



UNDER SECRETARY OF DEFENSE
1 100 DEFENSE PENTAGON
WASHINGTON, DC 20301-1100

COMPTROLLER

The Honorable Debbie Wasserman Schultz
Chairwoman
Subcommittee on Military Construction,
Veterans Affairs, and Related Agencies
Committee on Appropriations
U.S. House of Representatives
Washington, DC 20515

MAY 07 2020

Dear Madam Chairwoman:

The purpose of this letter is to notify the committee of the proposed reprogramming of funds for the projects and amounts shown below. Detailed justification for the projects is enclosed.

#	<u>Service/Agency/Installation</u>	<u>Project</u>	<u>Program</u>	<u>Request (\$)</u>
	<u>Army</u>			
1	Natick Soldier Systems Center, Massachusetts	Family Housing Replacement Construction	2018	8,500,000
	<u>Air Force</u>			
2	Royal Air Force Lakenheath, United Kingdom	F-35A Field Training Detachment Facility	2018	19,200,000
3	Royal Air Force Lakenheath, United Kingdom	F-35A Fuel Systems Maintenance Dock 2 Bay	2019	8,060,000
	<u>Defense Logistics Agency</u>			
4	Defense Distribution Depot San Joaquin, California	Main Access Control Point Upgrades	2019	6,677,000
	<u>Special Operations Command</u>			
5	Naval Base Coronado, California	SOF NSWG-1 Operations Support Facility	2019	7,595,000

A similar letter is being sent to the Chairman of the Senate Subcommittee on Military Construction, Veterans Affairs, and Related Agencies. Thank you for your continued support of Defense programs.

Sincerely,

Elaine McCusker
Acting

Enclosures: As stated
cc: The Honorable John Carter
Ranking Member



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

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Sincerely,

Elaine McCusker
Acting

Enclosures: As stated
cc: The Honorable Brian Schatz
Ranking Member

Bid Expiration Date: June 1, 2020

Family Housing Construction, Army

Reprogramming Request

Installation: Natick Soldier Systems Center (SSC), MA

Project: Family Housing Replacement Construction

Authorization: National Defense Authorization Act (NDAA) for Fiscal Year (FY) 2018,
Public Law 115-91

Estimated Cost (\$000):

Previously Appropriated	21,000
Previously Reprogrammed	0
Requested Reprogramming	8,500
Total Estimated Cost	29,500

Project Description: The authorized project scope is for 28 family housing units: 24 units at Heritage Lane Housing Area, and four units at General Greene Avenue Housing Area. The primary facility scope of work includes new units with living areas, kitchen, bathrooms, bedrooms, storage, parking garage, private entrance, patio, and automatic fire sprinkler system. The supporting facilities scope of work includes demolition, site work, roads, walkways, utility systems, information systems, storm drainage, street lighting, and antiterrorism measures.

Justification: On the original solicitation, all bids received were over the Appropriated Amount. An assessment of the bid data identified that a significant portion of the cost increase was attributed to recent construction cost escalation of labor and materials in the region. Due to these high bids, the solicitation was revised to mandate modular housing, and to make six of the housing units a contract option. Based on the proposals received for the second solicitation, the Army used its below-threshold reprogramming authority to award a base contract in May 2019 for 22 of the 28 units for a total cost of \$23 million (\$2 million over the amount appropriated).

Subsequently, during demolition, the contractor discovered the need for asbestos removal, which increased the total project cost to \$24 million. This environmental hazard remediation is being funded to avoid delaying the contract based on authority provided in recurring language in committee reports on the annual Military Construction appropriations bills. The negotiated cost of the \$5.5 million option for the remaining six units expires on June 1, 2020. Award of this option, which requires Congressional reprogramming approval, will allow the Army to obtain the full and required scope of this project.

A Scope and Cost Variation notification dated February 14, 2020 was provided to Committee Members as required by Title 10 U.S.C. 2853.

Source of Funds: Savings from the following projects will fund this requirement:

(Dollars in Thousands)

<u>Location/Project</u>	<u>Fiscal Year</u>	<u>Amount Appropriated</u>	<u>Current Working Estimate</u>	<u>Proposed Reprogramming</u>
Camp Rudder, FL Family Housing Replacement Construction	2016	8,000	0 ^{1/}	2,992
Camp Walker, KR Family Housing New Construction	2016	61,000	48,780 ^{2/}	1,220
Worldwide Various Family Housing Planning & Design	2018	33,559	28,813 ^{3/}	4,288
Total				8,500

^{1/} A 10 U.S.C. 2853 cost reduction notification dated August 9, 2019 was sent to the congressional committees cancelling this project. Due to the project's remote location, the cost to construct these units greatly exceeded the appropriated amount and was not considered reasonable. There are sufficient homes at Eglin Air Force Base to meet the Army Family Housing requirement for Camp Rudder. Therefore, the Army no longer has a need for this project. The remaining \$4,800,000 of savings was used for an above threshold reprogramming for Camp Walker, Korea, Army Family Housing New Construction.

^{2/} A 10 USC 2853 cost reduction notification dated September 15, 2016 was sent to the congressional committees. The project was awarded on September 8, 2016, and the current working estimate at 95% construction completion is \$48,780,000. Bid savings of \$11 million was used to fund a portion of the \$18 million Army Family Housing rescission in the FY 2018 Consolidated Appropriations Act (Public Law 115-141, sec 126).

^{3/} The FY 2018 Family Housing Planning & Design appropriated amount has exceeded requirements due to changing priorities and execution challenges impacting the future year Family Housing program.

Bid Expiration Date: Not Applicable

Military Construction, Air Force

Reprogramming Request

Installation: Royal Air Force Lakenheath, UK

Project: F-35A Field Training Detachment Facility

Authorization: National Defense Authorization Act (NDAA) for Fiscal Year (FY) 2018,
Public Law 115-91

Estimated Cost (\$000):

Previously Appropriated	12,492
Previously Reprogrammed	0
Requested Reprogramming	19,200
Total Estimated Cost	31,692

Project Description: This project provides a Field Training Detachment facility specifically designed for the F-35 training program and mock-ups. The facility will include classrooms, training areas, and admin space for instructors.

Justification: The increase in costs for this project are caused by: an increase in mechanical, electrical, and plumbing services costs; limited subcontractor availability; increased building materials and fuel costs; and added risk cost factor because of uncertainty around BREXIT's impact on trade agreements, its influence on trade, shipping of materials from the EU, and overall pricing. Subcontractors cost estimates have increased due to this uncertainty. Since award of the design contract, the construction industry demand has increased, limiting subcontractor availability and competition. The prime contractor has reported difficulty in obtaining subcontractor bids because of more competitive and less logistically constrained construction opportunities off base. Furthermore, according to the UK Office of National Statistics from the time of design award two years ago to present day, the construction price index has increased by 3.7% annually, a percent higher than estimated. Also, more onerous host nation noise attenuation measures must be applied to the facility to meet Health and Safety standards not available when initial project cost estimates were developed.

A Scope and Cost Variation notification dated February 28, 2020 was provided to Committee Members as required by Title 10 U.S.C. 2853.

Source of Funds: The following cancelled projects will fund this requirement:

(Dollars in Thousands)

<u>Location/Project</u>	<u>Fiscal Year</u>	<u>Amount Appropriated</u>	<u>Current Working Estimate</u>	<u>Proposed Reprogramming</u>
Luke AFB, AZ – F-35A Squad Ops #6	2019	17,000	0 ^{1/}	8,957
Luke AFB, AZ – F-35A Aircraft Maintenance Unit Facility	2019	23,000	0 ^{1/}	10,243
Total				19,200

^{1/} A 10 U.S.C. 2853 cancellation notification dated July 24, 2019 was sent to the congressional committees.

Bid Expiration Date: Not Applicable

Military Construction, Air Force

Reprogramming Request

Installation: Royal Air Force Lakenheath, UK

Project: F-35A Fuel System Maintenance Dock 2 Bay

Authorization: National Defense Authorization Act (NDAA) for Fiscal Year (FY) 2019,
Public Law 115-232

Estimated Cost (\$000):

Previously Appropriated	16,880
Previously Reprogrammed	0
Requested Reprogramming	8,060
Total Estimated Cost	24,940

Project Description: This project provides a two bay Fuel System Maintenance Dock. This facility will be supporting F-35A aircraft that is due to arrive starting in first quarter of FY 2022. The facility will comprise a two bay hangar space, a tool crib, and support areas.

Justification: The increase in costs for this project are caused by: an increase in mechanical, electrical, and plumbing services costs; limited subcontractor availability; increased building materials and fuel costs; and added risk cost factor because of uncertainty around BREXIT's impact on trade agreements, its influence on trade, shipping of materials from the EU, and overall pricing. Subcontractors cost estimates have increased due to this uncertainty. Since award of the design contract, the construction industry demand has increased, limiting subcontractor availability and competition. The prime contractor has reported difficulty in obtaining subcontractor bids because of more competitive and less logistically constrained construction opportunities off base. Furthermore, according to the UK Office of National Statistics from the time of design award two years ago to present day, the construction price index has increased by 3.7% annually, a percent higher than estimated.

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Source of Funds: The following cancelled projects will fund this requirement:

(Dollars in Thousands)

<u>Location/Project</u>	<u>Fiscal Year</u>	<u>Amount Appropriated</u>	<u>Current Working Estimate</u>	<u>Proposed Reprogramming</u>
Luke AFB, AZ – F-35A Squad Ops #6	2019	17,000	0 ^{1/}	8,060
Total				8,060

^{1/} A 10 U.S.C. 2853 cancellation notification dated July 24, 2019 was sent to the congressional committees.

Bid Expiration Date: June 10, 2020

Military Construction, Defense-Wide (Defense Logistics Agency)

Reprogramming Request

Installation: Defense Distribution Depot San Joaquin, CA

Project: Main Access Control Point Upgrades

Authorization: National Defense Authorization Act (NDAA) for Fiscal Year (FY) 2019,
Public Law 115-232

Estimated Cost (\$000):

Previously Appropriated	18,800
Previously Reprogrammed	0
Requested Reprogramming	6,677
Total Estimated Cost	25,477

Project Description: Upgrade the main gate access control point (ACP) at Defense Depot San Joaquin, California. ACP facilities are comprised of a gatehouse, a visitor control center, active barriers, vehicle inspection facility with under vehicle inspection system, guard booths and over-watch buildings. The facilities will have fire suppression and alarm systems, mass notification systems, heating, ventilation and air condition systems, electrical power and communications, building automation systems, energy monitoring and control systems and utilities.

Justification: An additional \$6.677 million is needed to award this project. The cost increase is due to regional market conditions with high demand for construction activities and limited availability of trade labor. Construction costs have spiked and remained elevated due to major commercial, residential, industrial, and utility projects in California and Nevada. The lack of competition for this project indicates bidders had more favorable opportunities. Additional labor and material costs also result in increased contingency and Supervision, Inspection, and Overhead (SIOH) costs.

A 10 USC §2853 notification dated March 5, 2020 was submitted to Congress.

Source of Funds: Savings from the following project will fund this requirement:

(Dollars in Thousands)

<u>Location/Project</u>	<u>Fiscal Year</u>	<u>Amount Appropriated</u>	<u>Current Working Estimate</u>	<u>Proposed Reprogramming</u>
Unspecified Worldwide/ Planning and Design (DLA)	2019	42,705	36,000	5,000
Philadelphia, PA/ Replace Headquarters	2016	61,500 ^{1/}	59,500	1,677
Total				6,677

^{1/}Reflects a prior approval reprogramming approved by Congress on August 6, 2018.

Bid Expiration Date: October 7, 2020

Military Construction, Defense-Wide (U.S. Special Operations Command)

Reprogramming Request

Installation: Naval Base Coronado, CA

Project: SOF NSWG-1 Operations Support Facility

Authorization: National Defense Authorization Act (NDAA) for Fiscal Year (FY) 2019,
Public Law 115-232

Estimated Cost (\$000):

Previously Appropriated	25,172
Previously Reprogrammed	0
Requested Reprogramming	7,595
Total Estimated Cost	32,767

Project Description: This project constructs and renovates an operations support facility for Naval Special Warfare Group ONE (NSWG-1) to include applied instruction, administrative, secure annex, training, and operational gear storage spaces at Naval Base Coronado, California.

Justification: Based on bids received to date, an additional \$7.595M is required to award the project at the full scope needed to meet mission requirements. The cost increase is primarily attributable to increased construction activity in the San Diego area and additional costs associated with a larger secure annex. Numerous large construction projects underway in San Diego, including major renovation projects to the San Diego International Airport, have resulted in a lack of available local construction labor requiring the contractor and subcontractors to bring in skilled labor from other areas, increasing costs. In addition, mission requirements necessitate a larger secure annex within the authorized square footage of the facility. Secure annex space is more expensive than standard administrative office space, thereby increasing the cost of the project.

A 10 USC §2853 notification dated March 5, 2020 was submitted to Congress.

Source of Funds: Savings from the following projects will fund this requirement:

(Dollars in Thousands)

<u>Location/Project</u>	<u>Fiscal Year</u>	<u>Amount Appropriated</u>	<u>Current Working Estimate</u>	<u>Proposed Reprogramming</u>
Pearl Harbor, HI / SOF Undesea Operational Training Facility	2019	67,700	63,005	4,695
Unspecified Worldwide / Unspecified Minor Construction	2020	31,464	28,564	2,900
Total				7,595