

CHAPTER 7

FINANCING AND PAYMENT FOR ACQUISITION OF REAL PROPERTY

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CHAPTER 7

FINANCING AND PAYMENT FOR ACQUISITION OF PROPERTY

SECTION I - GENERAL

1. PURPOSE AND SCOPE

This chapter presents information about the method and source of funding for the acquisition of fee title or permanent interests in property, including advance options. It also prescribes operating procedures for the payment for such acquisitions. Chapter 7 also contains information about the method and source of funding for Planning Reports for the Acquisition of Real Property (LPR).

2. REFERENCES

- (a) [10 U.S.C. § 2662](#)
- (b) [Navy Comptroller Manual](#)

As used in this chapter, "property" refers to real property unless otherwise noted.

SECTION II - PROPERTY ACQUISITION FUNDING AND PAYMENT

3. FUNDING METHOD AND SOURCE

a. Congressional Action. The Chief of Naval Operations (CNO) prepares and submits a Congressional Funding List to Congress to justify Navy appropriation requests for Military Construction (MILCON) acquisitions. This list contains the projects to be funded for the fiscal year under consideration. The Congress may make changes to this list by eliminating items or making reductions. Upon approval by the Congress, a lump-sum appropriation is made, usually totaling less than the total amount indicated in MILCON Bills and the Congressional Funding List. The appropriated sum plus the unexpended balance remaining from the appropriations available from previous fiscal years becomes the total amount available for obligation during the fiscal year under consideration. After the appropriation is made, CNO may make any changes regarding the priority of the projects on the Congressional Funding List. However, CNO may not add new projects without

approval of the Committees on Appropriations of the Congress.

b. Apportionment. After the Appropriations Act is approved, the Commander, Naval Facilities Engineering Command (COMNAVFACENGCOM) initiates requests for apportionment of funds for specific projects. The requests for apportionment of funds must be limited to the specifically approved projects whose current priority falls within the total obligation authority. These requests are forwarded for approval to the Office of Secretary of Defense (Comptroller)/Office of Management and Budget (OSD/OMB). After OSD/OMB approval the requests are returned to NAVFACENGCOM. The apportionment procedures typically require a minimum of two to three weeks.

4. PROGRAM ALLOTMENT

a. Upon receipt of apportionment approvals for MILCON and Military Construction Reserve Force (MCNR) projects, the apportioned funds are available to NAVFACENGCOM for allotment to Facilities Engineering Commands (FECs). The Capital Improvements Business Line is the designated funds manager for MILCON appropriations. Authority for the FEC to proceed with property acquisition and obligation of funds occurs after (1) a project appropriation limit has been established in the Financial Information System (FIS), and (2) NAVFACENGCOM has linked the funds to the project. FECs must complete the property acquisitions within their limits of authority and as described in the Acquisition Reports submitted to the Armed Services Committees of the Congress pursuant to [reference \(a\)](#).

b. In rare cases, it may be advisable to initiate negotiations with the property owners before funds for the project have been made available to the FEC. However, negotiations should not begin until receipt of specific authorization to do so from NAVFACENGCOM based on a FEC-submitted request. For property under the jurisdiction of a federal entity against which Navy cannot exercise eminent domain, it is advisable to negotiate conditionally, that is, subject to appropriation.

5. PAYMENT OF COSTS FOR PLANNING REPORTS

a. MILCON and MCNR Projects. Expenses for the preparation of LPRs and final land data required for MILCON and MCNR projects are chargeable to project design funds. These expenses include in-house and contract costs such as appraisal reports, title evidence, and field surveys. These design funds are also known as "Planning and Design Funds."

b. Low-cost Land Acquisition Projects. Charge expenses for final land data required for other than MILCON and MCNR projects, including those with an acquisition cost of \$750,000 or less, to the allotment of funds made to the FEC by the requesting activity or its mission component command. The FEC will compute the cost estimates and submit requests for funds to the activity.

6. OBLIGATION OF FUNDS

a. Request for Obligation Authority. Before commitment of MILCON and/or MCNR funds for Appraisal or Title Evidence contracts, prepare and submit NAVFAC Form 7300/12, Request for Obligation Authority, to the appropriate FEC FM office. Submit the form through the FEC Program or Project Management Division. If the appropriation data is not known, identify the proposed contract, the type of contract, and the project on this form. Upon return of this form indicating approval, insert the appropriation data on the contract instrument and indicate the appropriate paying office before execution.

b. Obligation. Funds made available to the FEC are obligated by:

(1) Execution of contracts for title evidence, appraisals, field surveys, and other needed data.

(2) Execution of an Option to Purchase Real Property and delivery of the check to the vendor, in advance optioning projects.

(3) Full execution of Agreement for Purchase of Real Property ([NAVFAC Form 11011/14](#)).

(4) Delivery of Notice of Exercise of Option (this applies to advance options and options contained in leases and other instruments).

(5) Execution of a Declaration of Taking by the Assistant Secretary of the Navy (Installations and Environment). If a Declaration of Taking is not used, the letter from the Assistant Secretary of the Navy (Installations and Environment) to the Attorney General will be considered the obligation document.

7. PAYMENTS FOR ACQUISITION OF REAL PROPERTY

Payment Procedures. The procedures for obtaining checks for use in making payment for property acquisitions by direct purchase or through condemnation proceedings are as set forth in Volume 04, Chapter 08, Section 11, Paragraph 1127 of reference (b). In the pertinent portions of Paragraph 1127 quoted below, the phrase "Engineering Field Division (EFD)" should be read as "Facilities Engineering Command (FEC)," and the phrase "officer in command" shall be read as "Commandant/Commanding Officer," as appropriate:

1127 PAYMENT FOR ACQUISITIONS OF REAL PROPERTY

1. DEFINITIONS. As used in this paragraph, the term "real property" means any right, title, or interest in land, buildings, fixed improvements, utilities, and any other permanent additions to land.

2. PAYMENT PROCEDURES

a. General. Payment will be made in continental United States and in Hawaii by the disbursing officer serving the Engineering Field Division (EFD) responsible for the acquisition. Payments for acquisitions outside continental United States and Hawaii will be made by the local disbursing officer serving the EFD. Payments will be made on the basis of a Public Voucher for Disbursement and/or Collection (NAVCOMPT Form 2277) prepared and certified by the officer in command of the EFD and forwarded to the

disbursing officer with a Request for Issuance of Check for Property Acquisition ([NAVFAC Form 7-11011/15](#)). No billing will be received from the payee. Documentation applicable to the purchases will be furnished to the Defense Finance and Accounting Service by the officer in command of the EFD. Further information concerning the different types of acquisitions involved, namely, procurement of options to purchase property, procurement of property by condemnation proceedings, procurement of property by direct purchase, and acquisition of mining claims, is provided in subparts b through e.

b. Options to Purchase Real Property. Officers in command of the EFDs will obtain checks for the procurement of options to purchase property by submitting to the disbursing officer a certified NAVCOMPT Form 2277 with a [NAVFAC Form 7-11011/15](#). The NAVCOMPT Form 2277 will cite the NFR (RP) contract number assigned to the contract document, Option to Purchase Real Property, which will be executed upon delivery of the check to the payee by the officer in command of the EFD. The disbursing officer will draw a check to the payee indicated on the voucher and will deliver or mail the check to the officer in command of the EFD. Upon execution of the Option to Purchase Real Property and delivery of the check to the payee, the officer in command of the EFD will forward the original contract {for insertion into the EFD/EFA files, a signed copy to the payee, and a signed copy to the appropriate EFD/EFA Finance Office.} The voucher will be processed in the regular manner whether or not the confirmed copy of the executed contract is received prior to the end of the accounting period in which payment was made. [The NAVFAC Form 7-11011/15](#) will be retained.

c. Acquisition by Condemnation Proceedings. When acquisition of property is going to be made by condemnation proceedings, the officer in command of the EFD will forward to the disbursing officer a [NAVFAC Form 7-11011/15](#) with a certified original of NAVCOMPT Form 2277 supported by a copy of the DON request to the Attorney General to institute condemnation proceedings and a copy of the

Declaration of Taking, if a Declaration of Taking is going to be filed. The disbursing officer will draw a check payable to the clerk of the U.S. District Court of the judicial district in which the land is located. The check will be forwarded to the officer in command of the EFD for delivery to the U.S. Attorney responsible for the conduct of the proceeding. When additional payments are required because of deficiency judgments, checks will be issued on the basis of a NAVCOMPT Form 2277 certified by the officer in command of the EFD with the checks being delivered to the officer in command of the EFD for transmittal to the U.S. Attorney. The [NAVFAC Form 7-11011/15](#) will be retained.

d. Acquisition of Property by Direct Purchase. When property will be acquired by purchase, the EFD officer in command will execute the Agreement for Purchase of Real Property ([NAVFAC Form 7-11011/14](#)) or Notice of Exercise of Option to Purchase Real Property and make distribution to the disbursing officer. She or he will obtain, at an appropriate time, the purchase check by submitting a certified NAVCOMPT Form 2277 to the disbursing officer with a [NAVFAC Form 7-11011/15](#). The check will be delivered to the EFD officer in command to close the purchase.

e. Acquisition of Mining Claims. For the purchase of possessory interests in unpatented mining claims, mill sites, or tunnel rights, the NAVCOMPT Form 2277 and [NAVFAC Form 7-11011/15](#) will be forwarded for issuance of the check. The check will be delivered to the vendor by the officer in command of the EFD at the time the disclaimer or quitclaim deed is executed. No contract will be executed. The [NAVFAC Form 7-11011/15](#) will be retained by the disbursing officer.

f. Acquisition of Wherry Act Housing. Payment for Wherry Act Housing will be made in accordance with subparts b, c, or d, as applicable. The NAVCOMPT Form 2277 will show a charge to 17-97_0790, Family Housing Management Account, Defense (Transfer to Navy), the subhead current at time of purchase, budget project 20, and a functional account in the 48200 series in the amount of the sponsor's equity or mortgagor's corporate stock plus the unpaid

principal balances of the outstanding mortgage or debentures. The total purchase price, the unpaid principal balance, the unpaid balance of sponsor's equity, if any, and the net amount due the payee will be written on the face of the voucher. The difference between the net amount due the payee and the amount listed in the accounting classification section representing the unpaid principal balances of the outstanding mortgage or debentures and any unpaid balance of sponsor's equity will be processed as a voucher deduction with credit to 17-97_0790, the appropriate subhead, bureau control activity and number, and functional account 98606.