

Co-Locate Extramural Research Program Managers Incorrect Costs and Savings

DOD Recommendation: Close the Office of Naval Research facility, Arlington, VA; the Air Force Office of Scientific Research facility, Arlington, VA; the Army Research Office facilities, Durham, NC, and Arlington, VA; and the Defense Advanced Research Project Agency facility, Arlington, VA. Relocate all functions to the National Naval Medical Center, Bethesda, MD. Realign Fort Belvoir, VA, by relocating the Army Research Office to the National Naval Medical Center, Bethesda, MD. Realign the Defense Threat Reduction Agency Telegraph Road facility, Alexandria, VA, by relocating the Extramural Research Program Management function (except conventional armaments and chemical biological defense research) to the National Naval Medical Center, Bethesda, MD.

Justification: This recommendation co-locates the managers of externally funded research in one campus. Currently, these program managers are at seven separate locations. The relocation allows technical synergy by bringing research managers from disparate locations together to one place. The end state will be co-location of the named organizations at a single location in a single facility, or a cluster of facilities. This “Co-Located Center of Excellence” will foster additional coordination among the extramural research activities of OSD and the Military Departments. Further it will enhance the Force Protection posture of the organizations by relocating them from leased space onto a traditional military installation.

Payback: The total estimated one-time cost to the Department of Defense to implement this recommendation is \$153.5M. The net of all costs and savings to the Department during the implementation period is a savings of \$107.1M. Annual recurring savings to the Department after implementation are \$49.4M with a payback expected in 2 years. The net present value of the costs and savings to the Department over 20 years is a savings of \$572.7M.

Economic Impact on Communities: Assuming no economic recovery, this recommendation could result in a maximum potential reduction of 193 jobs (122 direct jobs and 71 indirect jobs) over the 2006-2011 period in the Durham, NC, Metropolitan 30 Statistical Area, which is less than 0.1 percent of economic area employment. The aggregate economic impact of all recommended actions on this economic region of influence was considered and is at Appendix B of Volume I.

Community Infrastructure: A review of community attributes indicates no issues regarding the ability of the infrastructure of the communities to support missions, forces, and personnel. There are no known community infrastructure impediments to implementation of all recommendations affecting the installations in this recommendation.

Environmental Impact: An Air Conformity determination may be required at National Naval Medical Center, Bethesda, MD. This recommendation has no impact on cultural, archeological, or tribal resources; dredging; land use constraints or sensitive resource areas; marine mammals, resources, or sanctuaries; noise; threatened and endangered species or critical habitat; waste management; water resources; or wetlands. This recommendation will require spending approximately \$0.5M for environmental

compliance activities. This cost was included in the payback calculation. This recommendation does not otherwise impact the costs of environmental restoration, waste management, and environmental compliance activities. The aggregate environmental impact of all recommended BRAC actions affecting the bases in this recommendation has been reviewed. There are no known environmental impediments to implementation of this recommendation.

Substantial Deviation: Incorrect Costs and Savings

Another dramatic problem associated with this recommendation is the assumed savings in moving the Extramural Research Program Managers from their current location to the National Naval Medical Center in Bethesda. According to the data they used in their analysis it will cost approximately \$1.5 million to build a new parking structure. Upon further investigation with the Department of Defense, we found that this number was an error and that it will actually cost \$17.835 million.

We also found the rents that were cited in their analysis of the leased space that the Extramural Research Program Managers currently occupy were dramatically different than what the Department is actually paying. This was most notable in the case of the Defense Advanced Research Projects Agency which is listed as having \$38.5 million in recurring savings associated with the relocation. However, this is based on data that was not certified, as required by law, and includes a number of errors. DARPA itself has acknowledged to the Senate Armed Services Committee that their lease costs are only \$8.9 million per year (the buildings landlords state that it is \$6.2 million) and that the remaining \$29.6 million which is associated with such things as Information Technology requirements, mailing, supplies, equipment, and telephone service, would not be saved on a recurring basis.

Furthermore, the Technical Joint Cross-Service Group either intentionally or unintentionally understated the annual maintenance costs of the new building it proposed for Bethesda. DOD standards require a recapitalization rate of 67 years in order to prevent a building from deteriorating and becoming inadequate. According to the \$1,026,902 allocated in the COBRA report for this recommendation, this building would have a 114 year recapitalization rate. If the group had used the appropriate rate of 67 years, their costs would have increased by \$720,364 each year—which is what DOD will have to pay.

The Technical Joint Cross-Service Group also used the insufficient sustainment funding. According to the DOD Facilities Cost Factor Handbook, the sustainment cost factor is \$3.47 per square feet. However, the COBRA report indicates that they used \$1.80 to estimate sustainment costs. This means that they have underestimated the annual sustainment costs by \$819,705.

The Government Accountability Office found a number of problems in the way that the Technical Joint Cross Service Group accounted for personnel and leased office space savings. For example, the GAO found that *“the recommendation to co-locate the extramural research program managers also includes \$2.7 million in annual recurring savings for the Defense Threat Reduction Agency vacating leased space; however, the agency is already scheduled to move to Fort Belvoir, Virginia, in January 2006.”*

Furthermore, their analysis does not include the lease payments that the General Services Administration will continue to incur after the Defense entities move out in 2008. The United States Government will continue to pay approximately \$10.5 million per year until 2012 for this building, or \$42.0 million. The Department also failed to account for the \$7.1 million contract termination cost to restore the DARPA facilities. Section 2913 of the Defense Base Realignment and Closure Act requires them to account for such costs. That law states “the selection criteria relating to the cost savings or return on investment from the proposed closure or realignment of military installation shall take into account the effect of the proposed closure or realignment on the costs of any other activity of the Department of Defense or any other Federal agency that may be required to assume responsibility for activities at the military installations.” In the case of leased office space, that means lease payments and contract termination costs.

Taken together, these corrections increase the one time costs to the Department from \$153.5 million to \$176.9 million, and reduce the net present value of the savings over 20 years from \$572.7 million to \$143.2 million—a \$430 million difference.

Failure to account for the costs for which another Federal Agency would be required to assume responsibility was a substantial deviation from the legislated BRAC criteria for making decisions. Failure to use accurate and certified data is a substantial deviation and has resulted in significant errors.