



OFFICE OF THE UNDER SECRETARY OF DEFENSE
1100 DEFENSE PENTAGON
WASHINGTON, DC 20301-1100

COMPTROLLER

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

MAR 12 2021

Dear Mr. Chairman:

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 are enclosed.

#	<u>Service/Agency/Installation</u>	<u>Project</u>	<u>Program</u>	<u>Request (\$)</u>
1	<u>Army</u> Fort Shafter, Hawaii	Command and Control Facility	2018	8,500,000
2	<u>Navy</u> Naval Station Rota, Spain	W/H Revitalization – Las Palmeras PH IV	2018	6,062,000
3	<u>Marine Corps</u> Marine Corps Air Station Cherry Point, North Carolina	F-35B Vertical Lift Test Fan Facility	2018	7,000,000
4	<u>U.S. Special Operations Command</u> Fort Belvoir, Virginia	Human Performance Training Center	2019	2,672,000
5	Yokota Air Base, Japan	Simulator Facility	2017	3,722,000

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

Sincerely,

Douglas A. Glenn
Performing the Duties of the Under Secretary of
Defense (Comptroller)/Chief Financial Officer

Enclosures: As stated

cc: The Honorable John Boozman
Ranking Member



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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

MAR 12 2021

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 are enclosed.

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5	Yokota Air Base, Japan	Simulator Facility	2017	3,722,000

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,

Douglas A. Glenn
Performing the Duties of the Under Secretary of
Defense (Comptroller)/Chief Financial Officer

Enclosures: As stated

cc: The Honorable John Carter
Ranking Member

Tab 1

Bid Expiration Date: April 15, 2021

Military Construction, Army

Reprogramming Request

Installation: Fort Shafter, Hawaii

Project: Command and Control Facility

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

Estimated Cost (\$000):

Previously Appropriated	380,000 ^{1/}
Previously Reprogrammed	0
Requested Reprogramming	8,500
Total Estimated Cost	388,500

^{1/} Authorization for this project was \$311.4 million in the FY 2015 NDAA and increased to \$370.0 million in the FY 2018 NDAA. Appropriations for this project total \$380.0 million (FY 2015, \$85.0 million; FY 2017, \$40.0 million; FY 2018, \$90.0 million; FY 2019, \$105.0 million; FY 2020, \$60.0 million).

Project Description: This project constructs a Command and Control Facility (C2F) Complex, including a Secure Operations Building with special use of space for a Sensitive Compartmented Information Facility (SCIF) that complies with Intelligence directives. Facility construction includes a new electric substation built by the utility provider at Fort Shafter.

Justification: An additional \$5.0 million is required to address unforeseen site conditions related to the project's condenser supply piping, which was previously installed, pressure tested and capped. The project required the contractor to uncover the line, cut off the cap, and run additional length of piping to tie in mechanical systems into the central mechanical room. When uncovered, the contractor discovered the previously installed pipe had deteriorated. Further testing showed that it required total replacement.

An additional \$3.5 million is needed to fund a number of miscellaneous changes to include off-site sewer requirements. The sewer construction is needed to provide for the increased effluent (sewage) flow generated by the new facility. The sewer contract will construct a new sewer pump station, a new 24" line, and a new 12" force main. The work includes boring the line under a Department of Hawaii Highway to connect the new facility to the installation's sewer system. This will provide greater capacity for the existing sewer system once this project is completed.

A 10 U.S.C. §2853 cost variation notification dated January 13, 2021 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>
Sheridan Barracks, Garmisch, GY Dining Facility	2017	9,600	0 ^{1/}	8,500
Total				8,500

^{1/} A 10 U.S.C. §2853 cancelation notification dated December 13, 2019 was submitted to Congress.

Tab 2

Bid Expiration Date: May 14, 2021

Family Housing Construction, Navy and Marine Corps

Reprogramming Request

Installation: Naval Station Rota, Spain

Project: W/H Revitalization - Las Palmeras PH IV

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

Estimated Cost (\$000):

Previously Appropriated	26,874
Previously Reprogrammed	0
Requested Reprogramming	6,062
Total Estimated Cost	32,936

Project Description: Whole house revitalization of family housing units. Revitalization consists of general interior and exterior repair and modernization. The project will also modernize the following building systems: electrical, communications, heating ventilation and air conditioning, fire protection. Site improvements include storm sewer system repairs, sidewalk and patio repair, turf and tree replacements and site grading.

Justification: An additional \$6.1 million is required to address the following requirements:

- Market Conditions: The project was included in the FY 2018 President's Budget but advertised recently. The delay was necessary to ensure the correct sequencing and supply of housing in conjunction with the previous phases of Family Construction at Naval Station Rota. The change in market conditions from FY 2018 to the present resulted in an increase to the project cost. The Spanish housing construction market has been relatively stagnant for several years because of an oversupply of housing. This has resulted in a limited pool of contractors to draw on. The conditions of the past year have further exacerbated the limited availability of contractors driving many housing contractors and sub-contractors out of business, or out of the commuting area. The remaining contractors and sub-contractors are commanding higher bids for their work.
- Project Structure Change: The installation requires a construction timeline that was not considered in the original estimate. In order to maintain an adequate inventory of units to house families, units will be turned over to the contractor in batches. Renovating units on a batch basis defeats the cost efficiency that could be achieved by renovating the units all at

once (e.g., install new roofing at once). However, ensuring an inventory of adequate housing is a higher priority.

- Contingency and Supervision, Inspection, and Overhead (SIOH): Increases are directly associated with higher construction costs.

A 10 USC §2853 cost variation notification was not required for this project.

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>
Commander Fleet Activities, Yokosuka, JA Whole House Revitalization, Ikego Townhouse, PH1	2020	9,802	3,740 ^{1/}	6,062
Total				6,062

^{1/} Total CWE of \$11.8 million includes FY 2018 split funding. No 10 USC §2853 notification is required.

Tab 3

Bid Expiration Date: April 15, 2021

Military Construction, Navy and Marine Corps

Reprogramming Request

Installation: Marine Corps Air Station Cherry Point, North Carolina

Project: F-35B Vertical Lift Fan Test Facility

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

Estimated Cost (\$000):

Previously Appropriated	15,671
Previously Reprogrammed	0
Requested Reprogramming	7,000
Total Estimated Cost	22,671

Project Description: This project constructs a F-35B vertical lift fan test facility consisting of a staging area, control room, equipment room, inlet and exhaust plenums and diffuser areas and the lift fan test area.

Justification: The current funding requirement for additional funds is attributable to:

- Unique facility requirements: The project's vertical lift fan technology and built-in equipment designs were based on an adaptation of the original manufacturer's Indianapolis test cell equipment. The Indianapolis test cell equipment was used for the development of the lift fan for the F-35B aircraft. Initial cost estimates did not accurately assess all of the built-in equipment, cooling and utility requirements. Additionally, competition among contractors was less than expected. The unique facility requirements reduced the number of interested contractors and the required contractor specialized experience further reduced the number of qualified contractors for the project.
- Market conditions: In September 2018, Hurricane Florence caused major damage to a wide area of eastern North Carolina, including MCB Camp Lejeune and MCAS Cherry Point. This greatly affected construction market conditions with significant increases in labor, materials and equipment costs. As a result, bids are higher than estimated amounts.
- Contingency and Supervision, Inspection and Overhead (SIOH): The contingency and SIOH increased due to higher construction costs.

A 10 U.S.C. §2853 cost variation notification dated July 24, 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>
Barstow, CA Combat Vehicle Repair Facility	2018	33,975 ^{1/}	27,570	5,856
Miramar, CA Airfield Security Improvements	2019	11,500	9,000	1,144
Total				7,000

^{1/} Reflects a revised PA of \$33.975M as a result of a \$2.564M reprogramming decrease approved by Congress in May 2019.

Tab 4

Bid Expiration Date: May 10, 2021

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

Reprogramming Request

Installation: Fort Belvoir, Virginia

Project: Human Performance Training Center (HPTC)

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

Estimated Cost (\$000):

Previously Appropriated	6,127
Previously Reprogrammed	0
Requested Reprogramming	2,672
Total Estimated Cost	8,799

Project Description: This project includes the design and construction of a facility addition and renovation to provide a Human Performance Training Center. The facility will include areas for strength and conditioning, hydrotherapy, sports psychology, sports medicine, and combative training. The existing facility will be renovated to create open office space.

Justification: Based on bids received, an additional \$2.7 million is needed to award this project and to provide a facility that meets mission requirements. The cost increase is due to market conditions associated with economic, manufacturing, supply chain and labor impacts causing uncertainty and volatility that are reflected in contractor price proposals. Contractors have indicated potential workforce hiring issues, requirements for additional measures to screen and monitor workers, and limited ability to assemble subcontractor teams for pricing, leading to increased risk.

A 10 U.S.C. §2853 cost variation notification dated January 28, 2021 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>
Fort A.P. Hill, VA Training Campus	2019	11,734	0 ^{1/}	2,672
Total				2,672

^{1/}A 10 U.S.C. §2853 cancelation notification dated November 4, 2020 was submitted to Congress.

Tab 5

Bid Expiration Date: April 23, 2021

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

Reprogramming Request

Installation: Yokota Air Base, Japan

Project: Simulator Facility

Authorization: National Defense Authorization Act (NDAA) for Fiscal Year (FY) 2017,
Public Law 114-328

Estimated Cost (\$000):

Previously Appropriated	8,450 ^{1/}
Previously Reprogrammed	0
Requested Reprogramming	3,722
Total Estimated Cost	12,172

^{1/}This facility was originally authorized and appropriated at \$6.3 million in FY 2017. A 10 U.S.C. §2853 cost variation notification dated June 2, 2017 was submitted to Congress to accompany the FY 2018 President's Budget request for \$2.2 million to fund the cost to complete for this project. Congress appropriated the additional \$2.2 million in FY 2018 to support this effort.

Project Description: This project will construct a simulator facility in support of the Osprey bed-down at Yokota Air Base, Japan. The project includes a flight simulator high bay with all necessary training, administrative, utilities rooms, storage spaces, all primary and secondary site improvement, utilities, pavements, communications and all other necessary support to accommodate mission-required aircraft operations facilities.

Justification: An additional \$3.7 million is required to award this project and provide a complete and useable facility that meets mission requirements. The increase in cost is the result of a continued trend of increasing prices documented in the 2018 Japan Market Survey and reflected in the DoD area cost factor calculations, which have risen from a Japan average of 2.01 in 2018 to 2.11 in 2020. This trend is fueled by decreased labor and contractor availability, and a backlog of projects to be completed in the Tokyo area as a result of the Olympic construction. In addition, the combined magnitude of the U.S. and Government of Japan construction efforts at Yokota Air Base and other major U.S. installations throughout mainland Japan and Okinawa has further limited the number of available prime and sub-contractor firms available to perform this work. In order to address the logistics and limited availability of labor in the Yokota area, it was best not to proceed with a single contract addressing multiple Osprey bed-down projects at Yokota and to spread the execution across multiple years. This project is now ready for execution in FY 2021.

A 10 U.S.C. §2853 cost variation notification dated January 19, 2021 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>
Fort A.P. Hill, VA Training Campus	2019	11,734	0 ^{2/}	3,722
Total				3,722

^{2/} A 10 U.S.C. §2853 cancelation notification dated November 4, 2020 was submitted to Congress.