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November 12, 2004

Donald H. Rumsfeld
Secretary of Defense
1000 Defense Pentagon
Washington, DC 20301-1000

Dear Secretary Rumsfeld:

Since Theodore Roosevelt personally selected the site in 1903, the Naval Support Activity - New Orleans (NSA) has been an extremely valuable military installation which has been warmly and strongly embraced by the community in New Orleans and by the State of Louisiana. NSA has supported all of our nation's conflicts since the early 1900's and it is today providing essential support to Navy, Marine Corps, and Army units who are currently serving or who have recently served in Afghanistan or Iraq.

Several years ago, the City of New Orleans and the State of Louisiana started an effort to help the Department of Defense greatly improve the effectiveness and efficiency of our New Orleans bases while also attempting to create new economic development opportunities for the civilian community. The goal of the plan, now called "Federal City," is to create more effective and efficient basing for military operations while reducing commuting times for personnel and upgrading force protection to meet new, post-9/11 standards. A transformational partnership of City, State, community and national experts were assembled to create a "Federal City" plan which would be state-of-the-art in functionality, efficiency, and operational capability. The partnership has spent approximately \$750,000 plus thousands of uncompensated hours to bring this concept from an idea to an executable plan. We are very excited about the potential of this "Federal City" plan.

The plan calls for consolidating virtually all military units in the city of New Orleans onto the portion of the NSA located on the West Bank of the Mississippi River. This would include major Navy, Marine, and Army flag/general officer commands. In addition, the plan would move the 8th Coast Guard District HQ and, we hope, possibly house a new regional Homeland Security HQ as is being considered by the Department of Homeland Security (DHS). The State would coordinate the building of new, "state of the art" facilities for all these units on NSA's West Bank location. Modern command centers, a secure joint use conference center, upgraded perimeter security and force protection compliant buildings would all be part of the new facility.

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Room for additional military units/commands could also be available. Construction of the whole complex would be done expeditiously once approval of the plan was gained.

We estimate the total cost for "Federal City" to be between \$166 million and \$200 million, depending on a number of variables, including whether the DHS chooses New Orleans as its site for a regional headquarters. The project will be funded by a combination of general obligation and revenue bonds issued by the State of Louisiana, the City of New Orleans, or other political subdivisions. The State will establish a public-private venture entity to act as project developer, with responsibility to design, finance, build and operate NSA facilities within "Federal City." We estimate that lease payments from tenants could cover the majority of debt service, but the City of New Orleans and the State of Louisiana would commit to providing between \$50 and \$100 million in additional general obligation bond funding to cover the gap between lease payments and total development costs. Federal entities will be offered space in "Federal City" at rates substantially below current market rates and military units will enjoy a "right-of-first refusal" before excess space is offered to other governmental agencies or commercial activities. The arrangement will be similar to projects already underway at several locations within the Department of Defense (DOD). Like similar efforts at Walter Reed Army Medical Center, Picatinny Arsenal, Fort Sam Houston, Fort Monmouth, Hanscom Air Force Base, Los Angeles Air Force Base, and others. We want to leverage private capital to bring existing military facilities up to par without military construction funding.

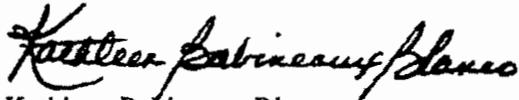
We believe our Federal City concept is exactly the kind of transformational activity that you are trying to promote in the Department of Defense. Our plan brings together major Navy, Marine Corps, and Army commands on the same installation. It even goes beyond that by adding senior Coast Guard and DHS headquarters to the mix. This plan allows DOD to leverage approximately \$200M non federal dollars to immediately build new and efficient facilities. DOD Military Construction funds can be saved for other important projects. Consolidation on the NSA West Bank site will reduce commuting by car and water taxi, improve energy efficiency on-base, upgrade to post-9/11 force protection standards, allow for improved command and control for units with homeland defense responsibilities while also reducing the budgetary impact of geographically separate facilities. In summary, without using DOD dollars we can bring you great new facilities with much lower operating costs that will be spread over a larger number of tenants. We cannot envision DOD receiving a better offer of improved effectiveness or improved efficiency for its units currently assigned to the New Orleans area.

As good an opportunity as we think the Federal City plan is for DOD, we believe it is also a great winner for our State and for New Orleans. We would have the chance to retain and maybe grow our military presence in the New Orleans area. Also, we would have the opportunity to "jump start" new civilian economic activities like cruise ship terminals, real estate development and Research/ Technology Park expansion on the property that consolidating military units would vacate.

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Attached to this letter are a concept paper and a short briefing that your staff can use to gain further details on our Federal City plan. I would love to talk to you further about this exciting plan. The Federal City concept represents a promising investment in the future and has the full weight and resources of my office behind it. If you have any questions in the meantime, you can reach me or my chief of staff, Andy Kopplin, at 225-342-1331.

Sincerely,



Kathleen Babineaux Blanco
Governor

Attachment

FEDERAL CITY

at Naval Support Activity New Orleans, Louisiana

THE FEDERAL CITY CONCEPT PAPER -- ARTICULATING AN INNOVATIVE, WIN-WIN STRATEGY FOR FEDERAL, STATE AND LOCAL INTERESTS

These are interesting times. With terrorist threats and federal budget shortages, the government is trying to develop the “right” number of secure federal installations where compatible organizations can consolidate onto energy efficient bases to increase effectiveness and greatly improve efficiency. States and local communities want to retain military/federal jobs in their jurisdictions but would like the federal facilities to be as consolidated as possible so that maximum economic development opportunities can be realized from prime real estate in any local area.

In the New Orleans area the community has been working to create a transformational partnership between federal, state and local entities for the good of all involved. This “Federal City” concept calls for the major Department of Defense (DOD) units in New Orleans to consolidate onto the West Bank portion of the Naval Support Activity (NSA). Additionally in a new wrinkle, it proposes that the major Department of Homeland Security (DHS) entities in New Orleans join DOD on the West Bank. This would include, at a minimum, the 8th Coast Guard District Headquarters and the Regional, Headquarters of DHS, if New Orleans is fortunate enough to host such an organization in the future. Brand new headquarters buildings, command centers, a conference center, site improvements and roadway upgrades would be completed on the NSA West Bank to accommodate this consolidation.

This new infrastructure would cost approximately \$200M and would be mainly financed through state economic development efforts. Once agreed upon, it would take about three years to finish the new complex. Federal tenant units would have no upfront construction costs but would sign below market rate leases. The new construction would be part of a Public Private Venture (PPV) type arrangement on the military base and the new buildings would be managed and maintained by PPV employees. NSA West Bank would continue to be a military base with a PPV operation onboard that would be similar to PPV run housing entities that are currently operating on many installations. In the future, the local community would be amenable to exploring the option of taking over all the support functions on the installation.

This “Federal City” consolidation would be very beneficial for all concerned. For the Department of Defense, it would accomplish many objectives. Inefficient small installations would be closed (NSA East Bank and the Diamond Army reserve center).



NSA West Bank would become a joint installation (Navy, Marine Corps and Army). It would offer brand new, state-of-the-art facilities that would be viable for decades to come. With its new buildings and infrastructure, it would be an extremely economical installation and the maintenance, energy and security costs would be shared by a large pool of users. The DOD would get the new buildings without having to use any scarce federal MILCON dollars. It would also gain the operational benefit of having DHS units (the regional Coast Guard commander and potentially the overall regional DHS headquarters) that it will have to work with on homeland defense missions collocated on the same base.

From the DHS perspective, it would acquire a very secure and very efficient installation for its organizations to operate from. It would secure the latest command and control centers for its major regional organizations. In addition, it would gain the synergy of being collocated with the military units that it will have to coordinate and operate with extensively (Marine Forces Reserve is the Marine component for Northern Command and Naval Reserve Forces coordinates all 50 state Navy Emergency Preparedness Liaison Officers)..

The state and local interests are also well served by the fulfillment of this project. The chance to grow DOD and/or DHS presence on the secure and modern new NSA West Bank installation would be a real economic development possibility. Moving from the East Bank location will facilitate the development of up to two cruise ship terminals, which will give the community the delightful prospect of coming closer to accommodating the seemingly insatiable tourist appetite of cruising from the "Big Easy". Redevelopment of the NSA East Bank ties in to the renewal of the local Bywater community and offers a great site for river view condominiums. The property at the lake front could work in very nicely with the University of New Orleans Technology Park which is in that vicinity and has been one of the bright spots of local economic development over the last five years.

In summary this is one of those rare projects, which is truly beneficial to all concerned. The time has come to turn this great concept into a reality.

FEDERAL CITY



- Improved Quality of Life for military and families assigned to New Orleans area bases
 - New and refurbished housing at NAS/JRB Belle Chasse (740 units)
 - New Charter School at Belle Chasse
 - Athletic Field at NSA East Bank
 - New Child Care Center at Belle Chasse
 - New PX and Commissary at Belle Chasse
- Improved Operational Capabilities of the Military Bases
 - Extended Runway at Belle Chasse
 - Built Joint Reserve Center at Belle Chasse
 - Received approval for and executed a long list of Military Construction Plus ups at Belle Chasse (Over \$100M)
- Received Support from the State Legislature
 - 25% rebate for active duty military on auto insurance
 - Encroachment legislation around bases
 - Funded Spectrum Group contract
 - Funded architectural design for the Federal City
 - Resolution in support of Federal City being considered in this legislative session
 - State Representatives Tucker and Arnold lead a delegation to the National Association of Installation Developers conference on BRAC planning
- Received Support from Governor Blanco
 - Up to \$100M state commitment to fund the Federal City
 - Up to \$65M financial guarantees for low cost housing around military bases
 - Sent letter to Secretary Rumsfeld advocating the Federal City plan
 - Governor lead a delegation of federal and local elected leaders to visit all LA military bases and gain visibility of the importance of the bases to their respective LA communities
- Received City Support from Mayor Nagin
 - MMAC dedicated to take the lead for regional BRAC efforts
 - City money spent to hire NOFA executive director
 - Through the ADD, money spent for Financial Feasibility study of the Federal City
 - Through the ADD, funded the NSA N.O. Baseline Assessment study
 - Gave extensive support to the Greater New Orleans Supports Our Military (GNOSOM) campaign
- Received support and participation from Jefferson and Plaquemines Parish Presidents
- Briefed and got support from the New Orleans City Council
 - Voted to support unique ADD TIF funding that helps finance base retention efforts
- Hired “expert” Washington consulting firm (Spectrum Group) for BRAC support
 - Completed Baseline Assessment Study of NAS/JRB Belle Chasse
 - Completed Baseline Assessment Study of NSA New Orleans
 - Helped develop and execute BRAC strategy

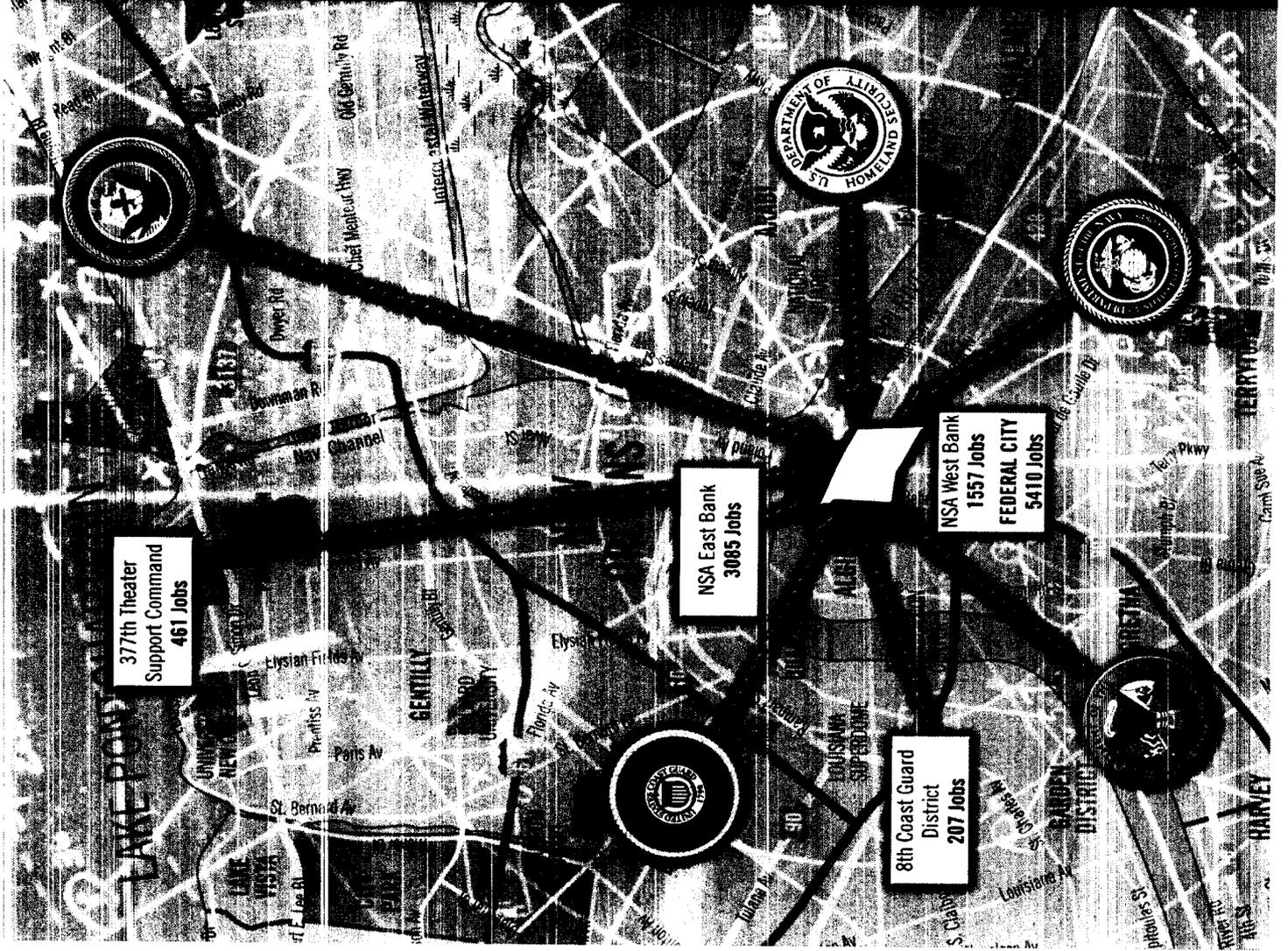
DCN: 19662 Will be important allies if we need to deal with the BRAC Commission and turn around DoD closure recommendations

- After objective analysis indicated NSA N.O. would be at high risk in 2005 BRAC in its “as is” state, put priority efforts into developing an innovative “Federal City” plan that met all DoD BRAC objectives
 - Stood up 501(3) c New Orleans Federal Alliance (NOFA) to lead Federal City effort
 - Gathered requirements from potential Federal tenants
 - Contracted for and received initial architectural plans for the “Federal City”
 - Contracted for and received Financial Feasibility study for Federal City
 - Developed conceptual and marketing materials for the Federal City
 - With Congressional delegation support, briefed the Federal City plan to the key senior DoD officials leading the BRAC efforts
 - Briefed Cdr, Northern Command on the Federal City Concept
 - Informally marketed the Federal City concept to a wide variety of senior military leaders
 - Developed a Request for Qualifications to select a group of developers to compete for the Federal City development project
 - Developing plans to execute the Federal City project
- Set up a committee of senior elected and business leaders (Retain Our Military Alliance) to oversee community BRAC efforts
 - Three public meetings held
- Worked with Texas to get approved a Gulf Coast Joint Training Range that includes the military bases in the central Gulf Coast states
- Created a Greater New Orleans Supports our Military campaign to recognize and support the military in our area
 - Website developed to give general information and “sign up” capability for the program
 - Generates public recognition for our locally based military personnel
 - Offers 10% business discounts for military personnel and their families
- Worked to educate and keep the community informed on BRAC issues
 - Conducted an editorial board with the local daily paper
 - Contributed to innumerable newspaper/ magazine articles
 - Conducted approximately 15 TV appearances
 - Completed approximately 25 public speaking engagements
- Developed plans to cover all potential BRAC outcomes for the region

FEDERAL CITY



At Naval Support Activity



FEDERAL CITY CONCEPT

- Long Standing State and Community Effort
 - Started in Earnest Four Years Ago
 - \$738K State and Local Money Spent on Project to Date
- Multiple Goals with a “Win-Win” Objective
 - Make Military Installations Much More Efficient and Effective
 - Retain Current Jobs
 - Significantly Spur Local Economic Development

FEDERAL CITY

At Naval Support Activity



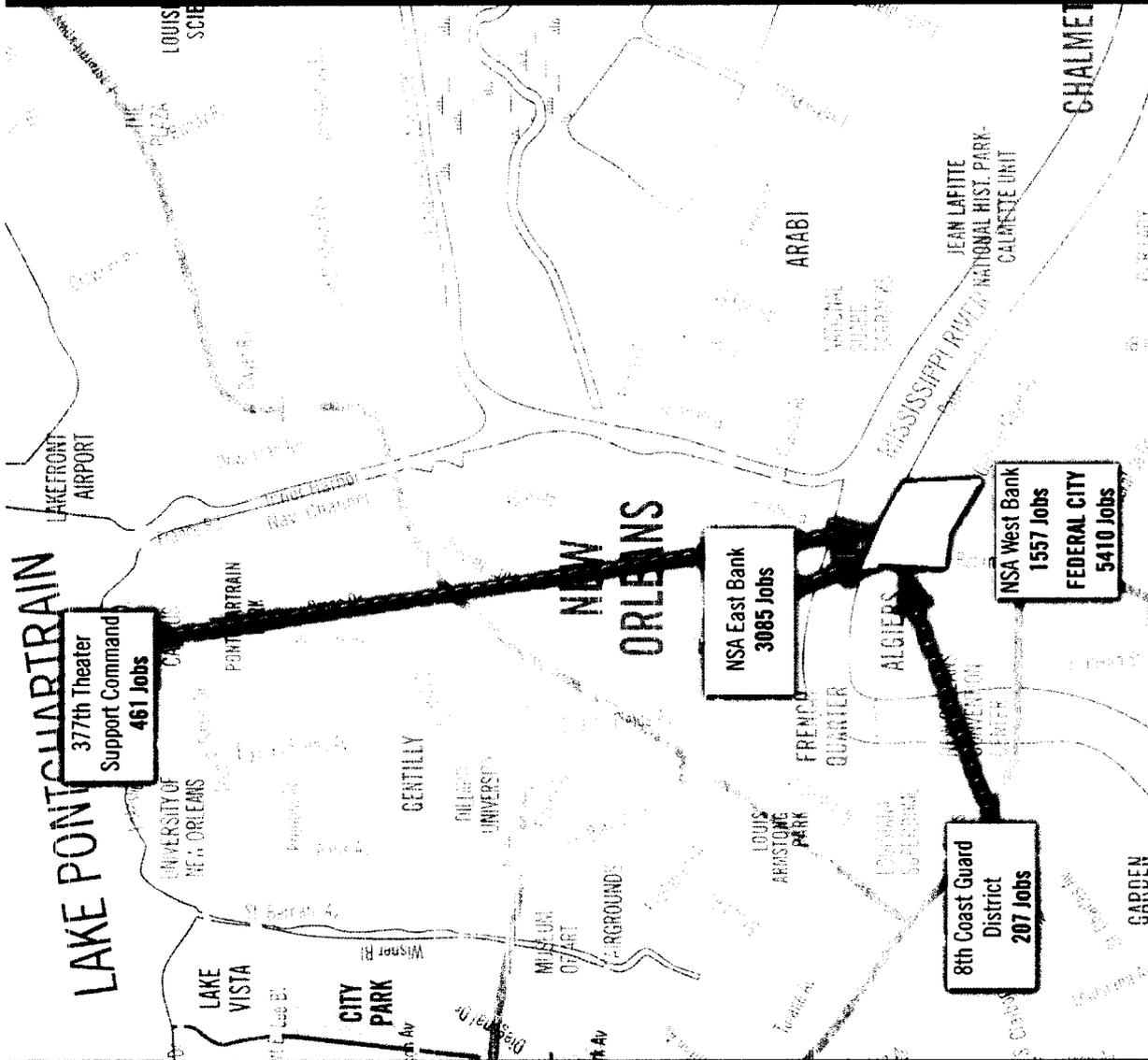
THE PLAN

- Build “State of the Art” HQ Buildings and CMD Centers on the Naval Support Activity (NSA) West Bank
- Consolidate DoD Organizations in New Orleans onto the NSA West Bank
- Move 8th Coast Guard District HQ and Possibly Regional DHS HQ to NSA West Bank
- Economically Develop Areas Vacated by the Military
 - East Bank NSA to Cruise Ship Terminals and River View Condo’s
 - Lake Front Army Reserve Center to UNO Research Park
- Attract Other DoD/DHS Units to the “Federal City”

FEDERAL CITY

At Naval Support Activity

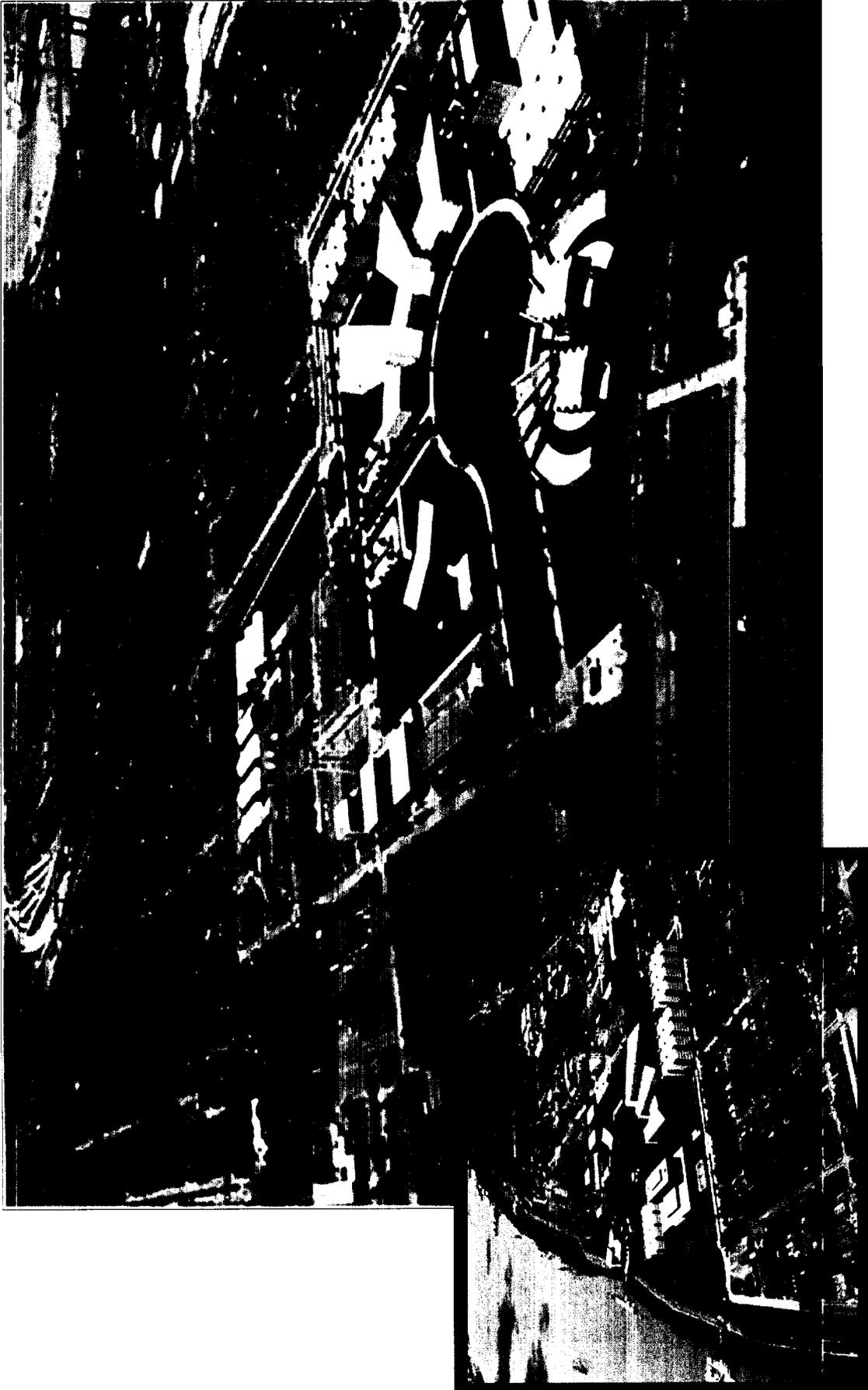




FEDERAL CITY

At Naval Support Activity





FEDERAL CITY

At Naval Support Activity

FINANCIAL PLAN

- Approximately \$200 Million Effort (Buildings Plus Infrastructure)
- Public Private Venture
- State Supported Financing for Construction
- Well Below Market Rate Long Term Lease to Federal Tenants
- State “Makes Up” Difference (\$50-\$100M) as Economic Development Investment
- If Possible, Vacated DoD Properties Conveyed to State for Development

FEDERALCITY

At Naval Support Activity



STATE/NEW ORLEANS COMMUNITY History of Creative Support to DoD

- **Navy SPAWAR ITC**
 - State Paid \$61M (1998-2000) for Four State of the Art IT Support Buildings on Lake Pontchartrain
 - Navy Pays \$1 a Year for Rent
 - Private Entity Runs Installation (Security, Landscape, Repairs)
- **Belle Chasse Academy**
 - State Charter School Established on a Military Base for Military Family Members Who Live On and Off Base
 - » \$13.5M, 90K Sq Ft, 36 Classroom K-8th Grade School
 - » Seen as a Model by DoD UnSec CHU
- **Automobile Insurance Rebate for Active Duty Military**
 - Louisiana Has Very High Auto Insurance Premiums
 - State Passed a Law Giving a State Funded 25% Rebate of Auto Insurance Premiums to Active Duty Military Members

FEDERAL CITY

At Naval Support Activity



BENEFITS OF THE FEDERAL CITY PLAN

- More Effective Installation
 - Near Term Delivery of State of the Art Facilities
 - New CMD Centers
 - Conference Center
 - Layout Improvements
 - Military/DHS Coordination
 - Centralized Security Meeting Federal Standards

FEDERALCITY

At Naval Support Activity



BENEFITS OF THE FEDERAL CITY PLAN

–More Efficient Installation

- Better Energy Efficiency
- Installation Costs Shared Among Many More Tenants (DoD & DHS)
- Eliminate Need for Boat Shuttle Across Mississippi River
- Avoids Duplication of Efforts

FEDERAL CITY

At Naval Support Activity



BENEFITS OF THE FEDERAL CITY PLAN

- Considering Near Term Access to Brand New Facilities, State of Louisiana Financial Subsidies, Operating Efficiencies Gained and Avoiding Federal New Construction Costs –

We Believe This is an Unbeatable Deal for DoD and DHS

POC: MG David Mize, USMC (Ret) (504) 304-1978

FEDERAL CITY

At Naval Support Activity

