \$4.1 million. While leasing offers the potential for acquiring a smaller, more energy-efficient house, it does not ensure long-term availability.

Purchase:

The availability of alternative residences to lease indicates that similar residences could be available for purchase. The Navy's experience has been that the estimated acquisition cost of a purchase is similar to that for new construction. Therefore, the purchase alternative was not separately analyzed.

Housing Allowance:

This option has the lowest NPV at \$1.1 million. In June 2012, the Department of the Navy issued a policy memorandum stating that high-cost leases be restricted to designated Level 1 or Level 2 High Risk Billets/High Risk Personnel, and only when there are not less costly options that ensure the security of the residence in accordance with applicable vulnerability assessments. This billet meets the high-risk criteria in this policy, so the housing allowance option is not viable.

Evaluation Outcome:

In view of the above circumstances, the Navy is actively exploring a range of options, including leasing, construction, purchasing, and the restoration of Villa Nike.

Italy, Naples - Villa Pisa 2

Occupant: Deputy Chief of Staff for Planning, Strategy and Resources, O-7
Managing Service: Navy
Gross Area: 3,056 Gross Square Feet (GSF)
NPV Status Quo (Lease): \$3,349,000
NPV Construction: \$4,130,000
NPV Alternative Lease: \$3,439,000
NPV Purchase: Not available
NPV Housing Allowance: \$1,072,000

Status Quo:

This GFOQ has been leased since 2009, and was outfitted with security upgrades. Based on historical costs, the NPV (NPV) was calculated to be \$3.3 million.

Construction:

There is little space left on Naval Support Activity Naples on which to build a replacement GFOQ for this billet. For this reason, it was assumed that a land parcel in the community would have to be acquired for the new construction alternative. The NPV for new construction was estimated to be \$4.1 million. Depending on the availability of properties, purchasing an existing residence with military construction funds could be less costly than new construction.

Alternative Lease

Based on other available properties within the authorized size range, the NPV for an alternative lease is \$3.4 million.

Purchase:

The availability of alternative residences to lease indicates that similar residences could be available for purchase. The Navy's experience has been that the estimated acquisition cost of a purchase is similar to that for new construction. Therefore, the purchase alternative was not separately analyzed.

Housing Allowance:

This option has the lowest NPV at \$1.1 million. In June 2012, the Department of the Navy issued a policy memorandum stating that high-cost leases be restricted to designated Level 1 or Level 2 High Risk Billets/ High Risk Personnel, and only when there are not less costly options available that ensure the security of the residence in accordance with applicable vulnerability assessments. Since this billet did not meet the high risk criteria, this lease will be terminated.

Evaluation Outcome:

In accordance with Navy policy, this lease was terminated in February 2013 after the current occupant's tour was completed.

Italy, Naples - Villa Sara

Occupant: Commander, Sixth Fleet, O-9
Managing Service: Navy
Gross Area: 8,073 Gross Square Feet (GSF)
NPV Status Quo (Lease): \$4,860,000
NPV Construction: \$4,157,000
NPV Alternative Lease: \$3,468,000
NPV Purchase: Not available
NPV Housing Allowance: \$1,072,000

Status Quo:

This GFOQ has been leased since 2011, and was outfitted with security upgrades. Based on historical costs, the NPV (NPV) was calculated to be \$4.9 million.

Construction:

There is little space left on Naval Support Activity Naples on which to build a replacement GFOQ for this billet. For this reason, it was assumed that a land parcel in the community would have to be acquired for the new construction alternative. The NPV for new construction was estimated to be \$4.2 million. Depending on the availability of properties, purchasing an existing residence with military construction funds could be less costly than new construction.

Alternative Lease

Based on available properties within the maximum authorized size range for an O-9 (not an SCP) of 4,060 GSF, the NPV for an alternative lease is \$3.5 million.

Purchase:

The availability of alternative residences to lease indicates that similar residences could be available for purchase. The Navy's experience has been that the estimated acquisition cost of a purchase is similar to that for new construction. Therefore, the purchase alternative was not separately analyzed.

Housing Allowance:

This option has the lowest NPV at \$1.1 million. In June 2012, the Department of the Navy issued a policy memorandum stating that high-cost leases be restricted to designated Level 1 or Level 2 High Risk Billets/High Risk Personnel, and only when there are not less costly options available that ensure the security of the residence in accordance with applicable vulnerability assessments. This billet meets the criteria in this policy, so the housing allowance option is not viable.

Evaluation Outcome:

The NPV for construction is about 14 percent less than the status quo NPV, although it does present formidable execution challenges. Therefore, the Navy will continue to actively explore the leasing, construction, and purchasing alternatives to the status quo of renewing the existing lease.

Italy, Pordenone (Aviano) - Quarters 57086

Occupant: Commander, 31st Fighter Wing, O-7

Managing Service: Air Force

Gross Area: 6,402 Gross Square Feet (GSF)

NPV Status Quo (Lease): \$1,216,000

NPV Construction: \$1,520,000

NPV Purchase: Not available

NPV Alternative Lease: Not available

NPV Housing Allowance: \$847,000

Status Quo:

Available leased single family housing near Aviano Air Base is limited, with many landlords reluctant to lease because of the permanent alterations required to provide for security features associated with a GFOQ. A market search was conducted and the current unit was selected in 2010 because it: (1) already had the necessary security upgrades; (2) was only a four-minute commute from base; (3) had lower maintenance costs than comparable units; and (4) the unit was well designed and appropriate for official entertainment responsibilities. Based on historical costs, the NPV (NPV) was estimated to be \$1.2 million.

Construction:

This alternative evaluated a partial re-development of an existing recreational facility on base to accommodate the construction of a new home. A LCCA based on constructing a 3,330 GSF home (benchmark sizing for a non-SCP general officer, per the Air Force Family Housing Guide) resulted in an NPV of \$1.5 million.

Purchase:

Acquiring property off the Aviano Air Base through the Government of Italy has historically been a very difficult and lengthy process (e.g., ten years was needed to acquire property to expand a base gate). Therefore, this alternative was not further evaluated.

Alternative Lease:

Although the Air Force did not cost out an alternative lease, there could be a potential for cost savings since the current leased home is over 50 percent larger than the construction area limit for a non-SCP GFOQ.

Housing Allowance:

Although this option had the lowest NPV of \$0.8 million, it was not viable because when the current leased property was being considered, there were no available units on the market within the housing allowance that met the required GFOQ requirements. Furthermore:

- As the Commander of the Aviano Air Base and 31st Fighter Wing, this position is deemed Key & Essential, so close proximity to the base is required, and no units for rent within the housing allowance were located close to the base.
- The housing allowance in this area for an O-7 is only sufficient for rentals that approximate the size benchmark for an O-6 (2,520 GSF), whereas the benchmark for an O-7 is 3,330 GSF; and in Aviano, homes around 2,500 GSF generally don't have the

amenities required for a GFOQ such as a formal dining room, adequate living area for official entertainment, and adequate number of bedrooms.

- Property owners are generally not willing to modify the home to provide a safe room and other security measures in a short-term private lease. The currently leased residence already had a safe room provided by the owner; and the Air Force invested \$7,000 to install permanent lines for communications and the security alarm, and to increase the capacity of the electrical system.

Evaluation Outcome:

The current leased house is the most cost-effective option that meets the housing requirement.

Japan, Naval Station Yokosuka - 16 Halsey

Occupant: Commander, Battle Force Seventh Fleet Commander / Task Force Seven Zero /
Commander, Carrier Strike Group Five, O-7

Managing Service: Navy

Gross Area: 4,125 Gross Square Feet (GSF)

NPV Status Quo (U.S. Government-owned): \$1,765,000

NPV Construction: \$2,610,000

NPV Leasing: \$2,500,000

NPV Purchase: Not available

NPV Housing Allowance: \$1,145,000

Status Quo:

The U.S. Government owns this residence, built in 1940 on land owned by the Government of Japan (GoJ). Using historical data, the 25-year LCCA resulted in a NPV (NPV) of \$1.7 million. The advantages of this residence are the secure location on base, and the availability of SIPRNET connectivity in conjunction with the billet's operational responsibilities.

Construction:

This alternative would have an LCCA lower than the housing allowance alternative if the GoJ would fund the replacement construction as authorized by the Status of Forces Agreement. However, if the U.S. Government has to fund the replacement, this alternative would have the highest NPV at \$2.6 million. Since GoJ funding for GFOQs would likely be a low priority compared to construction priorities for operational facilities, this alternative assumed the U.S. Government would bear the full cost of the replacement. One advantage of this approach is that the new unit would be much more energy efficient.

Leasing:

The Navy does not currently lease any family housing in Japan, but could use section 2828 of title 10, U.S.C., to lease a residence. Based on a review of available homes, the NPV for this option was estimated to be \$2.5 million, which would include up-front costs for security. A leased unit also would require a longer commute than the current on base unit, and there would be uncertainty about the long-term availability of a lease

Purchase:

The availability of alternative residences to lease indicates that similar residences could be available for purchase. The Navy's experience has been that the estimated acquisition cost of a purchase is similar to that for new construction. Therefore, the purchase alternative was not separately analyzed.

Housing Allowance:

This alternative has the lowest NPV at \$1.1 million, but this alternative does not provide comparable security as a location on base, and there would be a detrimental effect on the occupant's performance of official duties due to the loss of SIPRNET connectivity.

Evaluation Outcome:

At this time, the status quo is the most advantageous for the U.S. Government. Nevertheless, the Navy will consider replacement construction in the future as the unit ages and presents significant recapitalization requirements.

Japan, Naval Station Yokosuka - 17 Halsey

Occupant: Commander, U.S. Naval Force, Japan / Commander Navy Region Japan, O-8
(Special Command Position)

Managing Service: Navy

Gross Area: 4,515 Gross Square Feet (GSF)

NPV Status Quo (U.S. Government-owned): \$1,608,000

NPV Construction: \$2,912,000

NPV Leasing: \$3,090,000

NPV Purchase: Not available

NPV Housing Allowance: \$1,145,000

Status Quo:

The U.S. Government owns this residence, built in 1948 on land owned by the Government of Japan (GoJ). Using historical data, the 25-year LCCA resulted in a NPV (NPV) of \$1.6 million. The advantages of this residence are the secure location on base, and the availability of SIPRNET connectivity in conjunction with the billet's operational responsibilities.

Construction:

This alternative would have an NPV lower than the housing allowance alternative if the GoJ would fund the replacement construction as authorized by the Status of Forces Agreement. However, if the U.S. Government has to fund the replacement, the LCCA at \$2.9 million would be higher than the status quo NPV. Since GoJ funding for GFOQs would likely be a low priority compared to construction priorities for operational facilities, this alternative assumed the U.S. Government would bear the full cost of the replacement. One advantage of this approach is that the new unit would be much more energy efficient.

Leasing:

The Navy does not currently lease any family housing in Japan, but could use section 2828 of title 10, U.S.C., to lease a residence. Based on a review of available homes, the NPV for this option was estimated to be \$3.1 million, which would include up-front costs for security. This is higher than the leasing alternatives for the nearby GFOQs at 16 and 18 Halsey because the official entertainment responsibilities of an SCP require a larger unit. A leased unit would also require a longer commute than the current on-base unit, and there would be uncertainty about the long-term availability of a lease.

Purchase:

The availability of alternative residences to lease indicates that similar residences could be available for purchase. The Navy's experience has been that the estimated acquisition cost of a purchase is similar to that for new construction. Therefore, the purchase alternative was not separately analyzed.

Housing Allowance:

This alternative has the lowest NPV at \$1.1 million, but this alternative does not provide comparable security as a location on base, and there would be a detrimental effect on the occupant's performance of official duties due to the loss of SIPRNET connectivity.

Evaluation Outcome:

At this time, the status quo is the most advantageous alternative for the U.S. Government. Nevertheless, the Navy will consider replacement construction in the future as the unit ages and presents significant recapitalization requirements.

Japan, Naval Station Yokosuka - 18 Halsey

Occupant: Commander, Seventh Fleet, O-9
Gross Area: 4,515 Gross Square Feet (GSF)
Managing Service: Navy
NPV Status Quo (U.S. Government-owned): \$2,011,000
NPV Construction: \$2,610,000
NPV Leasing: \$2,500,000
NPV Purchase: Not available
NPV Housing Allowance: \$1,145,000

Status Quo:

The U.S. Government owns this residence, built in 1949 on land owned by the Government of Japan (GoJ). Using historical data, the 25-year LCCA resulted in a NPV (NPV) of \$2.0 million. The advantages of this residence are the secure location on base, and the availability of SIPRNET connectivity in conjunction with the billet's operational responsibilities.

Construction:

This alternative would have an LCCA lower than the housing allowance alternative if the GoJ would fund the replacement construction as authorized by the Status of Forces Agreement. However, if the U.S. Government has to fund the replacement, this alternative would have the highest NPV at \$2.6 million. Since GoJ funding for GFOQs would likely be a low priority compared to construction priorities for operational facilities, this alternative assumed the U.S. Government would bear the full cost of the replacement. One advantage of this approach is that the new unit would be much more energy efficient.

Leasing:

The Navy does not currently lease any family housing in Japan, but could use section 2828 of title 10, U.S.C., to lease a residence. Based on a review of available homes, the NPV for this option was estimated to be \$2.5 million, which would include up-front costs for security. A leased unit would also require a longer commute than the current on base unit, and there would be uncertainty about the long-term availability of a lease.

Purchase:

The availability of alternative residences to lease indicates that similar residences could be available for purchase. The Navy's experience has been that the estimated acquisition cost of a purchase is similar to that for new construction. Therefore, the purchase alternative was not separately analyzed.

Housing Allowance:

This alternative has the lowest NPV at \$1.1 million, but this alternative does not provide comparable security as a location on base, and there would be a detrimental effect on the occupant's performance of official duties due to the loss of SIPRNET connectivity.

Evaluation Outcome:

At this time, the status quo is the most advantageous for the U.S. Government. Nevertheless, the Navy will consider replacement construction in the future as the unit ages and presents significant recapitalization requirements.

Netherlands, Schinnen - GFOQ 698

Occupant: Senior U.S. Mil Rep. Joint Force Command HQ Brunssum, Netherlands, O-8
Managing Service: Army
Gross Area: 4,841 Gross Square Feet (GSF)
NPV Status Quo (Lease): \$2,001,000
NPV Purchase: \$2,093,000
NPV Construction: Not available
NPV Alternative Lease: Not available
NPV Housing Allowance: \$820,000

Status Quo:

This unit has been leased since 2009, and has a NPV (NPV) of \$2.0 million.

Purchase:

The basis for this analysis was a house typical of a set of houses for sale identified in an online search in the Schinnen area, conducted between March and April 2012. The criteria, based on Army Regulation 420-1, regarding the programming benchmark for new construction GFOQs, is a house with 3,330 GSF of living area. The criteria for selection consist of a detached single-family house with four bedrooms, a minimum of two full bathrooms, a garage, and no more than 25 years old, to avoid major M&R issues. Seven homes meeting the criteria were found within 15 miles of the Army installation. The representative dwelling was a single-family house with 4,387 GSF space, four bedrooms, two full bathrooms, and a garage. Additional costs to reflect preparation of the house for occupancy were added, such as security measures and information system infrastructure and equipment. The representative house had an estimated NPV of \$2.1 million.

Construction:

The Army did not cost out this alternative because there was no military installation nearby on which to construct a GFOQ, and purchasing land in the community is problematic.

Alternative Lease:

Finding suitably sized residences to purchase indicates that similar residences could be available for lease. Although an alternative lease was not costed, there could be savings since the current leased home is about 20 percent larger than the construction area limit for a non-SCP GFOQ.

Housing Allowance:

This option had the lowest NPV at \$0.8 million but is not considered a viable solution. Based on the search conducted for the purchase option, it was unlikely that a suitable home could be found within a 30-minute commute and within the housing allowance. Furthermore, the U.S. Government cannot fund any alterations to a privately rented home for security measures or information systems.

Evaluation Outcome:

The purchase alternative was slightly more costly than the status quo, mainly due to the representative house being about eight percent larger than the construction area limit for a non-SCP GFOQ. Prior to the lease being renewed, the Army will explore other options such as a purchase or a lower cost lease.

Norway, Stavenger – Quarters 00119

Occupant: Chief of Staff, NATO Joint Warfare Center, O-7 (Special Command Position)
Managing Service: Air Force
Gross Area: 3,627 Gross Square Feet (GSF)
NPV Status Quo (Lease): \$2,185,000
NPV Construction: Not available
NPV Purchase: \$2,682,000
NPV Alternative Lease: Not available
NPV Housing Allowance: \$1,401,000

Status Quo:

Housing price levels in Norway are among the highest in the world, especially for homes in communities surrounding the cities of Oslo and Sola. Norwegian houses are configured differently than typical U.S. houses, and thus finding quarters with the best mixture of room configurations and required sizes is challenging. This situation creates particular difficulties in finding a suitable GFOQ. The current GFOQ provides a good balance between official entertainment areas and private areas, as well as security. When the house went through a major renovation in 1998, the landlord accommodated input from U.S. firms to make the home suitable for an executive-level occupant. It would be very difficult to find a similarly suitable GFOQ in Stavanger, especially given the stiff competition for housing presented by the presence of oil companies in this market segment. Based on historical costs, the NPV of the current lease is estimated at \$2.2 million.

Construction:

The Stavenger NATO installation cannot accommodate the construction of a family housing unit. Therefore, this alternative was not further evaluated.

Purchase:

This option was deemed to be less costly and easier to execute than purchasing land and building a new GFOQ. The real-estate search focused on a 3,660 GSF home, which is the benchmark size for this SCP GFOQ per the Air Force Family Housing Guide. Based on the cost of the most viable properties, with addition of necessary security features and up-front costs, the NPV was estimated to be \$2.7 million.

Alternative Lease:

Finding suitably sized residences to purchase indicates that similar residences could be available for lease. Although an alternative lease was not costed, it would be explored when the existing lease comes up for renewal.

Housing Allowance:

Although this was the lowest cost option, with an NPV of \$1.4 million, it is not viable because the allowance is too low to acquire adequately secure housing for this SCP position. Additionally, U.S. Government funding for security measures or official entertainment is not allowed at a privately leased or owned residence.

Evaluation Outcome:

The current leased house is the most cost-effective option that meets the housing requirement, and it also affords the Air Force flexibility should the position or NATO requirements change.

Singapore, Singapore - Temashek House

Occupant: Commander, Navy Region Center Singapore, O-7 (Special Command Position)

Managing Service: Navy

Gross Area: 2,239 Gross Square Feet (GSF)

NPV Status Quo (Lease): \$1,105,000

NPV Purchase: Not available

NPV Construction: Not available

NPV Alternative Lease: \$1,691,000

NPV Housing Allowance: \$2,018,000

Status Quo:

The lease for this GFOQ was awarded in 2012 and is part of a 113-unit block lease. The NPV is \$1.1 million.

Construction and Purchase:

Due to the Status of Forces Agreement, the U.S. Government cannot purchase or build housing in Singapore. All property is owned by the Government of Singapore and is provided as leased property to the tenants.

Alternative Lease:

This unit is part of a block lease. Based on other available properties within the authorized size range, the NPV for an alternative lease is \$1.7 million.

Housing Allowance:

It is not viable to assume severance of this SCP flag officer unit from the remainder of the 113-unit block lease. Instead, another service member would be assigned to the leased unit if not occupied by the flag officer. Accordingly, this option is not considered viable; and it would not even be cost-effective as the NPV for the housing allowance is \$2 million, which is more than the status quo.

Evaluation Outcome:

The Navy will continue with the status quo lease as this is the only viable and most cost-effective option at this location.

Turkey, Izmir - Quarters 00701

Occupant: NATO Allied Air Component Commander Izmir (CC-Air Izmir), O-9 (Special Command Position)

Managing Service: Air Force

Gross Area: 4,533 Gross Square Feet (GSF)

NPV Status Quo (Lease): \$2,014,000

NPV Construction: Not available

NPV Purchase: Not available

NPV Alternative Lease: Not available

NPV Housing Allowance: \$497,000

Status Quo:

This leased GFOQ for an SCP was renewed in June 2012 at an annual cost of \$25,000 per year less than the previous lease for the same property. Prior to renewing the lease, an extensive rental market search was conducted that concluded the current property was the best, most cost-effective alternative because: (1) it requires no additional make-ready costs (\$42,000 has already been invested for a safe room and other security enhancements); (2) it has enhanced security with 24/7 police monitoring and a Turkish National Police station within a five-minute response time; (3) the rent for a new lease included grounds maintenance, pest control services, and interior painting between changes of occupancy, which were not in the previous lease agreement; (4) avoiding relocation of classified computer circuits to a new residence would have cost \$38,000; and (5) it avoided the cost of relocating the current resident to another home, because his tour extended beyond the termination of the previous lease agreement. Based on historical costs, and the reduced rent, the NPV (NPV) for the new lease was estimated to be \$2.0 million.

Construction:

This is a designated High Risk Personnel (HRP) Level 2 position based on the rank of the officer and the terrorist threat in the area. HRP are personnel who are likely to be a target of terrorist or criminal activity based on their grade, assignment, symbolic value, or mission criticality. In this location, the security threat is dynamic, so it would not be prudent to make a long-term commitment in a constructed home because the adjacent buildings and neighborhood could change and create a threat. For example, during the initial lease period, two new business establishments sprang up nearby that required a reassessment of the security situation and could have resulted in the need to terminate the lease and relocate the member.

Purchase:

For the reasons discussed above, the alternative to purchase a residence was not evaluated.

Alternative Lease:

Prior to the lease renewal, the Air Force will explore an alternative lease but for the reasons described in the Status Quo section, it is unlikely, a better value could be found.

Housing Allowance:

This option had an NPV of \$0.5 million, which is much less than the status quo. But this option is not viable because the allowance is too low to provide an adequately secure home for this SCP position.

Evaluation Outcome:

Continued use of leased housing is the best option to meet the housing needs of this SCP position and affords the Air Force the needed flexibility should the position or NATO requirements change.