

Highlights/Meeting Notes

2010 ADC Annual Conference – San Francisco

Rick Harrison – Deputy Director Fort Monmouth Economic Revitalization Planning Authority

FMERPA Meeting – August 18, 2010

It was a busy 4 days and very informative. A full report will be posted to the FMERPA Website tomorrow. I must also recommend that future participation by FMERPA not be limited to one participant as there were multiple sessions of interest scheduled for the same time frames.

On Sunday I participated in the LRA Director's Council

This was a most informative session. Meeting participation is limited to LRA Directors and Deputies and select ADC staff. Updates recent legislative and regulatory issues were discussed, including the pending regulations for implementation of the EDC legislation passed last year and the expected budget pressures at DoD and OEA. Then experiences with caretaker agreements, environmental insurance, and personal property issues were shared among the LRA Directors present. I picked up some pointers on pursuing a cooperative caretaker agreement as well as access to cooperative caretaker agreements and costing.

On Monday I attended the Opening Plenary Session

First up was an address by Lt. General Rick Lynch – Assistant Chief of Staff for Installation Management, Commanding General Installation Management Command. He is the Family First General.

The General's talk was very motivational and impressive. His major theme was working together and helping each other out – the military and communities.

He was followed by Major General Eugene Payne Jr. – Assistant Deputy Commandant for Installations and Logistics, US Marine Corp.

Major General Payne's talk focused on sustainability and the "greening" of the Marine Corp. He noted that all new construction requires a minimum of LEED Silver and in some cases Gold. He also said that all new roofs will have a solar component.

Next I attended an OEA Session – EDC Update

Representatives from OEA talked about some of the history behind EDCs and the recent legislation that changed the Fair Market Value mandate for the 2005 BRAC. The legislation contained the following changes:

- It deleted the requirement to obtain Fair Market Value (FMV)
- Allows for EDCs at or below FMV or no consideration
- Allows acceptance of a share of revenue from LRA property sales or lease as consideration
- Allows “in-kind” consideration
- Allows for “back-end” funding to avoid the need for large initial payments

The Congressional Intent for implementation of the legislation is, “to conclude negotiations and expedite transfer of property”

Interim guidance from the DoD to the military Branches, stated in a memo dated January 21, 2010:

Be Flexible

- Consider the local economy and investment
- Expedite transfer

Next was the Legislative Update and ADC General Membership Meeting

This was a working lunch/brown bag session It was pretty much a rehash of the update at the LRA Director’s Council meeting. There was some information shared on the Defense appropriations bill. It will not be approved in time for the start of FY2011. It was suggested that it may be approved in lame duck session depending on the outcome of the election or not until the new congress is seated in February 2011.

The ADC General Session was opened and the new board members were nominated and elected. A slate of officers was nominated and approved. John Armbrust, Executive Director of the Kansas Governor’s Military Council was elected President, succeeding Michael Houlimard.

Note: I met briefly with our BRAC Special Counsel David Knisely during the lunch break.

Military Afternoon – Joint Services Briefing and ARMY Briefing

There were three presentations, the first by the Army Deputy Assistant Secretary, Army Installations and Housing, Joe Calcara. Joe will be involved in our negotiations with the Army. His presentation focused on the DoD budget pressures from the top that are impacting and will impact going forward, his budget and ongoing BRAC activities, both at growth and closed installations. He is looking to the ADC members to help him find creative ways to improve efficiency and fund various activities. He also talked about some creative deals that he did involving timber rights and encroachment buffers in exchange for BRAC closure property. The take away is that he is willing to do deals but they must make sense and involve both shared risk and reward.

On Tuesday I attended an Educational Session – “How to pay for the Project”

This was a very informative session and the highlight was a presentation by Joe Calcara, Deputy Assistant Secretary for Installations and Housing. He will most likely be at the table on our negotiations with the Army. He started by stating that the usual planning process starting with charettes end up with too much being promised to the communities. He told of a plan that called for a 20 acre park soon after a local news article stating that the town had no money to maintain its existing parks. He said PBCs are easy for him to sign but asked why? He said communities should take advantage of land use and manage expectations. He stated that he can make public auctions work for the LRAs with deed restrictions and other controls. He said that together we could put out some creative public auctions. He said he favors credit versus debit deals and would discount returns where all parties have some “skin in the game.” He cautioned LRAs to screen potential development partners for supportable debt. He also supports expedited speed to productive reuse by working environmental clean-up in parallel with redevelopment, “doing it in series is never a good idea.” He said he would go shoulder to shoulder on these deals. He said when you bring a deal to him it must answer three questions – “Can? Do? and Why?” These are components of a good business plan – do you have the authority and money to pull it off and why do you want to do it?

OEA Town Hall Meeting

This session is always a highlight and no one does it better than Patrick O’Brien, the Director, Office of Economic Adjustment. He opened by addressing a press release of some statements by Secretary Gates the day before relating to budget and potential for future base closures. He said there will be a task force to start looking at potential base closures, not necessarily BRAC as there are other titles that could be employed

Regarding the budget, he said OEA will definitely be impacted by the statements made by Sec. Gates. He indicated that there will not be an appropriations bill passed on September 30 and DoD will be on a continuing resolution and that they will be short funded. He said that OEA will initially only have \$42M and that the money will be coming in chunks. He stated that OEA will be stretching us along. He predicted that the appropriations bill could be approved in lame duck or even wait until the new congress is seated in February. He said that other funding organizations such as EDA and DOT are in the same boat so it isn’t likely we could turn to them to make up for any funding cuts.

Keynote Luncheon and Award Ceremony

The Keynote address was by Terry Yonkers, Assistant Secretary of the Air Force for Installations. His theme and focus was the “greening” of the Air Force, encroachment issues, and of course budget issues and cost saving initiatives.

Of special interest, Major General Nick Justice, formerly of Fort Monmouth and now Aberdeen, was awarded the Military Leader of the Year Award. This is the same award that FMERPA had nominated Garrison Commander Ricki Sullivan for and he won two years ago.

Treasure Island Mobile Workshop

We were bused to Treasure Island which is a manmade island off the Bay Bridge overlooking San Francisco. It was built to become the San Francisco airport and was the home of the Clipper planes that took off and landed on water. It was bought by the Navy and was closed 17 years ago as part of the 1993 BRAC. The City of San Francisco has been caretaking it since the Navy moved out and it has been sustained by the leasing of the housing and the hangars.

The city and the Navy are close to signing a landmark deal to transfer the property to the city which may be a signal of things to come with other property negotiation such as the transfer of Fort Monmouth. The deal includes shared risk and shared profits. The city has a private developer partner as well. While the conditions and circumstances surrounding this deal are unique, some of the concepts may apply to Fort Monmouth. Our special BRAC Counsel, David Knisely is the attorney working the Treasure Island deal. There were two panel discussion sessions and a tour of the property.

The first session addressed the redevelopment plan. Transportation will be a major concern because the only access for vehicles is the Bay Bridge. That is why a ferry terminal will be the centerpiece and internal transportation will be provided to the rest of the development from there. The plan also calls for:

- 8000 housing units
 - 30% affordable of which over 400 will accommodate homeless
- 300K SF of retail
- 500 Hotel rooms
- 300 acres parks and open space
- A 32 acre federal enclave operated by the US Department of Labor for JobCore training
- A marina

The preparation of the land for redevelopment is estimated to cost over 1 billion dollars due to the need to raise the property due to the rise in sea level and the current FEMA flood plain. They also have to compress the soil to make it seismically viable. There has already been 40 million dollars expended in pre-development costs which have been funded by leasing revenue for the housing and the private developer partner. The City of San Francisco provides all public works and some of the utility services.

The second session addressed the transfer agreement being negotiated between the city and the Navy that follows the language in the 2009 National Defense Authorization Act regarding consideration for EDCs and structures an agreement which the Navy obtains FMV through a combination of guaranteed payments and profit participation. It was disclosed that the Navy had appraised the value of the property to be \$250M. The city's appraised value was \$14M which was subsequently raised to \$22M by a third party appraisal contracted out by the city.

Negotiations were only able to move forward when both parties agreed to toss out FMV valuations and to start looking at a pro-forma approach. Of course there were many issues surrounding the assumptions built into the pro-forma. The current draft of the agreement calls for a fixed payment of \$50M followed by a profit sharing of up to 35% after and 18% profit to the private developer partner.

Life After the Air Force and Creating a Sustainable Development

This session dealt with the redevelopment of Brooks Air Force Base. The only take-away was the need for both public (TIF, tax abatements, etc) and private investment.

Overall observations and highlights are:

- Funding is tight and getting tighter
- We need to help each other to come-up with creative ways to accelerate property transfer and share in profit taking and risk
- There is no “one size fits all” when it comes to deal making and property transfer – “Inherent locational value” must be considered
- Military focus is now on growth installations as BRAC 2005 comes to a close