

NAVY FACILITIES PROJECTS

CHAPTER 8

NONAPPROPRIATED FUND (NAF), COMMISSARY SURCHARGE AND PRIVATELY-FUNDED PROJECTS

1. General.

a. NAFIs and the use of NAF are governed by references (g), (h), DoD Instruction 4105.67 Change 2 “Nonappropriated Fund Procurement Policy and Procedures” of 1 December 2017 and DoD Instruction 1330.09 of 7 December 2005.

b. NAF construction planning and programming generally follows the contents of this instruction. However, since NAFI authorities are separate and distinct from appropriated fund authorities and policy, many of the provisions associated with appropriated fund projects and procurement do not apply to NAFI facilities financed with NAF. For example, NETOPS 18 “Project DD1391 Development, Funding Document Acceptance and SME Certification for Projects Over \$1,600,000” does not apply to any NAF-funded projects and classification of work and determination of real versus personal property is performed by the respective organization funding the project. Where NAF, commissary surcharge and privately-funded project policy or processes differ in substance in other sections of this instruction, Chapter 8 will govern. Ultimately, the CNO’s MWR or NEX-BOD provides policy for and oversight of facilities, finance and audit operations for MWR and NEX NAF organizations.

2. Provision of Facilities.

a. Fleet and Family Readiness Program Support. It is DON policy to provide, maintain and operate adequate facilities to accommodate a well-rounded Fleet and Family Readiness program to ensure the mental and physical well-being of Navy and Marine Corps military and civilian personnel. In consonance with this policy, adequate spaces, facilities and structures should be provided through APF or NAF. It is a basic responsibility of installation commanding officers, regional commanders, CNIC and other support agencies to ensure proper recognition is given to Fleet and Family Readiness facilities in the development of facility investment projects, regional shore planning programs, regional integration plans and MILCON programs. For additional guidance see reference (c), volume 13 and references (f), (g), (h), DoD Instruction 7700.20 of 10 November 2005 and DoD Instruction 1330.17 Change 2 of 14 September 2014.

b. NAF, Commissary Surcharge and Privately-funded Project Review. Projects funded from NAF, commissary surcharge funds or private funds will comply with the requirements of the governing policies outlined herein for review and execution approval. Guidance contained in this instruction is followed in most instances but without several of the process review and funding requirements associated with MILCON initiatives. The reporting and approval process for NAF projects is outlined in reference (h). NAF contracting clauses will be applied in the execution of NAF projects per DoD Instruction 4105.67 Change 2 “Nonappropriated Fund Procurement Policy

and Procedures” of 1 December 2017. Commissary surcharge fund projects must be executed using Federal Acquisition Regulation procedures.

c. NAF, Commissary Surcharge and Privately-funded Project Planning. Projects funded from NAF, commissary surcharge or private funds will be coordinated with public works officers and CNIC regions to ensure supporting facility requirements are identified and the projects are integrated with base master planning, site approvals and other related projects. In particular, modifications to existing base utility systems or required new utilities are identified and included in the NAF project submission and companion APF projects are clearly identified, as necessary.

d. NAF and Commissary Surcharge Project Execution. COMNAVFACENGSYSCOM has right of first refusal for contracting officer’s representative services for NAF projects executed by CNIC Fleet and Family Readiness Service Center (CNIC N94) or outside agencies such as U.S. Army Installation Management Command, Family And Morale, Recreation And Welfare (IMCOM G-9). NAFI’s will determine which agency will best support Contracting Officer’s Representative (COR) services for NAF procurement, per the authority listed in DoD Instruction 4105.67 Change 2 “Nonappropriated Fund Procurement Policy and Procedures” of 1 December 2017.

3. Appropriated Funding Support.

a. Use of APFs to construct or modify NAF-constructed or commissary surcharge-funded facilities, as outlined in this paragraph and in references (g) and DoD Instruction 1330.17 Change 2 of 14 September 2014, is restricted to sustainment, restoration and modernization of these facilities. Exceptions for NGIS (temporary duty (TDY) lodging) and Navy Lodge (permanent change of station (PCS) lodging), are outlined in Office of the Under Secretary of Defense Directive-type Memorandum 18-007 “Conversion of DoD Temporary Duty and Permanent Change of Station Lodging to Fully Non-appropriated Fund Operations, Maintenance and Construction” of 21 November 2018. APFs must also be used for all facility construction related to the establishment, activation, realignment or expansion of a military installation or relocation of facilities for the convenience of the Government; replacement of facilities denied by country-to-country agreements; restoration of facilities and improvements destroyed by acts of God, fire or terrorism; FP measures required under UFC 4-010-01; and to correct life safety and Americans with Disabilities Act (per Chapter 1, part 36 of title 28, Code of Federal Regulations) and FP deficiencies.

b. In the case of installation expansion, a major increase in authorized and assigned personnel strength over a short period of time is necessary before APF construction can be programmed. Such expansion must be the result of a mission change or influx of new units or systems that results in a 25 percent increase in authorized and assigned personnel within a 2-year time span. In contrast, personnel increases resulting from an evolutionary expansion occurring over several years do not satisfy these criteria and therefore NAFs are required.

c. APFs must be used for the construction or leasing of exchange facilities for: logistical, administrative, storage and maintenance outside the U.S.; facilities required in areas of military conflict, wartime deployments and in support of contingency, humanitarian and peacekeeping operations; facilities required as integral parts of air terminal, hospital, housing or other MILCON projects; exchange operated laundry and dry cleaning plants, bakeries, dairies or similar facilities in support of a military mission, wartime deployments and in support of contingency, humanitarian and peacekeeping operations.

d. Compliance with the NEPA and other environmental compliance and clean-up requirements, laws and regulations must be locally funded from APFs. Notwithstanding Office of the Under Secretary of Defense Directive-type Memorandum 18-007 “Conversion of DoD Temporary Duty and Permanent Change of Station Lodging to Fully Nonappropriated Fund Operations, Maintenance and Construction” of 21 November 2018, Class I property ownership responsibilities, including environmental compliance, remediation, etc., remain with the Class I property owner.

e. Site approval (SA) and any DD 1391 assistance that is required must be locally funded from APFs. The only exception for NAF facilities is TDY and PCS Lodging, per Office of the Under Secretary of Defense Directive Type Memorandum (DTM) 18-007 – Conversion of DoD Temporary Duty and Permanent Change of Station Lodging to Fully Nonappropriated Fund Operations, Maintenance and Construction of 21 November 2018.

f. Construction, restoration and modernization required by base realignment and closure decisions are also funded from APFs.

g. Reference (h) provides procedures for combining APFs with private funds of NAF.

h. In addition, APFs must also be used for site development, archeological and ammunition clearances, EA and remediation, water purification, demolition, excessive utility connections and road services costs; see reference (g). Notwithstanding Office of the Under Secretary of Defense Directive-type Memorandum 18-007 “Conversion of DoD Temporary Duty and Permanent Change of Station Lodging to Fully Nonappropriated Fund Operations, Maintenance and Construction” of 21 November 2018, Class I property ownership responsibilities, including environmental compliance, remediation, etc., remain with the Class I property owner. Project documentation must include confirmation that required APFs are available for such purpose, subject to fiscal year funds availability.

i. Per section 2485(e) of reference (d), SECNAV will pay DeCA for any use of a commissary facility by DON for a purpose other than commissary sales or operations in support of commissary sales, when the facility was constructed or sustained using surcharge funds. The amount payable will be equal to the attributable share of depreciation. The funds should be credited to the Commissary Trust Revolving Fund.

j. **Deviations to the policy restricting the use of NAF for maintenance, repair, construction or modernization of NAF occupied facilities in those instances where APF is mandated require OSD approval.** With the exception of TDY and PCS Lodging, the use of NAFs for the construction or modernization of NAF occupied facilities in those instances where APF is mandated, require OSD approval. See Office of the Under Secretary of Defense Direction-type Memorandum 18-007 “Conversion of DoD Temporary Duty and Permanent Change of Station Lodging to Fully Non-appropriated Fund Operations, Maintenance and Construction” of 21 November 2018, for guidance. Requests for deviation must satisfy all of the criteria in subparagraphs 3j(1) through 3j(5).

- (1) The project was included in a budget submission to OSD,
- (2) The project was not included in the President’s budget submission to Congress or was not approved by the Congress(1s,
- (3) Failure to repair or build the facility will seriously impact the quality of life of military personnel and their families,
- (4) The project is certified as being of higher priority than all other non-funded NAF construction and modernization requirements and,
- (5) The Military Department endorses the use of NAF.

4. Project Submission and Programming Timeline.

a. **CNIC Fleet and Family Readiness (MWR) Projects.**

(1) Nomination. Submission procedures, format and approval of CNIC Fleet and Family Readiness NAF projects will follow this instruction and other applicable instructions or policies issued by OSD, OPNAV, Navy’s MWR and NEX Board of Directors (MWR and NEX-BOD), NGIS Director’s Panel, Navy Installations Command for MWR and NEX and as appropriate, the specific NAF construction reporting and approval guidance outlined in reference (h) and the funding approval thresholds in Appendix B.

(2) Project Validation Assessment. See reference (h) for requirements.

(3) APF Companion Project Review. NAF projects requiring APF companion projects must obtain funding approval for those projects. **Without approval for APF companion projects, NAF projects will not be forwarded to the MWR and NEX-BOD for approval.**

(4) **Site Approval (SA) and NEPA Documentation.** SA and appropriate NEPA documentation are required prior to the submittal of a project Nomination. NAF projects will not be forwarded to the MWR or NEX-BOD for approval without compliance with these items.

(5) Projects Requiring Congressional Approval. Submission of Program to ASN (EI&E) and Program Submittals due to Office of Under Secretary of Defense for Personnel and Readiness (OSD (P&R)). Submission to ASN (EI&E) is due no later than 15 April of the year prior to the proposed program FY. Submission to OSD (P&R) is due no later than 15 May of the same year.

(6) Completion of Site Approval and NEPA Documentation. Due 1 April of the year prior to the proposed program FY.

(7) Submission of Program to ASN (EI&E) and Program Submittals to OSD (P&R). Due 15 April of the year prior to the proposed program FY.

(8) Program Approval. Occurs second quarter of the proposed program FY.

b. COMNEXCOM Projects.

(1) COMNEXCOM. COMNEXCOM collects nominations for major repair and construction projects (facility investment cost exceeds \$1M or the current USD (P&R) published Congressional notification threshold, whichever is greater) in response to an annual call for work. NEX projects will align to CNIC and region installation future shore footprint planning to ensure NEX facilities are in support of future operational requirements. Nominated projects are reviewed by a cross functional team that evaluates the cost, economics and feasibility of each initiative. COMNEXCOM's Facility Planning Board reviews this analysis to prioritize its repair and construction backlog using an IPL. Results of this evaluation (proposed upcoming program year major projects and updated out-year plan) are staffed for MWR and NEX-BOD review, approval and submission for OUSD or Congressional approval, if required. This process parallels the Fleet and Family Readiness MWR timeline steps outlined in Chapter 8, subparagraph 3a(1) through 3a(8).

(2) Navy Lodge. Navy Lodge (PCS Lodging) is NAF Program Group IV within the COMNEXCOM Enterprise. Project priorities are developed within the Lodge program based on business requirements. A new or expanded Lodge project begins with a Letter of Request from the base Commanding Officer and an endorsement from the Regional Commander, followed by a Lodge Program feasibility study. Projects and equipment initiatives under the major project threshold of \$1M or the current USD (P&R) published Congressional notification threshold, whichever is greater of facility improvement are developed and prioritized within the Lodge Program, reviewed by the COMNEXCOM Office of Military Services and approved by COMNEXCOM CEO. Major projects are forwarded for Congressional approval through Navy and DoD agencies, in coordination with the annual Navy Exchange Congressional submissions, as required.

5. Procedures, Format and Approval Authority.

a. **Fleet and Family Readiness MWR.** Submission procedures, format and approval of CNIC Fleet and Family Readiness NAF construction projects will follow this instruction and other applicable policies issued by OSD, OPNAV, Navy's MWR and NEX-BOD, NGIS Director's Panel, Navy Installation Command for MWR and as appropriate, the specific NAF construction reporting and the funding approval guidance outlined in reference (h) and the funding approval thresholds in Appendix B.

(1) Project approval authorities are shown in Appendix B, Figure B-2.

(2) Project submissions consist of an initial submission of a project nomination. Forms and instructions necessary to submit MWR and NGIS NAF projects may be obtained through the "Facilities and Acquisitions" page of the Navy MWR website at <http://www.navymwr.org> or on the CNIC Gateway ("G2").

(3) All construction projects will be endorsed by the installation PWO and Regional Engineer or Assistant Regional Engineer prior to nomination to CNIC. Endorsement of the project by providing a signature signifies acknowledgement of the project and is not a final approval.

(4) Fleet and Family Readiness MWR projects are reviewed and approved for execution by CNIC.

(5) Notification of project cancellation to the original approving authority(s) is required for any Fleet and Family Readiness MWR project. Canceled project notifications must be included as part of the next regularly scheduled briefing cycle. Notification for projects approved by Congress must be made per reference (h).

b. COMNEXCOM Projects.

(1) Navy Exchange projects.

(a) Submission procedures, format and approval of Navy Exchange construction projects will follow this instruction and other applicable policies issued by OSD and OPNAV. Specific NAF construction reporting and approval guidance must also be followed, as outlined in reference (h).

(b) Reference (h) provides procedures for combining APFs with private funds or NAF.

(c) Project approval authorities are shown in Appendix B, Figure B-2.

(d) Format for projects forwarded to NEX and MWR Board of Directors and for those forwarded to OSD and Congress for approval follow the guidance provided annually by OSD.

(e) Notification of project cancellation to the original approving authority(s) is required for any COMNEXCOM (NEX or Navy Lodge) project. Canceled project notifications must be included as part of the next regularly scheduled briefing cycle. Notification for projects approved by Congress must be made per reference (h).

(2) Navy Lodge Program projects. Projects with construction components exceeding \$1M or the current USD (P&R) published congressional notification threshold, whichever is greater, are forwarded for Congressional approval and will follow the format prescribed for Navy Exchange projects to facilitate the review and approval process.

c. Commissary Projects. Commissary projects are programmed using commissary surcharge funds by the DeCA. The proceeds from surcharge funds will fund recapitalization or replacement of an existing commissary that is near or at the end of its useful life and may be used to acquire, construct, convert, expand, install equipment in or otherwise improve commissary facilities at defense installations as provided in paragraph 2484(h) of reference (f) and for related environmental evaluation and construction costs, including surveys, administration, overhead, planning and design.

d. International Balance of Payment (IBOP) Areas. IBOP evaluations will be included in the cost estimate and economic analysis for any projects in an IBOP area prior to contract award. All NAF projects are subject to the IBOP requirements as set forth in DoD Instruction 7060.03 “International Balance of Payment Program – Nonappropriated Fund Activities” of 7 December 2005.

(1) NAF construction projects in IBOP areas will be considered for approval only where:

- (a) A serious deficiency exists in morale and welfare facilities at isolated locations, or
- (b) Such projects would clearly contribute to improvement in U.S. balance of payments by diverting expenditures from the local economy.

(2) NAF construction, repair and maintenance projects outside the U.S. will be, to the maximum extent possible, accomplished under procedures that use:

- (a) U.S. contractors, U.S. materials and end products from domestic suppliers.
- (b) U.S. government furnished material and equipment.
- (c) U.S. flag carriers.
- (d) Prefabricated installations and structures manufactured in the U.S.
- (e) Competent, available military labor.

Dollars (in thousands)	0	500	750	1,500	2,000	3,000	4,000	5,000	6,000	7,500	10,000	No Limit
Construction^{1,5}												
NAFMWR ²												
NAFNEX ³												
NAFLODGING ^{4,13}												
Repair¹²												
NAFMWR ⁵⁹												
NAFNEX ⁶												
NAFLODGING ^{7,13}												
NAFMWR (Maintenance) ¹⁰												
NAFNEX (Maintenance) ¹⁰												
NAFLODGING (Maintenance) ¹³												
	Region/Local authority approves		MUIC holder approves & funds									Congress and OSD approves
	CNIC approves and Region or Central authority funds		MWR/NEX BOD approves and NEXCOM funds									NEXCOM approves and funds

Figure B-2. NAF Funding Authority Diagram

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NAF Funding Authority Diagram B-2 Notes

1. Funding authority limits are based on the most recently published USD (P&R) congressional notification thresholds. Projects with a construction component equal to or greater than \$200,000 but less than \$1,000,000 or the current notification threshold if it is greater, are considered minor construction projects. Projects with a construction component exceeding \$1,000,000 or the current notification threshold if it is greater, are considered major construction projects.
2. All MWR minor construction projects require CNIC approval and, if central funds are proposed, MWR and NEX Board of Directors (BOD) approval. All MWR minor construction projects are also included in the annual report to OSD and Congress, via OPNAV and ASN (EI&E). All MWR major construction projects require MWR and NEX-BOD approval prior to submission to OSD and Congress, via OPNAV and ASN (EI&E), for final execution approval. Funding for MWR projects over \$200,000 can be local, regional, central or a combination thereof.
3. All NEX construction projects, below the major construction threshold require COMNEXCOM approval. All NEX minor construction projects are included in the annual report to OSD and Congress, via OPNAV and ASN (EI&E). All NEX major construction projects require MWR and NEX BOD approval prior to submission to OSD and Congress, via OPNAV and ASN (EI&E), for final execution approval.
4. All NAF lodging construction projects require COMNEXCOM approval. All NAF Lodging minor construction projects are included in the annual report to OSD and Congress, via OPNAV and ASN (EI&E). All NAF Lodging major construction projects require COMNEXCOM approval prior to submission to OSD and Congress, via OPNAV and ASN (EI&E), for final execution approval.
5. All MWR repair projects below \$1,000,000 can be regionally funded and approved. MWR repair projects \$1,000,000 or greater require CNIC Fleet and Family Readiness Program (N9) approval and, if central funds are proposed, MWR or NEX-BOD approval. Funding for MWR repair projects can be local, regional, central or a combination thereof.
6. Repair projects to maintain NEX-occupied facilities are the responsibility of the MUIC holder. Retail mission specific NEX repair projects that are NAF funded require COMNEXCOM approval. All NAF NEX projects \$1,000,000 or greater also require MWR and NEX BOD approval.

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7. COMNEXCOM approves.
8. Project amount approved by OSD and Congress must not exceed that amount by more than 25 percent. CNIC and COMNEXCOM may approve increases up to 125 percent of the original approved amount. Increases higher than 125 percent must be resubmitted to OSD for approval.
9. All MWR category A, child development center and school-age care repair projects as well as repairs to other MWR facilities that should normally be funded from APF (structural, mechanical, electrical, plumbing, building envelope, etc. or solely to correct accessibility, life, safety or health deficiencies) must have documented non-availability of APFs, as well as ASN (EI&E) waiver approval, to use NAF in place of APF, prior to commitment of NAF. See reference (g) and note 12.
10. APF must be used for all maintenance of NAF facilities other than NAF Lodging, golf courses, golf course structures and other than golf clubhouses and follows APF approval authority guidance. APF will be used for maintenance of all NAF NEX facilities except where a COMNEXCOM real estate instrument dictates otherwise. See reference (g).
11. Refer to Chapter 4 and Chapter 8, for additional policy regarding work classified as Construction.
12. Refer to Chapter 4 and Chapter 8, for additional policy regarding work classified as Repair.
13. Refer to Directive Type Memorandum (DTM) 18-007 – Conversion of DoD Temporary Duty and Permanent Change of Station Lodging to Fully Nonappropriated Fund Operations, Maintenance and Construction, effective date November 21, 2018, for specific information.