CHAPTER 7
Leasing Real Estate

Another major mission of the U.S. Army Corps of Engineers was to provide real estate services for American troops in the theater. This was particularly important in Operation DESERT SHIELD/DESERT STORM because American forces relied so heavily on support from the host nation. Leased facilities were necessary to provide beds and sanitation facilities for the incoming troops. The United States had no authority to take property through eminent domain, so Corps real estate specialists had to negotiate leases with property owners. Besides processing leases, real estate personnel often prepared "intent to lease" letters, allowing the military to occupy a tract of land or facility before the formal lease had been signed. Through its real estate activity, the Corps successfully provided a wide range of facilities critical to the effective operation of U.S. forces.

Initial Deployment

The use of civilian real estate specialists in contingencies was not new for the U.S. military. The Army had used them in the Dominican Republic, Lebanon, and Grenada and in Panama during Operation JUST CAUSE. When Operation DESERT SHIELD began, the Corps' top real estate official, Barry Frankel, knew instantly that real estate would be a problem. He was concerned that the role of the two Army Reserve real estate detachments was unclear. No doctrine existed concerning real estate activities that defined the role of civilians and determined when the military took over. Without such doctrine, training the real estate detachments proved difficult.[1]

In 1987 when MEAPO began contingency planning with Third Army, Corps officials recognized the potential need for a real estate capability. Since MEAPO had no real estate expertise, the South Atlantic Division assigned the real estate mission in the Middle East and Africa to the Savannah District. The district signed a memorandum of understanding with MEAPO, agreeing to provide the full range of real estate services. It had preexisting authorities to lease housing, warehouse space, and other facilities and to pay damage claims. Savannah officials quickly consulted with real estate specialists who had previously worked in the Middle East. They also formed a team of six real estate specialists and appraisers who could deploy to the Middle East on short notice and instructed them on local customs and leasing procedures.

When the Iraqi invasion occurred, however, the Savannah District had not yet tested its plans. The district found that it did not have a good package containing forms and authorities to give deploying personnel, so South Atlantic

Division's chief of real estate, Al Posner, asked Mobile District real estate specialists to develop a package of important information based on their experience in Operation JUST CAUSE. Savannah District placed two real estate specialists on alert ready to deploy to Saudi Arabia as soon as MEAPO issued the order.[2]

The first to deploy, John R. "Rick" Thomas from Savannah District, accompanied Lieutenant Colonel Cox to Saudi Arabia on 17 August to lease billeting for as many troops as possible. As the only real estate specialist in the theater, Thomas worked long hours. Savannah District's chief of real estate, Jim Ellis, followed five days later. Before departing, he requested that the rest of the district's real estate team deploy. By late August, the team of six was operating out of the Dhahran Area Office.[3]

The first lease was for a warehouse in Dhahran for an Army medical unit. Another early requirement came from the Marines when General Boomer asked the Corps to lease housing for some of his troops. The Marines wanted their own designated real estate specialists to represent them. A small group of Corps real estate specialists traveled to the forward area on 31 August to help the Marines. By early September, the Corps was receiving requests for real estate support from all the services.[4]

In the first months, real estate specialists in the Dhahran Area Office worked 12 to 16 hours a day, seven days a week, under great pressure to lease facilities quickly. Initially, Saudi property owners or their agents took real estate specialists who were unfamiliar with the city to inspect properties. Most of these Saudis spoke English, which improved communication. Lease documents were printed with English and Arabic text side by side. The Dhahran Area Office personnel leased a variety of facilities for billeting, equipment storage, and maintenance. For example, they leased the Saudi Automotive Service Company facility, where the Army Material Command's support group rebuilt transmissions, engines, and major assemblies on expensive, high-tech military vehicles.[5]

By late August, the Army had 15 real estate leases—primarily for warehouses, compounds, and other facilities—at a cost of $1.5 million. With the rapid deployment, there were not enough Saudi facilities to meet the requirements. Pagonis noted that billeting remained a top priority directly affecting the soldiers' health, welfare, and morale. He and his staff anticipated that real estate requirements would increase with the influx of nondivisional troops. With Saudi resources already "severely strained," he observed, the United States would have to obtain real estate and facilities through civilian leases. By the first week of September, Pagonis reported 10,000 to 12,000 soldiers were being housed in leased facilities; 8,000 to 10,000 more were at the air base in Dhahran. Many were in large complexes that had been build in the 1970s and 1980s to house foreign laborers.[6]

In mid-September, Pagonis' support command reported that real estate leasing was the dominant engineer activity. The United States had leased 90 percent of the immediately occupied compounds. Compounds still being negotiated would not be livable for weeks. The support command found housing for 2,000 troops a week—four leases per week each averaging 500 persons—but 7,000 to 14,000 soldiers arrived each week, creating a tremendous backlog. Throughout September host nation assets remained strained and the backlog increased. By 4 October MEAPO(SWA) had completed 44 leases representing nearly 32,000 billets at a cost of more than $45 million.[7] By mid-October the real estate staff included 18 Corps members and three clerks hired locally.[8]

Leasing Authorities

Corps real estate specialists had a delegated authority from the Deputy Assistant Secretary of the Army for Installations and Housing. Title 10, U.S. Code, Section 2675, provided leasing authority. In April 1987 the Army established a policy requiring the Assistant Secretary of the Army for Installations and Logistics (now Installations, Logistics, and Environment) to approve all foreign leases with an estimated annual rental of more than $50,000 and a firm term of more than a year. Delegation of leasing authority for the Persian Gulf operations went from the Assistant Secretary to the Chief of Engineers and his director of real estate, and then to the commander of the South Atlantic Division and his chief of real estate. From there, authority went to the Savannah District engineer and his chief of real estate who could redelegate that authority to whomever he chose, except to military personnel because they lacked the training and expertise.

By mid-August, Corps officials realized that their real estate specialists in the theater had not been delegated enough authority. The South Atlantic Division requested authority to execute leases without the approval of the Deputy Assistant for Installations and Housing, Paul W. Johnson, and to let the Savannah District's chief of real estate redelegate his authority to sign leases to an authorized representative. This enabled Corps officials in the theater to sign the leases and respond effectively to mission requirements.

Initially contracting officers could only sign leases up to $50,000 annual rental. That authority proved to be inadequate. As the situation became more urgent, Johnson delegated to the Chief of Engineers, the South Atlantic Division commander, the Savannah District engineer, and their respective real estate chiefs the authority to execute leases in foreign countries up to $250,000 annual rental and up to five years firm term. Corps personnel had to forward a report on such leases to the real estate directorate in Corps headquarters and to Johnson's office within 90 days of execution.[9]

Lieutenant Colonel Cox quickly responded that Johnson's delegation of authority was "totally unacceptable" to General Pagonis and did not "stand the test of common sense." At Pagonis' request, Cox urged the Corps to seek relief from this $250,000 cap. Troops arrived daily with no operating areas or housing available, he explained, and the Saudi Arabian government had its own substantial requirements for facilities. The Corps' Dhahran office had to lease warehouse space and billeting and maintenance facilities for echelons above corps and corps logistics units as an alternative. It was currently working on 15 leases, all critical, Cox reported, and only three of these would fit under the $250,000 cap. A year's rent for just one compound could equal $2 million.

"We are attempting (as much as one man can do) to analyze the market, negotiate firmly, and get the best possible deal," he explained. "But the bottom line is we are in a sellers' market." MEAPO officials warned that Corps personnel in Saudi Arabia urgently needed authority to execute leases of more than $250,000. "Absence of this authority," they observed, "is seriously degrading MEAPO credibility with ASG [Area Support Group] commander, Major General Pagonis."[10]

At the Corps' request, on 21 August, Johnson delegated to the Chief of Engineers, the South Atlantic Division engineer, the Savannah District's engineer, and their respective real estate chiefs the authority to execute leases in foreign countries up to $2 million annual rental and up to one year firm term. For any lease longer than one year, ARCENT had to determine that it was necessary in support of Operation DESERT SHIELD, and Johnson had to approve it. Cox responded that even the $2 million limit was inadequate and pleaded for a minimum authority of $4 million to $5 million.[11]

Despite Pagonis' and the Corps' pleas, Johnson retained approval authority for leases costing more than $2 million. In response, the South Atlantic Division set up procedures to expedite the approval process. For leases costing more than $2 million, the Dhahran Area Office staff faxed the request to their counterparts in Winchester, Virginia, who in turn faxed it to the real estate office at Corps headquarters in Washington, D.C. An individual from headquarters hand carried the request to Johnson's office in the Pentagon for approval. The approval process usually took only six or seven hours. The Assistant Secretary's staff members were very cooperative. They even gave the Corps real estate personnel their home phone numbers in case approval was needed after business hours. Johnson granted authority on 11 occasions, each within a 24-hour turn around.[12]

Processing Requirements

The system for processing real estate requirements was less centralized than the system for processing construction requirements. Army troop units generated the real estate requirements, and the field commander sent them to the terrain manager in the area support group that was responsible for validating the requirements and establishing priorities. All requests had to be approved by Colonel Stephen Koons and his staff, who sat at a table in the center of the large auditorium where Pagonis' support command staff operated at the Dhahran air base.

After Koons' approval, the requirement went to the host nation support desk (located in the same auditorium) manned by a Saudi colonel, Khalaf M. Al-Shammari, and Colonel Roger Scearce who determined whether a Saudi military facility was available to fill the requirement. If not, the requirement went to the support command's engineer desk that tasked the Dhahran Area Office to locate and lease the necessary real estate. If an Army unit submitted a lease requirement directly to the Corps without the approval of the area support group, the Corps returned the requirement for formal approval before initiating leasing procedures.[13]

Initially the support command engineers worked with Pagonis and the user to determine priorities. Priorities changed daily, sometimes even hourly. Pagonis had tremendous real estate requirements—most of them in Dhahran—which he spelled out in his daily briefing. The support command gobbled up 95 percent of the Corps' real estate resources.

At a meeting with Colonel Miller on 19 September, Pagonis indicated that he wanted to validate each requirement personally and assign its priority. After lease negotiations were completed, he wanted to approve the funding. Responding to this guidance, the ARCENT engineer and MEAPO(SWA) representatives met with terrain managers for the Army's major commands to discuss procedures for setting priorities, managing leased facilities, and processing leasing requests. The Dhahran Area Office staff did not set priorities or validate requirements. They simply kept Pagonis informed on the status of real estate actions, and he rearranged or confirmed those priorities.[14]

When the requirements climbed from 2 or 3 to 50, officials looked for a better process to sort out the priorities. They developed a detailed priority list. The list grew to 80 items at one point, and so many entities became involved—such as the XVIII Airborne Corps, 593d Area Support Group, Dhahran Area Support Group—that they established a weekly meeting.

Each Thursday terrain managers for all the major commands, Pagonis' engineer staff, and Corps real estate specialists sat down at a large conference table where they reviewed the list and recommended priorities. The next day the list went to Pagonis for approval, and once approved, it became the priority list for the week. The following Thursday, the group met again to modify the list and integrate new requirements that they added to the bottom of the list unless Pagonis directed differently. Through their terrain managers, every major command could vote on the list.[15]

The Dhahran Area Office presented the proposed lease to Pagonis before the lessor signed it. Pagonis then determined if the priorities had changed. In one instance, office personnel negotiated a lease for a cold storage plant with an operating crew of 20. By the time they presented the lease to the general, he had other more pressing requirements, so he directed them to put the cold storage lease on hold.

After determining priorities, Pagonis' engineers gave MEAPO(SWA) a directive with a fund source. After the ARCENT SUPCOM directed the Dhahran Area Office to lease a facility, its real estate specialists had authority to contact the units directly to determine their needs and execute a lease. At first, there were not enough Corps real estate specialists to identify potential rental properties and keep up with the paperwork, so they relied on troop units to identify places that they believed would meet their requirements.[16]

Although Corps real estate specialists leased properties primarily for the Army, they also supported the Navy and Marine Corps. The Air Force handled its own real estate requirements. At the direction of Colonel Miller, the Dhahran Area Office responded to Marine requirements immediately, so they never had to be raised to the CENTCOM level. Colonel Miller assigned Terry McGivern as his liaison with the Marines. Real estate specialist Bob Dragonette later traveled to Jubail to support the Marines and Navy. He also helped a Marine air wing in Bahrain lease housing and warehouse space. In addition, the Corps assigned one real estate specialist to support the Navy in the United Arab Emirates and another to handle Navy real estate actions in Bahrain. At the request of the Navy, the Corps leased two plots of land at the Port of Fujairah in the United Arab Emirates. The Navy and Marines provided their own funding and did not compete with the Army for scarce real estate funds.[17]

Lease Negotiations

Corps personnel negotiated real estate prices with property owners in strenuous sessions that could last up to five hours. Specially trained appraisers prepared a government estimate of the property. The appraised value was the guidepost. If the negotiated cost was more than 20 percent over the appraised value, the unit requesting the property and the Dhahran Area Office had to justify the cost to Pagonis.

Over time, real estate specialists based their appraisals both on the nature and size of the actual facility and, some contend, on the number of soldiers who could live there. Saudi Arabia had many vacant facilities designed to house hundreds of laborers. The Saudis had experienced a construction boom in the 1970s and early 1980s, but the boom ended and the work force disappeared. Soldiers occupied space differently than previous tenants had; 2,000 soldiers could possibly live in space that normally housed 500 tenants.

As a basis for evaluating a lease before final approval, Pagonis sometimes wanted to know the cost per person. Property owners also wanted to base their negotiations on the capacity of the facility. Although Corps real estate officials claimed that they emphasized the quality and location of the facility in evaluating the cost and never allowed capacity to be the determining factor, at Pagonis' request they occasionally determined the cost per person per day. They developed an acceptable range of value—$2.00 to $15.00 per day per person. Leases averaged about $5.00 per day per person. Property owners eventually became aware of the cost-per-person factor and began asking how many people the United States planned to house in the facility. They multiplied this figure by $10.00 to $15.00 per day and used this figure as their starting price.

As Operation DESERT SHIELD dragged on, Corps real estate specialists found it increasingly difficult to lower excessively high prices through negotiations. Occasionally, Pagonis personally intervened in lease negotiations when he believed the price was too high and the facility was large and important. The general had his attorney present who reminded him that he could not threaten to take property through eminent domain, but he managed to at least leave the impression that he could and would do so.

Even with the implied threat, Pagonis did not always succeed in lowering the price. Sometimes in frustration he appealed directly to Brigadier General (Prince) Turki Bin Nasser Bin Abdul Aziz, the commander in Saudi Arabia's eastern province, to help lower the prices. He provided information about leasing problems at regularly scheduled meetings with Prince Turki and his staff, and after the meeting the prince's staff called the property owner. Not long after, the owner would inform the Dhahran office staff that he had decided to lower his price.

Pressuring property owners worked well initially, but after late October, the threat of an Iraqi invasion of Saudi Arabia had diminished. Pagonis could no longer use the implied threat that war was imminent and he would take the property through eminent domain.[18]

General Pagonis approached negotiations with his characteristic shrewdness and energy. The general observed that as property owners negotiated with him in his office, they fingered strings of "worry beads." He decided to acquire his own worry beads, and as the next round of negotiations began, he pulled them out. As soon as he did this, the tension in his office eased and stalled negotiations began to move forward. In Saudi culture, being an effective negotiator was a valued skill, and Pagonis maintained that the worry beads helped him negotiate a lower price.[19]

The law of supply and demand drove costs up, and cultural factors made leasing difficult. The Saudis who had been bartering for thousands of years were astute negotiators. Colonel Braden compared the leasing process to telling an automobile dealer that you were going to buy a certain car before discussing the price. Corps real estate specialists were not able to shop around for the best deal. Braden suggested that the United States create a multiple listing service to better match military units with available facilities.[20]

Negotiating leases was further complicated because no one knew how long U.S. troops would need the facilities. The Joint Chiefs of Staff established an interim policy limiting to 60 days the term of contracts in support of Operation DESERT SHIELD. Yet most Saudi property owners refused to lease their property for less than a year. Real estate officials recommended that leases be exempt from any 60-day restriction. The delegation of authority to execute leases in support of Operation DESERT SHIELD specifically authorized leasing up to one year in support of the operation. In most of the previously negotiated leases, the United States had agreed to pay one year in advance, with rental reimbursement if the lease was terminated early.

Real estate officials struggled to reduce the amount of rent that the United States had to pay up front because they believed that money would be difficult to recover. They tried to include a provision in leases requiring an irrevocable bank letter payable to the United States if the lease was canceled. Real estate officials noted that the administrative costs of renegotiating leases every 60 days would be significant. They also warned that if U.S. military requirements extended beyond 60 days, they might not be able to lease the facilities at any price because of the increasing competition for available property.

Barry Frankel complained that the restriction would "tie our hands as far as ability to be responsive." The restriction would also make it impossible to do planned construction unless the host nation provided the land because the United States did not want to invest large sums of money in renovating property that it could only use for 60 days. He added that the costs of leases increased dramatically as the lease terms decreased. The usual practice in Saudi Arabia was payment of one year's rent up front with the promise of reimbursement if the lease was terminated sooner. Real estate specialists tried to negotiate six-month cancellation clauses whenever possible.[21]

Pagonis made leasing a top priority and strongly supported the Corps' efforts. In an October meeting he indicated that because of the increased buildup, the Corps had to acquire 30 to 40 properties within the next 20 days to handle the flood of incoming troops. Corps real estate specialists successfully met Pagonis' challenge negotiating 40 leases in 17 days—3 days before the deadline. MEAPO(SWA)'s goal was to complete one lease a day. The peak activity occurred from 17 October to 1 November when real estate specialists averaged 2.8 leases a day.[22]

308th Engineer Detachment (Real Estate)

Despite their best efforts in those early months, Corps personnel could not keep up with the mounting real estate requirements. They enlisted the support of the 416th Engineer Command and the three real estate units attached to it. On 20 September, Barry Frankel and his staff met in Washington with Claudette Tucker, Savannah District's real estate liaison to MEAPO, and Major Salvatore "Mike" Cremona of the 416th to discuss real estate support to Operation DESERT SHIELD and other contingencies.

Frankel candidly observed that the three real estate detachments might not be trained adequately for Saudi Arabia and might unwittingly violate prescribed procedures. Frankel added that the Army reserve component held a potentially invaluable source of real estate support, and that Corps headquarters and the 416th Engineer Command should work together to develop a viable program. Frankel and the other participants concluded that the current structure of real estate detachments did not meet the requirements of the theater and lacked training and expertise in real estate and acquisition.[23]

In early October, the 308th Engineer Detachment (Real Estate), an Army Reserve unit headquartered in Bismarck, North Dakota, received the mission to provide theater real estate support for CENTCOM units in the Persian Gulf. Real estate officials from Corps headquarters trained the detachment before it deployed. A three-person team including Jim Ellis who had just returned from Saudi Arabia; Denise Titus, the chief of Savannah District's real estate acquisition branch; and Jerry Leiss, Frankel's chief of realty services, visited the 308th's headquarters and provided a concentrated two-day training course.

The real estate detachment was at full strength, but many of its members had only recently enlisted. Only four or five had received the basic real estate mobilization course. The 308th helped the Dhahran Area Office organize its real estate records. Some of the officers were trained to help with lease negotiations.[24]

A 16-member detachment from the 308th—5 officers, 3 noncommissioned officers, and 8 enlisted personnel—under the command of Major Thomas M. Senger, was called into active service on 11 October and deployed to Saudi Arabia on 30 October. The commander of the 416th Engineer Command's forward element, Colonel Alan J. Berg, put the detachment to work acquiring and disposing of real estate; managing contracts and agreements; investigating, processing, and settling real estate claims; and supporting forward deployed troops as required. Berg indicated that the engineer detachment would be under MEAPO(SWA)'s operational control and that it had the authority to coordinate directly with other Army units to accomplish its tasks.

Since the detachment had no leasing experience or delegated leasing authority, Colonel Cox searched for a way to use the unit and integrate it into the Corps' operations. He wanted the 308th to have a unit mission rather than just fill in as needed. Cox had the soldiers conduct real estate surveys. This involved going back to all the leased properties and documenting their condition with video cameras, still photographs, and written reports so the Corps had a complete record of the original condition when it turned the facilities back to their owners. Normally such surveys were done before a unit moved into the facility, but the Dhahran Area Office staff had not had the time.

Cox also gave the real estate detachment the task of mediating problems with leased facilities—such as sinks that would not drain. The soldiers established a customer service center to perform that mission. The 308th also developed a detailed computerized inventory of all properties, host nation provided and leased facilities, within Saudi Arabia, which the Directorate of Engineering and Housing personnel were using. The data base was particularly valuable later when the Dhahran Area Office closed out the leasing operations. Cox also ensured that officers from the 308th worked alongside his staff to gain some experience negotiating leases.

With the beginning of Operation DESERT STORM, a major real estate mission developed at King Khalid Military City. Cox sent three soldiers from the real estate detachment to work with Captain Adams and handle leasing actions in that remote northern area. The soldiers spent two months working on water well issues and helping the Army's host nation support element deal with the local emir.[25]

In sum, the 308th Engineer Detachment effectively supported the Dhahran Area Office by managing contracts and agreements, investigating claims, maintaining records, and preparing reports, thus freeing the office's real estate specialists to concentrate on negotiating and awarding contracts. The unit remained in Saudi Arabia until 4 April 1991. This was the first time that a real estate detachment and civilian real estate specialists had worked together on a mission. Bob Dragonette, who served as the Dhahran Area Office's chief of real estate from March to May 1991, characterized the association between the 308th and the Dhahran Area Office as "a very good marriage."[26]

Host Nation Leasing Support

The implementation plan for host nation support stipulated that the government of Saudi Arabia would provide facilities for U.S. troops, but at the time the agreement was signed, the Saudi Arabian government was ill prepared to take over the real estate leasing mission. The Saudi military had no experience or organization ready to lease real estate. Saudi troops were in the field preparing for war, and few could be dedicated to real estate work. The Saudi Arabian government devoted only three officials to this full time—an air defense officer, a helicopter pilot/engineer, and a medical service corps officer—none of whom had any experience leasing real estate.

On the day the Saudis signed the host nation support agreement, no procedures were in place for how the system would work. The Dhahran Area Office staff, who had worked feverishly 20 hours a day to meet General Pagonis' challenge to lease 40 properties in 17 days, became discouraged when the Saudis took over after 11 November and real estate work came to a standstill. Saudi officials, for their part, questioned why U.S. troops did not simply camp in the desert. They also wanted to know why the troops needed facilities in the built-up areas, even though Cox explained that troops lost efficiency in the desert. Moreover, the Saudis believed the United States had been paying too much for rental properties.[27]

As might be expected, Saudi officials insisted on being directly involved in acquiring leases since they would be paying the rent. On 2 November, the Dhahran Area Office referred three lease actions that had been negotiated to an acceptable price and approved by the ARCENT SUPCOM to a Ministry of

Defense and Aviation representative, Captain Ossaimy. The office asked for quick approval. At the ministry's request, the office provided government estimates, location maps, renovation requirements, services and facilities provided by the lessor, and payment terms. The next afternoon Ossaimy indicated that he and two officers wanted to visit the sites of the three leases. In addition, he wanted a Saudi representative to participate in all the Corps' future real estate negotiations.

After visiting the sites, the Saudi representatives announced that they planned to reopen negotiations. Tommy R. Hill, the Dhahran Area Office's chief of real estate, arranged the renegotiation appointments. Ossaimy and two other officers attended these meetings, along with a Corps real estate specialist. Despite Hill's insistence that all negotiations be conducted in English, the Saudis conducted these meetings in Arabic. The lessors later reported that the Saudi officers had asked them to lower their rentals based on duty to their country, not on real estate values. One owner claimed they asked him to submit a signed contract with the amount left blank to be filled in later at the Ministry of Defense and Aviation's headquarters in Riyadh.

Saudi officers insisted that the Dhahran Area Office's real estate specialists use similar methods to get lessors down to the lowest rate possible and then turn the negotiations over to them. Hill, however, argued that only one party should negotiate with the lessors. "If we continue with these procedures," he warned, "the real estate leasing program will come to a virtual standstill." Hill recommended limiting Saudi involvement to reviewing and concurring with the government estimate. The Saudis and the Dhahran Area Office staff should agree on a set percentage that they would negotiate to on all leases before approving. Once a price was negotiated within this percentage, the Saudis should automatically approve the price and a lease would follow.[28]

As the Ministry of Defense and Aviation assumed responsibility for negotiating leases, the Corps redefined its own role. The Dhahran Area Office's real estate branch now acted as the theater's single point of contact between the ministry and U.S. troop units that needed facilities and provided all technical data needed to negotiate the leases. It tried to ensure that the property was acquired quickly and met the troop unit's requirements. After the lease was executed, the Corps continued to serve as the point of contact for the units to resolve leasing problems.[29]

The Corps developed new procedures to meet leasing requirements. The Dhahran Area Office staff prepared the lease package with the facility requirement and the appraisal (the government estimate) and then handed the package over to Saudi officials who conducted the negotiations. The Dhahran office helped them prepare a lease agreement, and local representatives from the Ministry of Defense and Aviation referred these leases to their superiors in Riyadh for approval and execution.

In instances where the Corps and the lessor had already agreed upon a price, Saudi officials often renegotiated to lower that price. Unfortunately, in their eagerness to lower prices, they sometimes negotiated away a key part of the facility or access to the facility that the troop unit needed. Saudi negotiators excluded Corps personnel by sending them out of the room during negotiations or by conducting the negotiations in Arabic. The Saudis also objected to the leasing forms that the Dhahran Area Office had been using with English on one side and Arabic on the other. The Ministry of Defense and Aviation did not use the Corps' lease agreements but simply attached them to the Arabic contracts that they had the lessors sign.[30]

By mid-November CENTCOM's real estate priority list contained 71 unfulfilled requirements and was growing rapidly. Although billeting made up most of the list, the warehouses, operation areas, and maintenance facilities got priority. Worried unit commanders complained that the backlog jeopardized their mission. Although the Saudis continued to conduct the negotiations, Corps personnel again became heavily involved in leasing activity. They identified requirements, located properties, estimated real estate values, secured price proposals from property owners, and prepared documentation.

Record keeping, lease and utility payments, and lease administration became increasingly difficult for the Ministry of Defense and Aviation. It increased its real estate office from three to five, but this small staff could not keep up with the mushrooming requirements. MEAPO(SWA) assigned a real estate specialist to each Saudi officer to improve coordination and communications.[31]

The ministry's own practices caused additional delays. Its approach was first to locate available properties and then identify individual troop units that could occupy those properties. This approach ignored the units' own efforts to locate facilities and required units to revalidate the requirements for the ministry's personnel and evaluate as many as five alternatives before finding suitable facilities.

Army operations came under increasing strain as the backlog of real estate actions mounted. General Pagonis warned the ARCENT deputy commander that the situation would worsen as troops from VII Corps deployed. He recommended that the Ministry of Defense and Aviation increase its local staff and first negotiate for the property that units had identified before moving to alternatives. If these changes did not occur, Pagonis persisted, he would have to enlist MEAPO(SWA) to acquire the property and use U.S. funds, seeking reimbursement from the Saudis later.[32]

The situation became so critical that on 25 November 1990, the commander of the Navy forces in the Gulf directed the use of U.S. funds for Navy leases. At the same time, General Pagonis approved, case by case, the use of U.S. funds to lease critical facilities. He directed MEAPO(SWA) to resume negotiations to reduce or eliminate the backlog that had accumulated since 1 November.

MEAPO(SWA) representatives discussed the problem with Saudi officials and offered to continue helping them gather unit requirements, government estimates, and written proposals, as it had done for the previous three weeks, but also to negotiate the lease for them. MEAPO(SWA) would then present the "final" negotiated lease to the Ministry of Defense and Aviation's local representative.

If he approved the lease proposal, he would forward it to Riyadh for the Ministry of Defense and Aviation to approve and lease. If the proposal was rejected, MEAPO(SWA) would use U.S. funds, write a U.S. lease, and later seek reimbursement from the Saudi government. Although the ministry's local representatives insisted they would not approve any of these negotiations, MEAPO(SWA) was determined to resume a rapid leasing program until directed to go back to ministry leases or until U.S. funds ran out.[33]

For a brief period the Corps used U.S. funding for some critical real estate and sought reimbursement from the Saudis, but when Pagonis realized how expensive this would be, he went back to Saudi funding. On 29 November, just as MEAPO(SWA) personnel were ready to present two high-priority leases for U.S. funding, Pagonis directed them to hold off leasing for 48 hours.

The services remained frustrated by the "lack of action" on their lease requirements. Between mid-August and 1 November, when the Saudis assumed responsibility for real estate leasing, the Corps had completed more than 90 leases. By the end of November the Saudis had completed only 9 leases. In Saudi Arabian culture, haggling with property owners was a way of life, and price was more important than meeting the requirement. Finally, the Saudi government had the power to negate negotiated leases if it did not like the terms. By early December, unfilled lease requirements were having "a negative impact on mission efficiencies."[34]

Lease Assignment

The host nation support agreement also raised the difficult issue of lease assignment—transferring existing lease agreements from the U.S. government to the Saudi Arabian government. A proposed lease assignment agreement went to CENTCOM on 5 December for final review and presentation to the Ministry of Defense and Aviation. Under the host nation support implementation plan, the United States needed to assign 84 existing leases to the Saudis. Some leases could not be assigned because the original lease specifically prohibited this.

On 12 December, CENTCOM's staff judge advocate reviewed the draft assignment form and made several changes. A few days later, General Pat Stevens transmitted the form to the Saudi ministry. Saudi officials objected to the paragraph that stated:

> ***The Kingdom of Saudi Arabia does hereby remise, release, and forever discharge the U.S. government, its officers, agents, and employees from restoration, damage, and waste, and from all manner of actions, liability, or claims against the U.S. government, its officers, agents, and employees arising out of said lease and the occupation by the U.S. government of the leased property.***

On 5 January, Stevens resubmitted the form with this paragraph excised, but Saudi officials remained dissatisfied. They then objected to the clause stating that the Saudi government agreed to perform all duties and covenants contained in the lease.[35]

General Stevens resubmitted the revised form to the Ministry of Defense and Aviation on 26 January, and this time the ministry accepted it. Saudi officials agreed to comply with the terms of the existing leases to include payment of rental costs, water and electricity, and maintenance of the leased areas. Yet, they reserved the right to renegotiate the terms of the lease in accordance with Saudi laws, provided that renegotiation did not require any American military unit to vacate the leased premises. No lease would be canceled before it expired unless the leased premises had been vacated and the U.S. government agreed to the cancellation.

But the issue did not die. A few weeks later Brigadier General Addul Aziz Al-Hussein, director of the Ministry of Defense and Aviation's Joint Forces Support Unit, reiterated that the transfer agreement must contain the clause, "that the government of the KSA [Kingdom of Saudi Arabia] reserves the right to alter/change the contracts or cancel them, and/or negotiate their prices without jeopardizing the availability of real estate based on regulations adopted by the KSA." General Stevens had previously rejected this provision.[36]

The lease assignments process continued to falter. By the end of the ground war in late February, the Ministry of Defense and Aviation had not signed any of the 21 lease assignments that CENTCOM had transmitted. In the first half of March, it accepted 27 lease assignments. It did not accept any lease with rent due, though it had not officially indicated that the status of rental payment was a criterion for acceptance.

Faced with the ministry's failure to accept lease assignments where rent was due, Cox and Miller took a firm stance. They decided that the United States would not pay any further rent. Savannah District officials objected, arguing that this decision could jeopardize the use of leased facilities by U.S. troops. Rather, they suggested, the United States should continue to pay the rent until the Saudis accepted the assignments. Failure to make the payments, the real estate specialists warned, would do nothing to encourage the Ministry of Defense and Aviation to accept the lease assignments but would put the United States "in bad standing" with the lessors.

On 13 March 1991, the United States forwarded 59 lease assignment agreements to the ministry for acceptance. The rest of the 82 leases requiring assignment contained language restricting assignment without the lessor's approval. The Dhahran Area Office's real estate specialists were negotiating assignment approval with these lessors.[37]

Another thorny problem was the Ministry of Defense and Aviation's failure to pay utility and service bills for leased sites. The original rental agreements required the U.S. government either to pay the bills directly or to reimburse the lessor. Under the host nation support agreement, the ministry was obligated to pay for these utilities and services when such payments were stipulated in the lease. The Dhahran Area Office forwarded the bills to the ministry's representative in Dhahran, but the ministry did not pay them. By 20 February, 39 utility bills, totaling roughly $290,000, were outstanding. Complaints mounted. If the Ministry of Defense and Aviation did not pay the utility bills, the lessor's only option was to discontinue service.[38]

There were other signs that relations with the Saudis were becoming strained. Colonel Khalaf M. Al-Shammari, director of the Joint Forces Support Unit's eastern province branch, indicated that any contracts signed after 1 November 1990, without prior approval of his branch, fell outside the host nation support agreement, and the Saudi government would not reimburse the United States for them. In effect, the Ministry of Defense and Aviation denied responsibility for leases for which a letter of intent was signed before 1 November 1990 but the actual lease agreement was not executed until after that date. The ministry continued to refuse to accept the lease assignments and make payments on the assigned leases. It also refused to terminate leases on properties that U.S. forces vacated and attend termination inspections.

Meanwhile, as Miller and Cox had directed, the Dhahran Area Office personnel refused to make further payments on leases transferred to the Ministry of Defense and Aviation for assignment. Lessors increasingly pressured the office to make these payments. Rather than deal with the angry lessors, the ministry had simply referred them to the Dhahran Area Office, which led the officials to conclude, "The intent of the host nation agreement is being defeated by middle managers in the system."

Several lessors took legal action against Tommy Hill who had served as the Corps' top real estate official in Saudi Arabia. Attorneys representing the owner of the Saudi Catering Compound warned that unless someone paid $128,000 in delinquent rent by 8 June 1991, they would take legal action. The property owner argued that any attempt by the United States to assign the lease obligations was invalid because there was no privity of contract between himself and the government of Saudi Arabia.

On 3 June 1991, a representative of Redec-Daelim Company delivered a summons to the Dhahran Area Office for Tommy Hill—who by then had returned to the United States—to appear in court on 8 June 1991. The company had been due a second rental payment of $80,000 on 4 May. Since the Ministry of Defense and Aviation had accepted the lease on 8 April, the Dhahran Area Office refused to make the payment.

On 6 June 1991, ministry officials returned 18 leases that they had previously accepted to the Dhahran Area Office, with a letter from Colonel Al-Shammari indicating that the ministry would not accept such leases until the United States paid all the rent due on them. The MEAPO deputy commander, the Dhahran Area Office commander, and their legal and real estate specialists agreed to present a proposal to General Pagonis that the Dhahran office would resume paying rent, arbitrate all leases to which it was a contractual part, and try to terminate leases no longer required. When the Corps briefed Pagonis on 8 June, he remained firm. The Saudis agreed to pay for facilities under the host nation support agreement, he insisted, and they should comply.

In May 1991 it was determined that if the Saudis did not make the delinquent lease payments, the U.S. government was responsible for those payments due to privity of contract with the lessors. The U.S. government paid the outstanding rent to the Saudi property owners in June 1991.[39]

An added complication in implementing host nation support was the rapid turnover in the Corps real estate personnel who deployed on a 90-day tour of duty. Between August 1990 and February 1991 three different people—Jim Ellis, Tommy Hill, and Lon Larson—served as the Dhahran Area Office's chief of real estate. Under the host nation support program, Corps real estate specialists worked with Saudi officials on a daily basis in all phases of lease acquisition and management. For that effort to succeed, Tommy Hill warned, Corps and Saudi personnel had to develop a level of professional trust that was hard to achieve in a short time. Working relationships suffered because the Saudis knew the Corps representative would only be there a short time. To complicate matters, Saudi and Corps personnel rarely communicated in writing about pending lease actions. Rather, communication was verbal.

Hill stressed that personnel had to be committed to the program longer than 90 days to maintain an effective business relationship. The Dhahran Area Office's commander eventually requested some permanent change of station positions in real estate and other areas, but he never received them. From March 1991 to March 1992, the Corps had five real estate chiefs—Bob Dragonette, Bruce Bringman, Jim Simpson, Denise Titus, and Tony Sousa.[40]

Leasing During Redeployment

With the outbreak of hostilities in mid-January, the real estate program encountered new difficulties and the number of leasing actions declined. The Dhahran Area Office personnel had increasing problems contacting lessors and prospective lessors. Work came to a standstill on one "build to lease" compound. The lessor had left the area and refused to tell the Dhahran office how to contact him. The maintenance contractor at another compound told the office he could no longer honor his contract because his workers were fleeing. Soldiers from the unit leasing the compound met with the contractor and convinced the workers to stay by offering them chemical protection suits.

The demand for leased facilities declined as troops moved into the desert. As units moved out of their rental facilities toward the front lines, however, they sometimes neglected to notify the lessor or anyone else. They left large compounds open and abandoned. No director of engineering and housing organization managed these properties. When troops vacated a leased facility, Corps real estate specialists inspected the facility with the owner to determine any damages. If they found damages, the owner could file a claim against the U.S. government. After negotiations were concluded, they drafted a final document that released the U.S. government from its obligations and returned the facility to its owner.[41]

By the end of January, with the air attack on Iraq well underway, the Army made plans to dispose of some of its rental property. Terminating existing leases proved difficult. Only 20 percent of the leases had viable termination clauses, and these usually required advance notice of 30 to 60 days. When the Saudi Arabian government granted use of the huge Al Khobar Towers housing complex in the Dhahran area, the Army had more property available for redeployment than for deployment, especially for billeting troops. In fact, outside the Dhahran area, there was a "gross excess" of property available for redeployment activities.[42]

Corps real estate specialists remained in Saudi Arabia until March 1992, long after most U.S. troop units had departed. In the first months after the ground war ended, they were occupied with assignment activities. Then in May 1991 their focus shifted to terminating leases and settling claims. Tommy Hill observed that Corps real estate specialists put as much effort into termination and claims settlements as they had put into the initial lease negotiations.[43]

Observations

Perhaps the greatest real estate lesson that the Army could learn from the Persian Gulf War was the need to deploy real estate specialists early and to maintain enough specialists to handle any requirements that developed. The extremely large influx of troops during the early days of deployment created a huge backlog of real estate requirements. At that time, no one from CENTCOM or the Corps could accurately forecast the scope of the real estate mission. Lease actions were time consuming, and there were never enough real estate specialists to do the work. Logistics units at echelons above corps required a disproportionately large number of leased facilities.[44] "Deployment planning," warned Colonel Pylant, "must provide for early deployment of sufficient Corps of Engineers real estate professionals and/or mobilized reservists to support the needs of the force."[45]

CENTCOM's initial reluctance to deploy Corps real estate specialists created problems. Contracting officers of all kinds attempted to negotiate and sign real estate leases, which was illegal. This resulted in inconsistent prices and terms. After Corps real estate specialists arrived, leasing costs and terms quickly stabilized. Colonel Miller warned, "We must recognize the need for early deployment of USACE [U.S. Army Corps of Engineers] real estate leasing capability into a contingency theater."[46]

After the Gulf War, the Corps established predesignated real estate teams—contingency real estate support teams—that participate in military training exercises at Fort Leonard Wood, Missouri, and are prepared to deploy overseas on short notice.

The operation also highlighted the need for military doctrine to define clearly the real estate mission, especially when no status of forces agreement exists with the host nation. Corps officials also recommended incorporating real estate support into the operations plans. This presumably would help commanders better anticipate the need for real estate resources. Since the Gulf War, the Army has rewritten the doctrine governing its real estate activities.

U.S. forces were fortunate that Saudi Arabia had many facilities available for lease and that the Saudi Arabian government was willing to bear most of the cost of renting them. Tommy Hill observed that having the Saudi Arabian government take over responsibility for leasing facilities was "the best thing that ever happened." The American taxpayer was spared a great expense. Hill estimated that at the rate the Corps was leasing property, it would have spent another $100 million to $150 million.[47]

The reluctance of Saudi officials to pay for some expensive leases is perhaps understandable. Under pressure from the United States, the Saudis leased facilities for the VII Corps, but the troops never occupied all these facilities. However, as indicated, the transfer of leasing responsibilities to the Saudi Arabian government created problems and at times had a negative impact on the mission of U.S. forces.

Despite the problems, Jim Ellis called the operation "real estate's finest hour" and commended the districts and divisions for their support. "You have sent the very best," he wrote. "This is evident from the attitude, hard work, long hours, and final work product your employees have turned out." According to Bob Dragonette, "...we got what we were trying to accomplish. We were trying to get our troops out of the sun, out of the sand, and into some air conditioning...we have done something that we can be proud of." Most troop units were satisfied with the real estate support they received.[48]

By mid-March 1991, after hostilities had ended, the United States had completed 109 lease and modification actions at a cost of nearly $94 million, and Saudi officials had completed 41 actions. The United States had leased more than 48,000 billets at an average cost of $5.85 per billet per day. Leases executed by the Corps and through the Ministry of Defense and Aviation real estate officers totaled $135 million in annual rental fees. At peak, 18 real estate specialists and 16 members of the 308th Engineer Detachment worked out of the Dhahran Area Office with four liaison officers from the ministry.[49]

Some leased facilities proved to be as important as the facilities the Army constructed. Through its real estate activity, the Corps improved the quality of life for thousands of U.S. troops who might have otherwise had to camp in the desert and provided facilities that contributed directly to the success of Operation DESERT SHIELD/DESERT STORM.