

DCN 3829

Executive Correspondence

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HARFORD COUNTY EXECUTIVE



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DATE: July 6, 2005

TO: Mr. Gary Dinsick and Mr. Dean Rhody, BRAC

FAX: 703.699.2735

RE: Enhanced Use Leasing Process/Background

FROM: Denise Carnaggio for Tom Sadowski and Bill Richardson

PAGES: 8 (INCLUDING COVER SHEET)

Please see attached background on the EUL process. In the interest of time, I needed to send the information in the manner we received it.

Thank you.

Denise Carnaggio

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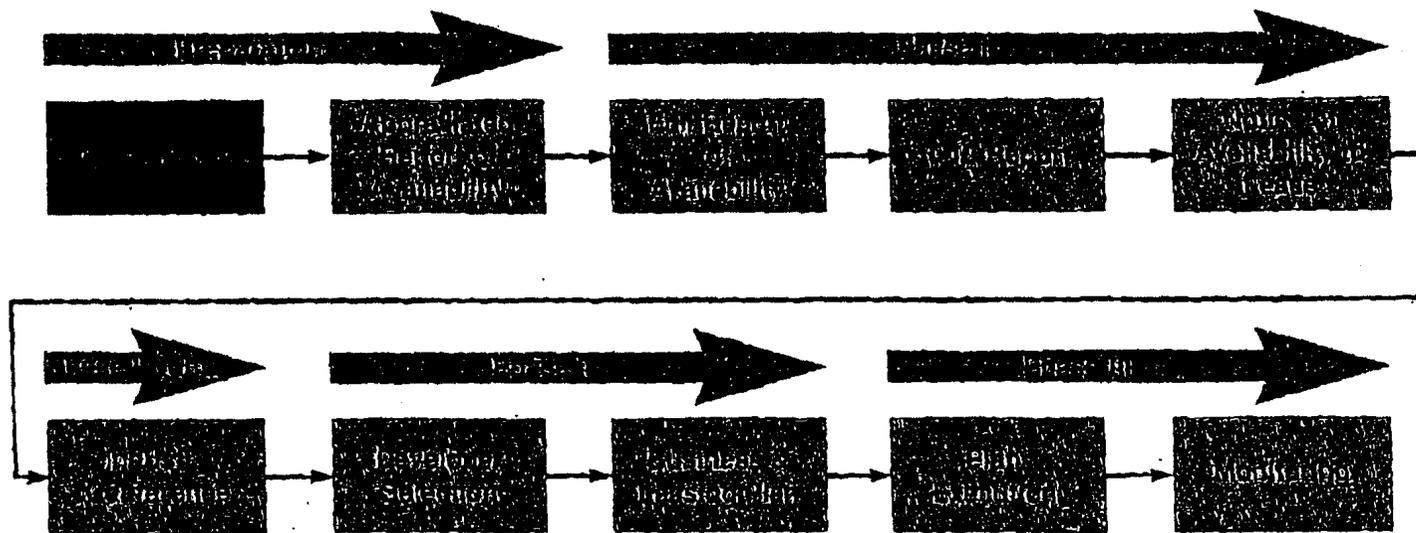
- Provision of facilities;
- Provision of operation support;
- Provision of such other services relating to activities that will occur on the leased property as the Secretary considers appropriate.

If cash receipts are generated in lieu of in-kind services, 50% of proceeds are to be used at the discretion of the Secretary and 50% are available to the leasing installation.

Enhanced Use Leasing, if incorporated into an installations programmatic approach to asset management, will be an important tool for avoiding/minimizing infrastructure costs, providing facilities and services, and making additional funds available for other requirements in support of readiness, modernization, and quality of life initiatives. Leases must be consistent with the mission requirements, operation and security of the installation, and compatible with the off-post community. Specific permitted uses for

potential Enhanced Use Leasing opportunities at Aberdeen Proving Ground are listed in later section of the report.

The following diagram illustrates the standard Enhanced Used Leasing approval process for a specific EUL project.



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## EUL Approval Process

Specific EUL approvals are required by the Government at each of the various EUL process steps. Detailed tasks and approvals include:

### 1. Abbreviated Report of Availability

- Submitted to Regional HQ, ACSIM & DASA (I&H)
- Approval required to progress

### 2. Full Report of Availability

- Submitted to Region HQ, ACSIM & DASA (I&H)
- Includes all necessary environmental documentation
- Approval required to progress

### 3. T-10 Report

- DASA (I&H) submits to Congress

### 4. Notice of Availability to Lease

- USACE receives Congressional approval
- USACE publishes NOL

### 5. Industry Conference

### 6. Developer Selection

### 7. Business and Leasing Plan

- Developer presents plan to installation
- Installation evaluates and refines plan with developer
- Installation submits to higher headquarters
- Approval by Secretariat and Congress

### 8. Plan Execution

- Long-term lease is executed with developer
- Developer executes the business and leasing plan

## 9. Monitoring

- Compliance inspections
- Lease proceeds collected by USACE
- Proper accounting of in-kind services

### **Aberdeen Proving Ground (APG) EUL Process**

#### **Introduction**

In the Fall of 2002, the leadership of the APG established a process to seek designation as an Army "Center of Excellence" for the planning and implementation of recently enacted Enhanced Use Leasing (EUL) legislation (10 USC 2667) in order to maximize underutilized physical assets, reduce Government operational costs and generate returns on investment, and enhance the research and development, testing and training missions of APG. APG and DA will seek competitive proposals from one or more development partners to further refine, plan, market and implement select EUL opportunities, and to seek mission-enhancing projects for under utilized land and building assets via long-term Government lease agreements.

The Enhanced Use Leasing process at Aberdeen Proving Ground will be flexible in order for it to respond to changing market needs as well as national defense missions. The valuable assets found at APG create opportunities for leading development entities to participate in developing world-class facilities which can further the APG missions.

#### **APG EUL Goals & Objectives**

APGs will adopt a programmatic approach to EUL, rather than an individual building, case by case approach, APG seeks to redevelop larger underutilized land areas in a planned approach that is integrated with the Installation's Master Plan and Future Development Plans. This programmatic approach will permit greater

flexibility in accommodating a variety of potential mission-enhancing users, economies of scale in site infrastructure, encourage a "campus" approach to planning and design, and will ultimately maximize returns on investment to the installation. By working with the local communities and private and institutional partners, APG seeks to:

- Find uses for select lands and facilities that are compatible with the requirements and mission of APG.
- Integrate development activities with cultural resources and environmental policy initiatives.
- Provide demolition, renovation, development, maintenance and management of certain real property and infrastructure assets.
- Provide new facilities in support of the APG mission.
- Maintain good stewardship of selected properties.
- Allow APG to utilize cash or in-kind consideration generated by the projects to enhance quality of life for employees and residents.
- Implement Best Practices from private and institutional partners to the benefit of both the Army and developers.

#### **APG EUL Project Goals**

It is anticipated that APG and the Army will be seeking a single or multiple private sector developers and property managers to participate in the marketing, renovation, development, redevelopment, maintenance and management of certain existing and planned facilities for a variety of research and development, administrative/office, assembly and testing, warehousing, training and other uses.

Upon selection of a Developer(s), the Army, the Developer(s) and APG will work together to identify issues, develop a regulatory/review framework, analyze specific project proposals, coordinate overall planning and marketing goals, and develop business and leasing plans.

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The three entities will work cooperatively to develop a Plan(s) that will be implemented through long-term leases for selected real estate assets at APG. The Plan(s) will be reviewed by the Army and its advisors, and the Developer(s) will be responsible for drafting the Plan(s). In addition, the Plan(s) may be reviewed by local government and citizen stakeholders. (5)

#### **Business and Leasing Plans**

The Plan(s) will provide details regarding the financing strategies, lease terms and conditions, development scope, use restrictions, utilities, property and asset management procedures, terms and conditions for cash or in-kind consideration, and other matters agreed upon by the Army and the Developer(s).

#### **Leasing Process Summary**

Following selection of the Developer(s) the Army may issue a conditional Notice of Lease award to the Developer(s). The Developer(s) will work with the Army and APG to develop plans for proposed uses and redevelopment of the EUL sites, consult with key stakeholders and the local community, as appropriate, and develop Business and Leasing Plans. Plans may include:

- Development of proposed site plans, building plans and elevations and timelines.
- Sources of capital, including debt and equity. Overall leasing and development schedule.
- Detailed leasing and development budgets including operating and revenue pro forma.
- A leasing plan setting forth guidelines to ensure that all third-party leases are for uses compatible with APG's and tenant organizations military missions.
- Documents required to comply with the National Environment Policy Act (NEPA), National Historical Preservation Act, and other applicable laws and statutes.
- Community relation plans and project websites.

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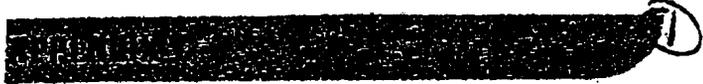
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**Evaluation Criteria**

The proposed Developer(s) applications will be evaluated on the basis of the following criteria:

- Corporate & Personnel Capability and Qualifications
- Relevant Experience Including Past and Present Performance
- Financial Capabilities/Resources
- Experience with Brownfields Redevelopment and Environmental Restoration
- Achievement of Army Goals, Concepts and Objectives
- Experience in the Development of Research, Development and Testing Facilities.
- Experience with the Maintenance and Management of Real Estate Assets.

The proposed development areas included in the APG Strategy 2025 begin with the EUL priority sites and continue with other development areas on APG.



**Enhanced Use Leasing (EUL) Process Overview**

With the recently expanded authority of United States Code Title 10, Section 2667, Department of Defense Installations now have the authority and incentive to obtain a broad range of financial and in-kind considerations for leasing opportunities. The recent changes to Section 2667 expand the purposes for which lease proceeds may be used, and expand the type of consideration which may be accepted for leases.

These changes provide additional tools for managing installation assets to achieve business efficiencies and maximizing returns on investment by using lease proceeds for a variety of operational and other needs. The changes also help to maximize the utility and value of installation real property.

With these changes, Enhanced Use Leasing can permit construction or acquisition of new facilities with cash proceeds from a lease, permit construction of new facilities as a type of "in-kind" consideration for leasing, or permit in-kind services (including maintenance) for up to 100% of lease value to remain at the installation.

The Secretary of the Army must approve all real or personal property available for leasing and the property must not be considered "excess" property to qualify. Leases may be entered into if the Secretary considers it advantageous to the United States, and upon such terms as he considers will promote the national defense or be in the public interest.

The following specific in-kind consideration may be provided under a Section 2667 lease:

- Maintenance, protection, alteration, repair, improvement, or restoration (including environmental restoration) of property or facilities;
- Construction of new facilities;

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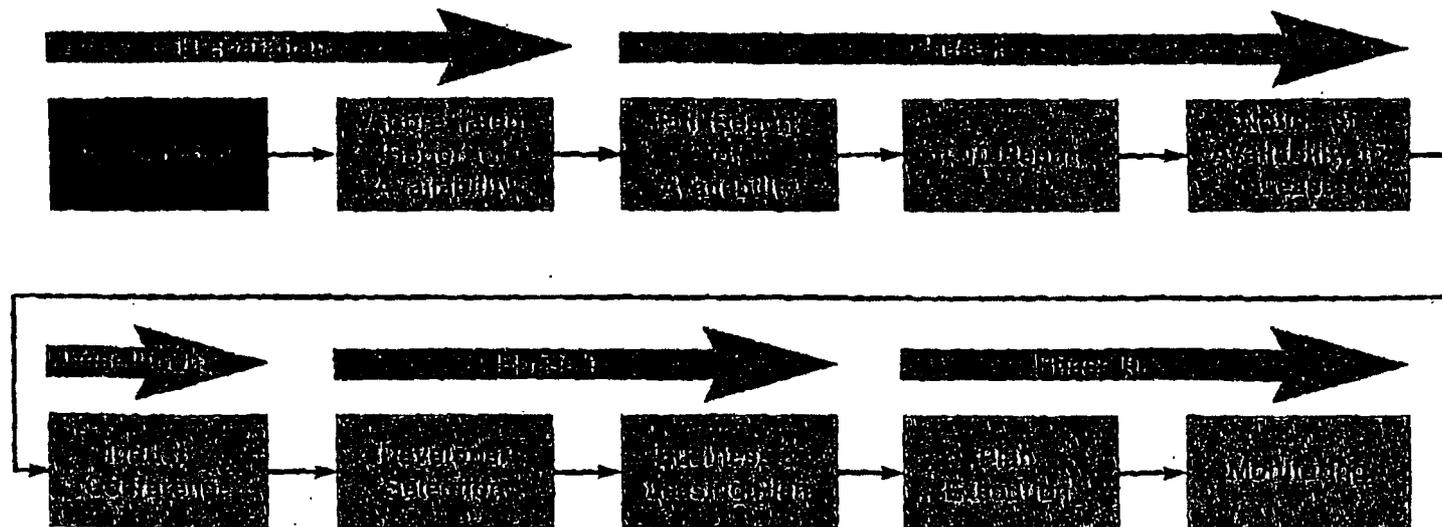
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