



'BUILDING For the FUTURE'



Smietana

Through versatile advance planning and by seeking opportunity in adversity, the Army & Air Force Exchange Service (AAFES) is finding ways to turn current economic challenges to its patrons' longer-term benefit when it comes to building new stores and renovating old ones.

In his own words, Mike Smietana, P.E., vice president (VP) of the exchange service's Support Division, talks about the ways in which AAFES is "building for the future," and how its construction program is dovetailing with the exchange service's new rebranding initiative.

The vision of developing a lifelong emotional connection with its customers has served AAFES well for decades. AAFES's Real Estate (RE) Directorate is a major agent in achieving that vision, as it focuses on delivering world-class retail facilities around the world. The shopping center is the flagship of the AAFES shopping experience as it serves as a destination point on the military installation. In the Year of the Army Covenant and the Air Force Year of the Family, the shopping center is now, more than ever, a place where customers can live, work and shop and bring back a sense of community to

'Instead of taking a conservative approach during this recessionary period, AAFES saw potential for savings and took an aggressive approach. ... This was a "win-win" endeavor as AAFES looked to get stores upgraded at reduced cost, and local construction contractors surrounding military installations could get much-needed work at a time when major contracts were becoming scarce.'

— AAFES Vice President, Support Division, Mike Smietana, P.E.

By Executive Order

President Bush signed Executive Order 13423, "Strengthening Federal Environmental, Energy, and Transportation Management," on Jan. 24, 2007. It put in place a mandate to strengthen key goals for the federal government. The order sets numerous federal energy and environmental management requirements in various areas, including:

- Implementing Instructions
 - Reducing Energy Intensity
 - Increasing Use of Renewable Energy
 - Reducing Water Intensity
 - Designing and Operating Sustainable Buildings
 - Managing Federal Fleets
- AAFES is building new facilities with these guidelines in mind as it implements its capital improvement program.



The Kadena AB, Japan, Shopping Center is a unique, two-story shopping center that includes escalators and elevators to better serve customers. It is the largest exchange in the Pacific Theater.

AAFES PHOTOS



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military installations. The RE Directorate's focus on these facilities is helping establish that sense of community and lifelong emotional connection as AAFES continues to provide goods and services wherever Soldiers or Airmen are stationed.

SUPPORTING MILITARY TRANSFORMATION

The AAFES capital program has steadily grown in the past five years. Since Base Realignment and Closure (BRAC) was announced, AAFES has executed, or is in the process of completing, 31 major construction projects valued at more than \$340 million at installations experiencing significant growth. BRAC has not been the only transformational program in the Department of Defense (DoD) that has affected AAFES capital programs. Grow the Army (GTA), Army Modular Force (AMF) and the Global Defense Posture Realignment (GDPR) have driven many AAFES facility projects. In 2003, prior to the last BRAC announcement, AAFES's facility capital investment was more than \$135 million. At the end of the decade, the capital program portfolio had grown to near \$310 million annually, a 230-percent increase in capital investment. Much of that increase is due to the need to have world-class shopping centers (also known as the PX and BX) at installations with growing military populations. That being said, AAFES is not just investing in installations with military growth. Many old stores were in need of recapitalization.

NEED TO RECAPITALIZE

Realizing its 147 main store inventory was increasing in age, the AAFES's strategic plan was to recapitalize and consolidate functions on military installations to create a one-stop shopping experience.

"Many of our shopping centers were more than 50 years old and were original facilities provided to AAFES by the military in the 1950s and 1960s. They were beyond their useful life and needed to be recapitalized," said AAFES RE Senior Vice President Mike Gividen. "We still have a way to go, but we've made progress this past decade recapitalizing our shopping centers."

At the beginning of 2000, the average age of an AAFES shopping center was 24 years old. Ten years later, after constructing and opening 35 new shopping centers, the average age has decreased to 22 years old. This is a significant decrease in age, considering the large number of shopping centers in AAFES's inventory. These new shopping centers are valued in excess of \$620 million and, on average, are twice the size of the stores they replaced. They



The Little Rock AFB, Ark., Shopping Center, which opened in February 2010, replaces facilities that averaged 44 years old with one that is 193-percent larger.

are about 15-20 percent more efficient per square foot, have more fast food offerings in the food court, and increased concessions and services in the mall. This recapitalization has been noticed by military shoppers as business has increased an average of 20 percent for each store in its first year of operation.

MAIN STORE PROTOTYPES

To improve the efficiency of facility delivery, AAFES established shopping center prototypes in 2005. Since Army and Air Force installations vary greatly in size, there are eight different prototypes

ranging in size from the largest 1.0 prototype (324,000 sq. ft.) to the smallest 8.0 prototype (18,820 sq. ft.). The size of the shopping center is based on the customer base it serves. The benefits of main store prototypes are 1) a standard floor layout to make shopping more efficient and comfortable for customers, 2) standardized execution of construction and 3) economies of scale.

"The shopping center prototypes are a key element in AAFES's recapitalization program as they are optimally designed for one-stop shopping, to be economical to construct and more energy efficient

Shopping Center Image Updates

Chronologically in the last year, new or replacement stores have been built at:

- Minot AFB, N.D.
- Kaiserslautern Military Community Center, Germany
- Kadena AB, Japan
- Fort Wainwright, Alaska
- Little Rock AFB, Ark.
- Randolph BX at Joint Base San Antonio, Texas
- Keesler AFB, Miss.
- Fort Polk, La.

Since 2008, shopping center image updates have been completed at:

- MacDill AFB, Fla.
- Fort Knox, Ky.
- Whiteman AFB, Mo.
- Elmendorf BX at Joint Base Elmendorf-Richardson, Alaska
- Fort Leavenworth, Kan.
- Cannon AFB, N.M.
- Luke AFB, Ariz.
- Fort Rucker, Ala.
- Moody AFB, Ga.
- McClellan, Calif.
- U.S. Air Force Academy, Colo.

AAFES Real Estate also has the following image update projects in design phase and scheduled to be complete before 2012:

- Columbus AFB, Miss.
- Bolling BX at Joint Base Anacostia-Bolling, D.C.
- McGuire BX at Joint Base McGuire-Dix-Lakehurst, N.J.
- Fort Hamilton, N.Y.
- Maxwell AFB, Ala.
- Grand Forks AFB, N.D.
- Wright-Patterson AFB, Ohio
- Vandenberg AFB, Calif.
- Dobbins ARB, Ga.
- Beale AFB, Calif.
- Selfridge ANGB, Mich.
- Dover AFB, Del.
- Fort Lee, Va.
- Seymour-Johnson AFB, N.C.
- Hanscom AFB, Mass.
- Edwards AFB, Calif.
- Hickam BX at Joint Base Pearl Harbor-Hickam, Hawaii
- March ARB, Calif.
- Tyndall AFB, Fla.
- NAS JRB Fort Worth, Texas
- Fairchild AFB, Wash.
- Mountain Home AFB, Idaho
- Yokota AB, Japan
- Tinker AFB, Okla.
- Fort Bragg, N.C.
- Travis AFB, Calif.



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to operate,” said AAFES Command Engineer Col. Jeff Hall, USA.

These prototypes are reflected in the eight main stores AAFES opened in the past year.

NEW MAIN STORES OPENED IN THE PAST YEAR

Minot AFB, N.D., BX – This facility opened in July 2009 and is in a remote location in North Dakota. The shopping center provides a much-needed exchange benefit to customers in the northern tier. It is a 7.0 prototype (86,860 sq. ft.), was constructed for \$17 million and is 42 percent larger than the previous store, which was 50 years old. The Minot BX, which opened to rave reviews, includes four food concepts and a large concession and services mall.

Kaiserslautern Military Community Center (KMCC), Germany – This one-of-a-kind facility is the flagship of overseas exchanges and the largest exchange in the world. It opened in September 2009 to record crowds and cost AAFES nearly \$100 million. The 436,000-sq.-ft. 1.0+ prototype facility was a joint venture with the Air Force and Air Force Services Agency, which also provides a lodging facility, multiplex theater and casual sit-down dining. It brings a slice of Americana to patrons stationed in the heart of Germany’s Rheinland-Pfalz state and is a destination shopping point for authorized customers in Europe. KMCC incorporates 12 food offerings (including the first Johnny Rockets in AAFES) and 35 concessions and services in the mall. It replaces three facilities in the nearby area that were an average of 47 years old.

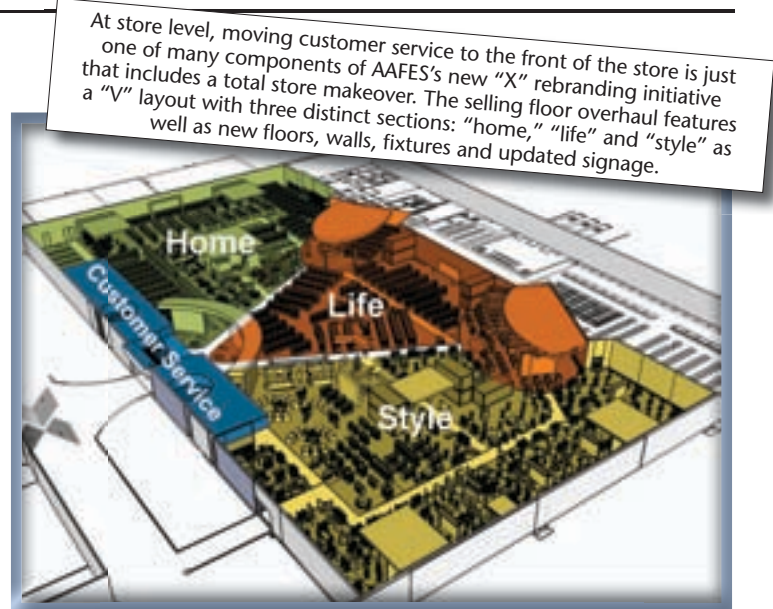
Kadena AB, Japan, BX – AAFES’s flagship of the Pacific, this new 2.0 prototype BX opened in October 2009 and is a two-story facility serving all

four branches of the service in Okinawa. It cost \$65 million and was built through the Air Force Center for Engineering and Environment (AFCEE). It is 328,373 sq. ft., a whopping 232 percent larger than the old facility, which was 53 years old. The Kadena BX features a mall with nine foodservice offerings and 23 concessions and services.

Fort Wainwright, Alaska, PX – The \$11-million project opened in October 2009 and was an expansion of the old store due to the fact that the original store was only 19 years old and still had many years of useful life. The project increased the size of the shopping center by 20 percent. The updated PX, which also includes seven fast food offerings, provides service to Soldiers of Fort Wainwright and is the center of shopping in the installation in southern Alaska.

Little Rock AFB, Ark., BX – This new shopping center in Arkansas opened in February 2010 to an enthusiastic audience. A 5.0 module prototype, it includes six foodservice offerings and 17 concession/service vendors. The Military Clothing Sales Store (MCSS) was also relocated and consolidated into the main store. The total cost was \$24 million and created a shopping center totaling 131,600 sq. ft.

Randolph AFB, Texas, BX – The first “green” shopping center of its kind, the Randolph BX cost \$34 million and is a standard 4.0 prototype. Its 163,300-sq.-ft. size is a 118-percent increase over the previous facilities it replaced. The new facility is registered with the U.S. Green Building Council (USGBC) in the Leadership in Energy and Environmental Design (LEED) for retail pilot program,



At store level, moving customer service to the front of the store is just one of many components of AAFES’s new “X” rebranding initiative that includes a total store makeover. The selling floor overhaul features a “V” layout with three distinct sections: “home,” “life” and “style” as well as new floors, walls, fixtures and updated signage.

and features high-efficiency mechanical systems, Light-Emitting Diode (LED) technology, xeriscaping (robust regional landscaping that requires little to no water) and other green applications that are estimated to increase energy efficiency by 20 percent. The Randolph BX includes six new food concepts and 14 concession/service activities.

Keesler AFB, Miss., BX – Hurricane Katrina took a devastating toll on the Gulf Coast, including Keesler AFB in Mississippi in 2005. In addition to numerous other facilities, the disaster destroyed the BX and commissary. With congressional assistance, the new shopping center recently opened in April 2010 at a cost of \$38 million. It is 171,500 sq. ft., was built simultaneously with the new commissary, and includes six fast food offerings and 13 services and concessions. It is a much-needed service for the installation still working to fully recover from the hurricane.

Fort Polk, La., PX – The new Shopping Center at Fort Polk in Louisiana is the second LEED Silver shopping center built and the first for the Army. This is a 5.0 prototype coming in at 130,600 sq. ft. The Fort Polk PX cost \$23 million and is nearly 60 percent larger than the facilities it replaced. While Fort Polk is not considered a remote and isolated installation, the new facility provides services not readily found in the local area. Its “green” features include a white “cool” roof, waterless/water-saving fixtures, and high-efficiency mechanical systems.

RENOVATIONS

After the significant investment in new stores this past decade, the AAFES RE Directorate is shifting its facility focus to renovation. Shopping centers are updated or “reset” to replace worn surfaces, and update fixtures and adjust merchandise layouts to maintain sales and keep the store in “like new” condition. The RE Directorate has maintained a customer focus, and has established a robust image update program to maintain shopping centers for a refreshed shopping environment.

In 2008 and 2009, AAFES executed \$27 million in image update projects to nine shopping centers. This coincided with the global economic downturn and, as a result, many projects came in with a bid savings of 10-20 percent compared to original estimated market costs. Instead of taking a conservative



Growth at Cannon AFB, N.M., and the changing demographics of the base community made an image upgrade necessary at the base exchange (BX). From left, on May 14, AAFES Pacific Region Commander Col. Steven Kimball, USAF; 27th Special Operations Mission Support Group Superintendent Chief Master Sgt. Hector Baez, USAF; 27th Special Operations Wing Commander Col. Stephen Clark, USAF; AAFES Commander Maj. Gen. Bruce Casella, USA; Assistant Store Manager Jessica Foster, and General Manager Jeff Willis cut the ribbon on the newly renovated facility. U.S. AIR FORCE PHOTO BY STAFF SGT. HEATHER R. REDMAN



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approach during this recessionary period, AAFES saw potential for savings and took an aggressive approach.

“When we saw a consistent trend of low bids, we realized the potential savings of getting future projects to market early,” said AAFES Vice President of Facilities Gus Elliott.

The RE Directorate seized the opportunity and accelerated 12 more image updates out of the normal schedule to take advantage of a good bidding climate. This was a win-win endeavor as AAFES looked to get stores upgraded at reduced cost, and local construction contractors surrounding military installations could get much-needed work at a time when major contracts were becoming scarce.

The strategy to accelerate has paid off. Since August 2009, eight more image update projects, estimated at \$49 million, were bid and awarded at \$14 million — \$35 million below estimate, a 30-percent savings. These savings can be put towards additional facility improvements. In other words, with this current bid climate, for every four image upgrades, another one can be provided at no additional cost.

“Our strategy to accelerate shopping center image updates has paid big dividends, and we’re passing the savings on to military shoppers with newer, more pleasant store environments worldwide,” Elliott said.

Even taking into account the considerable bid savings on these projects, the focus on sustaining shopping center facility assets is a significant in-

vestment for AAFES. In the five-year period from 2008-2012, AAFES will have invested more than \$169 million in image updates at 37 shopping centers worldwide.

BRANDING

The AAFES brand is evolving continuously, but the mission and the vision remain the same. AAFES needs to solidify its place in the hearts and minds of the military consumer. Strengthening the AAFES brand through a consistent, clear identity at every customer interaction will ensure it remains a major contributor to the military community. (See *E and C News* 3/10 p.56 and 6/10 p. 3.)

AAFES’s objective is to be seen as more than a physical and Internet business. The latest corporate branding plan will articulate the AAFES mission and vision to all internal and external audiences. For RE, the store layout is the backbone of this experience. It choreographs a progression of events that make up the brand. It dictates the organizational principle for the offering and aligns products and services in ways that optimize shopping and buying patterns. The major tasking of the brand consultant will be to review shopping centers and unite the various brands, such as the food court, mall services and retail departments. In other words, one major brand in AAFES, with sub brands incorporated. It is estimated that it will take five to seven years to transform the



The Fort Wainwright, Alaska, Shopping Center was expanded by 20 percent and now includes seven fast food concepts.

shopping centers to the new AAFES brand.

SUMMARY

The AAFES RE Directorate’s focus on “building for the future” has been a key aspect of achieving the corporate vision of establishing and maintaining AAFES’s lifelong emotional connection with its shoppers. The shopping center is now, more than ever, a destination place for military members, families and retirees. As the military moves toward bringing its members back on the installation, the shopping center is a major part of the plan. The AAFES facility focus has led to major investments in facilities worldwide, which will benefit military shoppers for decades to come.

—E and C NEWS

SUSTAINABILITY: From LED Lighting To LEED Certification

AAFES’s focus on facilities has also taken on a “green” cast. To improve maintainability and reduce lifecycle costs required to operate shopping centers, AAFES has put a great emphasis on facility sustainability, which has equated to constructing facilities to Leadership in Energy and Environmental Design (LEED) Silver standards. Being certified to the Silver level, as defined by the U.S. Green Building Council (USGBC), is a standard for both the Army and the Air Force and entails building and operating facilities that are more energy- and water-efficient, use environmentally friendly materials and, in general, minimize the impact on the environment.

However, AAFES is taking it one step further as it has recently completed new LEED shopping centers at Fort Polk, La., and Randolph AFB, Texas, and is in the process of actually certifying them with the USGBC. AAFES registered these new facilities as part of the USGBC LEED for Retail pilot program, which helped establish benchmarks specifically for LEED retail facilities, which until recently haven’t existed.

“While there is not a requirement to actually get them certified as Silver, we believe there is value in getting these facilities certified,” said AAFES Chief of Corporate Sustainability Mel Hendricks. “Certification is validation that we actually achieved the standard. We can quantify our energy savings and contribution to reducing our burden on the environment. Constructing LEED Silver facilities will go a long way in helping the Services meet their energy and water reduction goals of 3 percent and 2 percent per year, respectively, as mandated by Executive Order 13423, as these new shopping centers will reduce energy consumption on the average of 20-30 percent when compared to the original facilities.”

Participating in the LEED for retail pilot program provides AAFES with the opportunity to help establish sustainability standards for the entire retail industry. The new shopping centers feature white “cool” roofs to reduce the heat island effect from a large facility footprint; heating, ventilating air conditioning (HVAC) systems that are 20 percent more efficient than traditional building standards; waterless urinals; water-efficient fixtures; LED technology; day lighting; xeriscaping; polished concrete floors; and other energy-saving and environmentally friendly features.

“The most surprising aspect of our two new LEED shopping centers is customer interest in shopping in a ‘green’ facility. It’s not just a fad anymore, and military shoppers genuinely care about the environment. They will go out of their way to shop at an environmentally conscious store,” Hendricks said.



Increased use of LED and sensor technology has helped new stores achieve federal energy-reduction goals. On average, LEDs are 10 times more efficient than incandescent lights and have more diverse applications. AAFES’s goal is to eliminate incandescent lighting by 2010.