



DCN 7620

DEFENSE BASE CLOSURE AND REALIGNMENT COMMISSION
2521 SOUTH CLARK STREET, SUITE 600
ARLINGTON, VA 22202
TELEPHONE: 703-699-2950
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August 3, 2005
BAM# 49-57

Chairman:
The Honorable Anthony J. Principi

Commissioners:
The Honorable James H. Bilbray
The Honorable Philip E. Coyle, III
Admiral Harold W. Gehman, Jr., USN (Ret.)
The Honorable James V. Hansen
General James T. Hill, USA (Ret.)
General Lloyd W. Newton, USAF (Ret.)
The Honorable Samuel K. Skinner
Brigadier General Sue Ellen Turner, USAF (Ret.)

Executive Director:
Charles Battaglia

Mr. Bob Meyer
Director
BRAC Clearinghouse
1401 Oak St.
Rosslyn VA 22209

Dear Mr. Meyer:

I respectfully request a written response from the Department of Defense concerning the enclosed document:

X *Base Closure & Realignment Commission question*

- 49. What is Navy Region Southwest's plan and current status of negotiations with the Port of San Diego regarding Navy-leased property known as 1220 Pacific Highway?*
- 50. What is the average utilization of space per employee at Broadway? What are the "net to gross" or space efficiency factors for each occupied building at Broadway?*
- 51. Congress first authorized Navy to redevelop the Broadway complex in conjunction with local authority and private developers. What plans or actions has the Navy Region Southwest undertaken since 1992?*
- 52. What is the Navy's current deficit for administrative office space at Naval Station San Diego?*
- 53. What infrastructure projects to expand the supply or upgrade administrative space in San Diego are planned, programmed, budgeted, or under construction?*

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54. *What is Navy Region Southwest's estimate of the property's fair market value? Is based on an in-house (i.e., EFD Southwest Real Estate) or a contract appraisal? Please provide a copy of the appraisal, market assessments, or internal working papers regarding property valuation for the Broadway complex.*

55. *Please provide a master plan showing where new office space can be developed on Naval Station San Diego or any other proposed Naval installation in the San Diego Bay area.*

56. *Is there a family housing deficit in San Diego? If so, please provide details as to grade and bedroom count.*

57. *During Implementation, does the Navy generally favor selling valuable excess land through a public auction, where a developer can buy the property and take responsibility for any remaining environmental cleanup?*

I would appreciate your response by August 9, 2005. Please provide a control number for this request and do not hesitate to contact me if I can provide further information concerning this request. My point of contact is Mr. Brian McDaniel 703-699-2945.

Yours sincerely,

*Frank Cirillo
Director
Review & Analysis*



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DEPARTMENT OF THE NAVY
OFFICE OF THE SECRETARY
1000 NAVY PENTAGON
WASHINGTON DC 20350-1000

15 August 2005

The Honorable Anthony J. Principi
Chairman
Base Realignment and Closure Commission
2521 South Clark Street
Arlington, VA 22202

Dear Chairman Principi:

This is a response to the August 3, 2005 (BAM#49-67) and August 8, 2005 (BAM#58-61) inquiries from Mr. Frank Cirillo of your staff concerning the Navy Broadway Complex, San Diego, CA. The answers to the list of questions follow. The responses were coordinated with Commander Navy Installations, Naval Facilities Engineering Command (NAVFAC) and the Deputy Assistant Secretary of the Navy (Installations and Facilities):

49. What is Navy Region Southwest's plan and current status of negotiations with the Port of San Diego regarding Navy-leased property known as 1220 Pacific Highway?

In 1949, the U.S. Navy and the city of San Diego agreed to an extensive series of land transactions involving numerous parcels of property. The property at 1220 Pacific Highway was part of those transactions. In exchange for Navy parcels provided to San Diego, Navy received, in part, a 50-year lease on the property at 1220 Pacific Highway, with a 50-year option to renew. When Navy sought to timely exercise this option, the Port of San Diego, the successor to the City, asserted that the option was legally invalid because the City did not have the legal authority to grant the 50-year options. The Port argued that the property was covered by a tidelands trust and that state law only authorized the leasing of this property for less than 100 years. After efforts to resolve the matter with the Port were unsuccessful, Navy filed a complaint in condemnation concerning the 50-year option on the property at 1220 Pacific Highway. The Navy argued that the 50-year option was legally valid and that the restrictions cited by the Port did not bar the transactions with the United States. The U.S. District Court agreed with our position and granted summary judgment motion to the Navy. The Port appealed to the Court of Appeals for the Ninth Circuit. The matter was settled with the Port agreeing that the option was valid and the United States agreed to vacate the District Court decision.

The Port requested that the Navy consider the sale of the leasehold value of the remaining interest. Navy and Port have been in negotiations for over 1½ years on this issue. We have reached an agreement, which adheres to the terms of the Special Legislation (Military Construction Authorization Act, 1985 Public Law 98-407). It requires the Port to construct the Navy a replacement facility on government property. After discussion, the Navy and Port mutually agreed to cap the Port's financial investment at \$26.5 million if the Port proceeds with the replacement within 24 months of the agreement.

A Memorandum of Understanding between the NAVFAC Southwest, Commander, Navy Region Southwest (CNRSW) and the Port was signed by the Navy and has been forwarded to the San Diego Unified Port District for execution following their next Public Commission Hearing scheduled for August. We feel strongly that the Navy has reached a resolution that brings the most value to the Government while providing quality space for our employees.

50. What is the average utilization of space per employee at Broadway? What are the "net to gross" or space efficiency factors for each occupied building at Broadway?

The average utilization of space per employee at Broadway is 259 square feet per person (SF/PN). The "net to gross" is estimated at 1.25 per planning guidance (Unified Facilities Criteria 2-000-05N of 31 Jan 2005), which states "To compute gross floor area, the net floor should be multiplied by an adjustment factor to compensate for common circulation, mechanical equipment spaces, and wall thicknesses. This factor ranges from 1.12 for efficiently laid out buildings to 1.25 for buildings with less efficient layouts or having some unusual constraints". Due to the modifications and alterations over the years, the layout is considered less efficient than optimum and therefore the net to gross factor of 1.25 is used.

51. Congress first authorized Navy to redevelop the Broadway complex in conjunction with local authority and private developers. What plans or actions has the Navy Region Southwest undertaken since 1992?

In 1987, Special Legislation (PL 99-661, Sec 2732) was passed allowing the Navy to long-term lease the Broadway property. The strategy was for long-term outlease in exchange for one million square feet of Navy office space. Fluctuating market conditions in the downtown area, the large Navy space requirement, and an overabundance of downtown commercial office space resulted in this effort not being economically desirable for some time. As described by Peter Hall in his testimony before the Commission on 8 August describing market conditions in downtown San Diego: "For the past dozen years, our office market has not fully recovered from the impact of the 1992 recession, and we built no; "class A" office buildings until just the past year."

In 2003, the project was revitalized to consolidate significant portions of administrative office spaces and terminate expensive leases in the commercial sector used by other commands and entities. The strategy was to leverage the Broadway Complex property to acquire adequate space to replace existing administrative office space and consolidate other support space.

In August 2004, proceeding under the terms of the special legislation, a financial analysis, appraisals, NEPA documents, and environmental baseline surveys (and other required documentation) were initiated. In mid-January 2005, Navy conducted industry discussions to receive candid feedback on the Navy's redevelopment plans. This industry feedback strongly encouraged Navy to proceed. In late January 2005, Navy temporarily put the project on hold pending BRAC decisions. Navy is prepared to continue actively working redevelopment efforts.

52. What is the Navy's current deficit for administrative office space at Naval Station San Diego?

The current administrative office space deficit at Naval Station San Diego is currently 341,765 SF, of which 47,114 SF is attributable to space shortages and 294,651 SF is attributable to substandard or inadequate space conditions.

53. What infrastructure projects to expand the supply or upgrade administrative space in San Diego are planned, programmed, budgeted, or under construction?

The following Special Projects (below Military Construction statutory and policy thresholds) are identified on the CNRSW Integrated Priority List (IPL) as requirements. While the projects are in varying states of planning refinement, none of the projects are currently under construction, programmed or budgeted.

CNRSW				
PRIORITY	BASE	PROJECT #	TITLE	CWE (\$000)
0	NBC	RM12-05	CNAP BLDG 10	3,240
0	NBC	RM13-05	CNAP BLDG 11	3,240
10	NBC	R19-02	REPAIR ADMIN B-251	1,606
20	NBC	R20-02	REPAIR ADMIN B-252	2,163
32	NBSD	RM4-02	REPAIR ADMIN BLDG 73	1,015
69	NBC	R24-01	REPAIR ADMIN B-515	1,920
98	NBC	R27-02	REPAIR ADMIN BLDG-678	1,428
103	NBC	R13-04	REPAIR ADMIN BLDG-516	410
111	NBSD	RM40-03	REPAIR ADMIN BLDG 57 PH I (HVAC)	1,016
160	NBSD	RM2-02	REPAIR ADMIN BLDG 58	2,870
161	NBSD	RM1-02	REPAIR ADMIN BLDG 57 PH II	7,870
163	NBSD	RM47-03	REPAIR ADMIN BLDG 56	2,000
165	NBSD	RM6-02	REPAIR ADMIN BLDG 76	3,870

The following Military Construction project is identified on the NRSW IPL as a requirement. While planned, the project is not currently under construction, programmed or budgeted.

CNRSW				
PRIORITY	BASE	PROJECT #	TITLE	CWE (\$000)
161	NBSD	400	REGIONAL ADMIN BUILDING	131,312

Note: NBC= Naval Base Coronado, NBSD= Naval Base San Diego

54. What is Navy Region Southwest's estimate of the property's fair market value? Is [it] based on an in-house (i.e., EFD Southwest [NAVFAC Southwest] Real Estate) or a contract appraisal? Please provide a copy of the appraisal, market assessments, or internal working papers regarding property valuation for the Broadway complex.

The most recent draft appraisal was completed by an independent contract appraiser in November 2004 and was used for internal planning purposes only. In addition, release of the results of the appraisal, in whole or in part, could prejudice the Navy's future ability to negotiate the disposition of this property. The appraisal assumed that the property was vacant and ready

for development, that tidelands trust restrictions were in place, and that no entitlements were in place. Considering that not all of the assumptions are currently valid, the estimated range of value provided in the draft appraisal does not provide an estimate of the property's fair market value in its current condition, as requested by the Commission, and release of this document could be misleading to the Commission and the public.

55. Please provide a master plan showing where new office space can be developed on Naval Station San Diego or any other proposed Naval installation in the San Diego Bay area?

The current Navy “master plan” for new office space in the San Diego area sites that space at the Broadway Complex. The Navy is unable to identify any other space in the San Diego area where new office space of this magnitude can be developed. While Naval Station was used as a receiver site for purposes of providing a COBRA run, forecast increased usage of Naval Station property by proposed BRAC actions (BRAC recommendations to relocate CMWC ships and staff in San Diego) and other Navy requirements (ongoing planning for home porting of LCS ships) make Naval Station San Diego a less than ideal choice. Also, part of the “master plan” was to consolidate current operations at the Broadway Complex with the remainder of NAVFAC Southwest (currently at 1220 Pacific Highway) to achieve efficiencies and synergies. Considering these factors argues against Naval Station being used as a receiver site for the Broadway Complex functions.

This conclusion is buttressed by the Jan 2003 planning study conducted by CNRSW. After looking at 13 specific sites in the larger San Diego area that focused on four areas (Moving Third Fleet Ashore, Sailors Ashore, Family Housing and the Broadway Complex), the study concluded that the dense urban environment in San Diego did not lend itself to any additional excess or underutilized property that was developable. Thus, there is a requirement to retain the Broadway Complex to accommodate the functions that are optimally located in downtown San Diego to support the Fleet requirements.

56. Is there a family housing deficit in San Diego? If so, please provide details as to grade and bedroom count.

The Navy plan to address family housing in San Diego does not require any use of the Broadway Complex. The current deficit is in three and four bedroom homes, while we have a surplus of two bedroom homes. As we replace units under PPV, we are replacing 2 bedroom units with larger units.

# OF BEDROOMS	OFFICER	E9-E7	E6-E1	TOTAL
2	111	47	1312	1248
3	255	-488	-1514	-2257
4+	129	-385	-920	-1434
TOTAL	495	-826	-1122	-2443

Note: Negative numbers= deficit in that grade/bedroom count, positive= surplus

57. *During Implementation, does the Navy generally favor selling valuable excess land through a public auction, where a developer can buy the property and take responsibility for any remaining environmental cleanup?*

As demonstrated at Roosevelt Roads, the Navy and Local Reuse Authority worked cooperatively to establish a reuse plan that utilizes all of the conveyance mechanisms available. However, we have found that, given the opportunity for public sale, disposal of the property can occur in an expeditious manner and the community can quickly benefit from economic redevelopment, job creation, and tax revenues. This approach enables the LRA and the Navy to operate in their established roles of zoning authority and disposal agent, respectively. In addition, the "brownsfield" approach of including the responsibility for environmental remediation efforts with the sale of the property, further expedites conveyance and redevelopment opportunities.

58. *"Please provide an illustrative site plan depicting land parcels (with or without buildings) on installations under Navy Region Southwest's Area of Responsibility in the San Diego area including Miramar, that could be master planned into an office complex capable of accommodating the Navy tenants - including all of NAVFAC Southwest - currently housed on the Navy Broadway complex property."*

The attached site maps depict sites which were considered at one time for possible relocation of functions from the Broadway Complex, to include all of NAVFAC Southwest. Three of the sites are located at NAVSTA San Diego, which has already been identified as an undesirable candidate for this relocation due to its current dense laydown and projected receipt of additional operational assets in BRAC (minesweeps from Ingleside) and the LCS. Additionally, all sites would require demolition of existing facilities and the associated increased cost.

MCAS Miramar was looked at as an alternative, and although more buildable acres are available, it is not the optimum site to accommodate all of the functions currently housed at the Broadway Complex, plus NAVFAC Southwest.

Even with the depiction of these sites, this small number of identified candidate locations should make it apparent that there is a lack of available DON real estate in San Diego. This reinforces the Navy's position that the Broadway Complex is non-excess and valuable to our needs.

Q. 59 *"What is the Navy's current Plan of Action and Milestones (POA&M) for planning, procurement, leasing, and development project schedule to redevelop the Navy Broadway property under existing legislative authorities?"*

The Navy and the City of San Diego, as joint stakeholders, met on 9 August 2005 and are committed to a coordinated effort to realize the enormous economic potential of the Broadway Complex as allowed under existing legislative authorities. The Navy will execute the following plan of action and milestones within the framework of the executed Development Agreement between the City of San Diego and the Navy.

By September 2005, the Navy and the City of San Diego will formally establish a steering committee to guide this process, focused on establishing and following an aggressive schedule and realizing the economic and functional benefits for all parties. Another near term goal is to update the Development Agreement to reflect current market conditions and requirements, such as allowing for the mixed use to include residential development and address the Navy's AT/FP considerations. We believe this should occur no later than January 2006 to allow the Navy to actively pursue an acquisition strategy that meets our goals and is in the best interest of national defense.

We respect the desire and concerns expressed by the Commission on the opportunity available to DON and the City of San Diego. The Navy and the City are convinced, and have so stated, that the most effective and flexible method to ensure successful redevelopment is for Navy to pursue the redevelopment of this non-excess property outside the BRAC process. As stated above, an aggressive schedule will be jointly developed within the above framework that targets the January 2007 expiration date included in the current Development Agreement.

60. "Is the Navy legally limited to obtaining office space in return for an outlease of the Broadway property under the authority provided to the Navy by Congress in 1987?"

No. The language in PL 99-661, Section 2732 (b)(1)(A) provides "... the Secretary shall obtain, without compensation or at substantially below market value, facilities or the use of facilities, or both, constructed on such real property by the lessees." Additionally, Section 2732 (f)(1) states "A lease entered into by the Secretary under this section under which a facility is constructed by a private developer and leased to the Department of the Navy may provide for the operation and maintenance of such facility by the private developer."

61. "Under current Office of Management and Budget "scoring" rules for capital assets and Navy budget policies and guidance, how much Budget Authority (BA) will the Navy have to commit (i.e., in TOA) to cover the obligations needed for either a capital lease or a lease purchase if the Navy leases government property in return for the use and/or possession of office space or other in-kind consideration for Broadway?"

Office of Management and Budget (OMB) Circular A-11 provides guidance on federal budget matters, and Appendix B of OMB Circular A-11 provides specific guidance regarding budgetary treatment of lease-purchases and leases of capital assets. The specific amount required to be scored for a given lease would depend upon the specific terms and conditions of that lease. As a general rule, in-kind consideration is not scored and any in-kind consideration received in connection with a lease would not affect (or offset) the scoring of that lease.

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I trust this information satisfactorily addresses your concerns. If we can be of further assistance, please let me know.

Sincerely,

A handwritten signature in cursive script that reads "Anne Rathmell Davis".

Anne Rathmell Davis
Special Assistant to the Secretary of the Navy
For Base Realignment and Closure

Attachments:
As Stated

Alternative Sites for the Broadway Complex at Naval Base San Diego

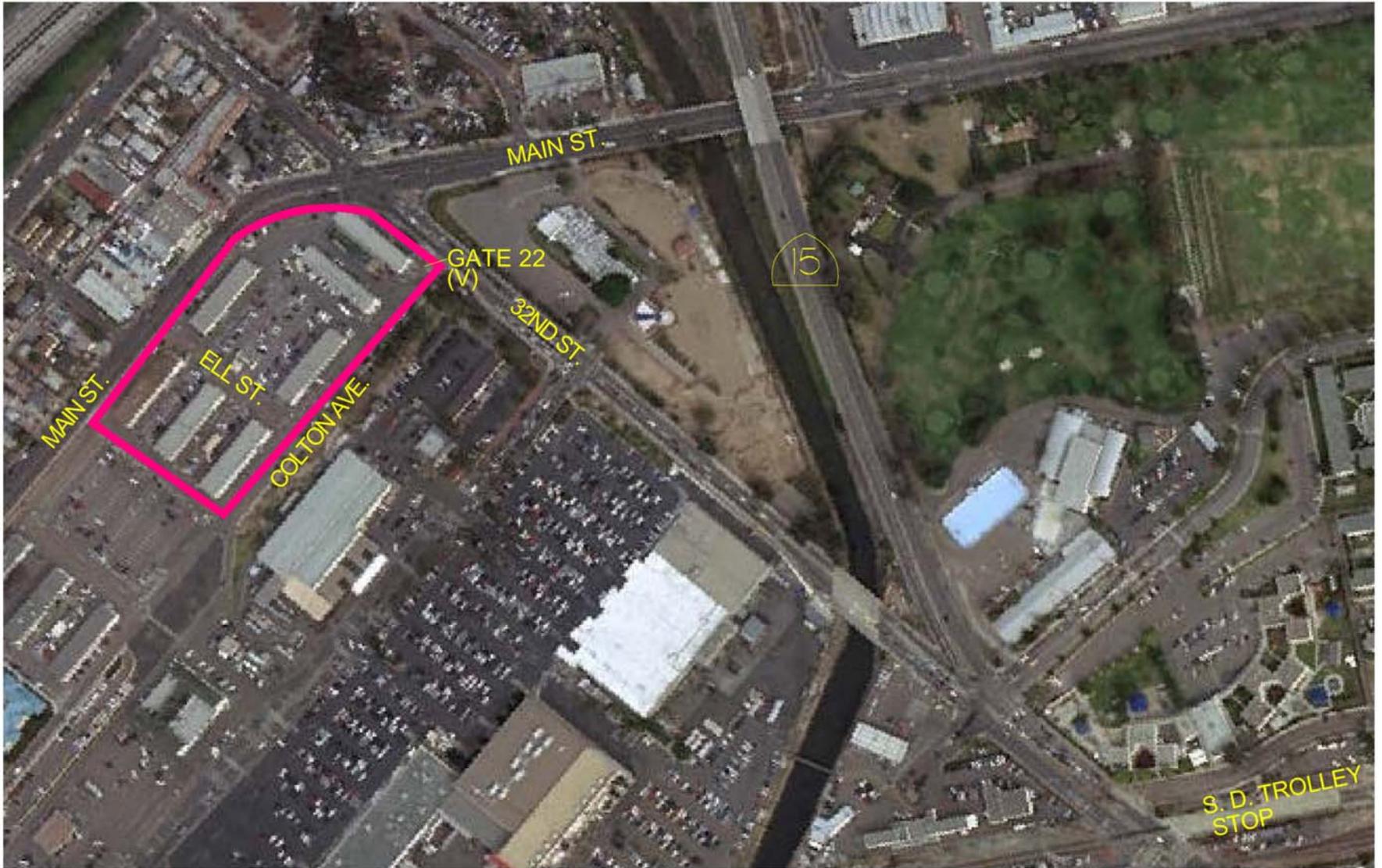


Alternative Site 1

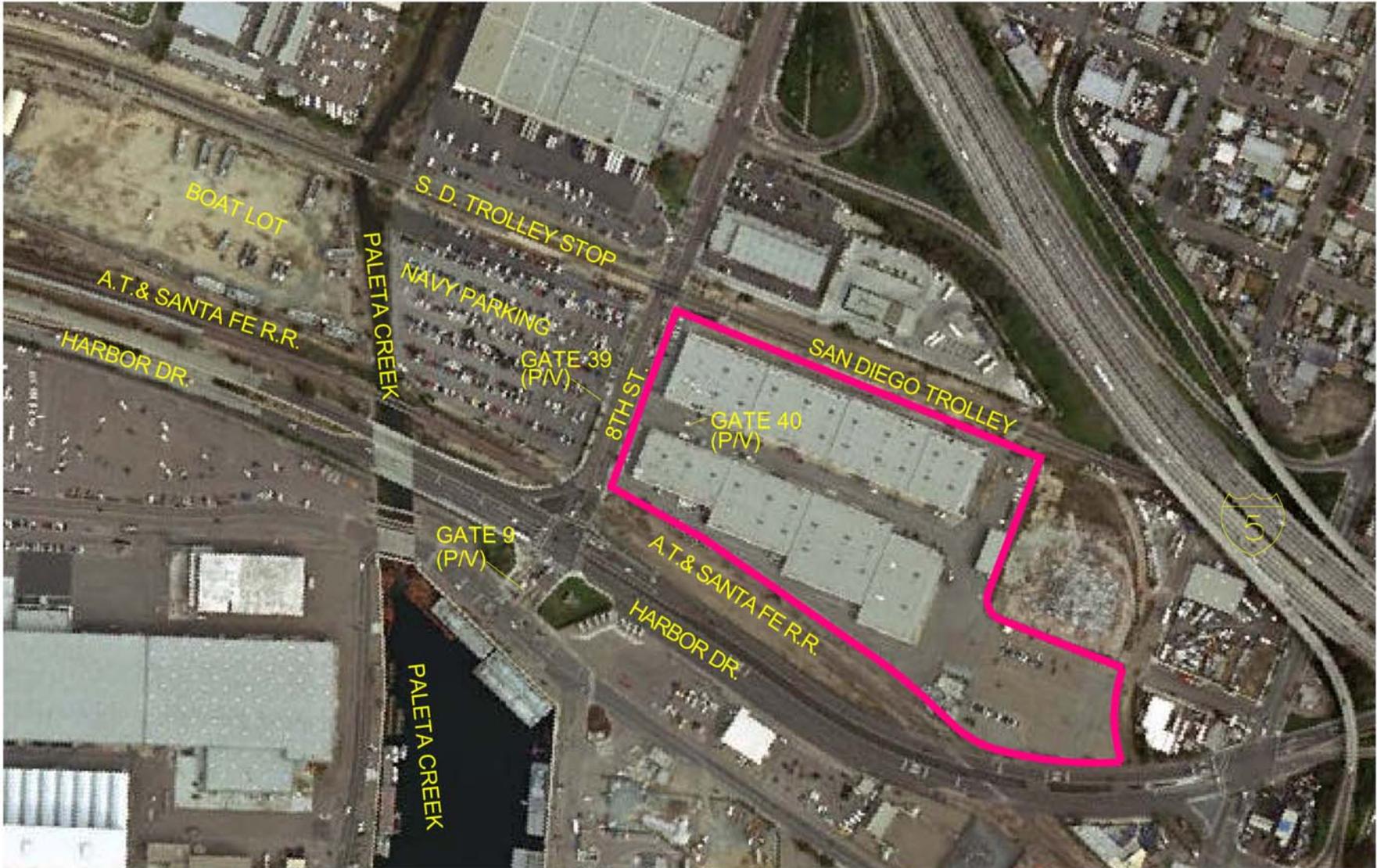
Alternative Site 3

Alternative Site 2

Alternative Site 1



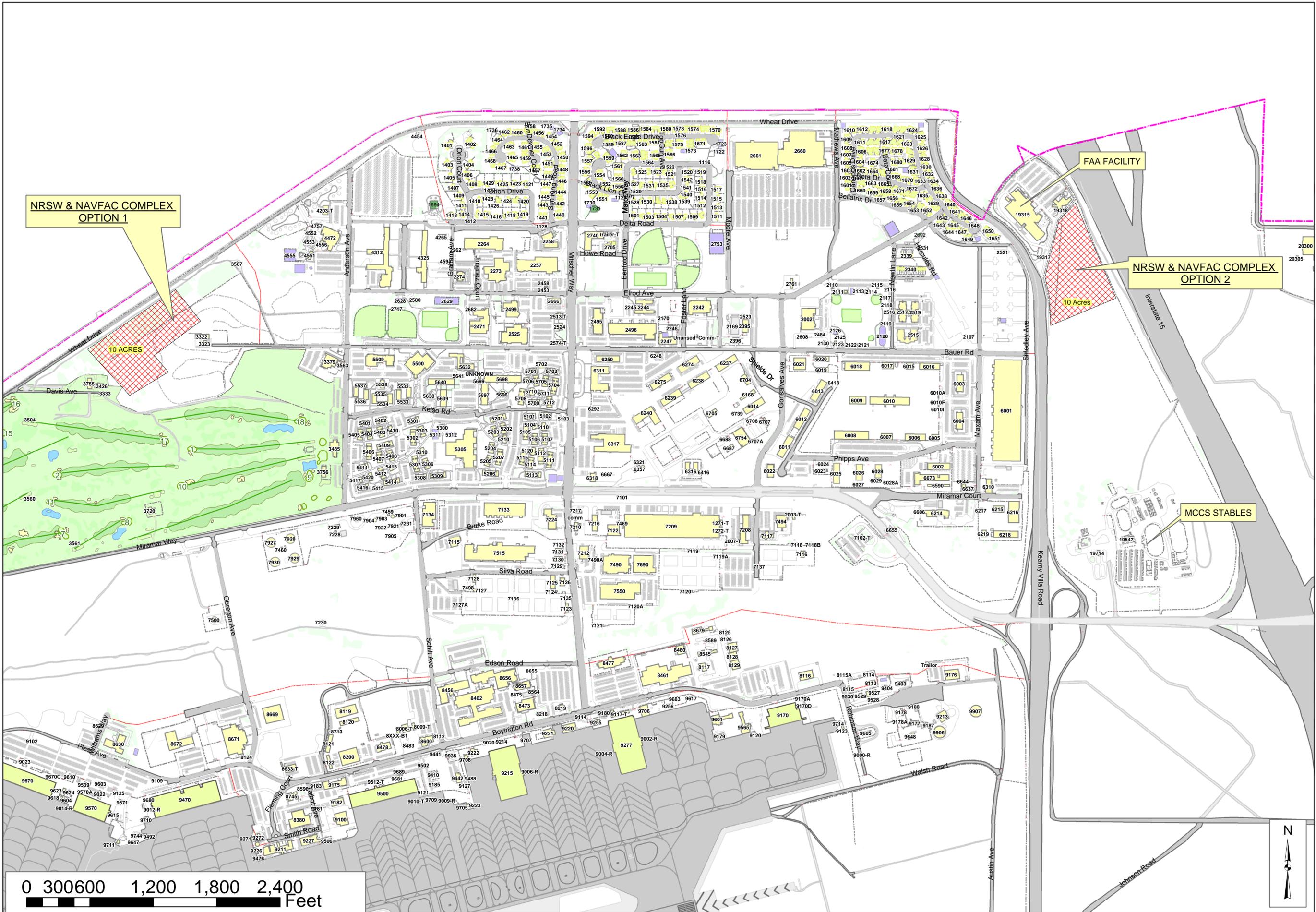
Alternative Site 2



Alternative Site 3



Alternative
Site 3



NRSW & NAVFAC COMPLEX
OPTION 1

FAA FACILITY

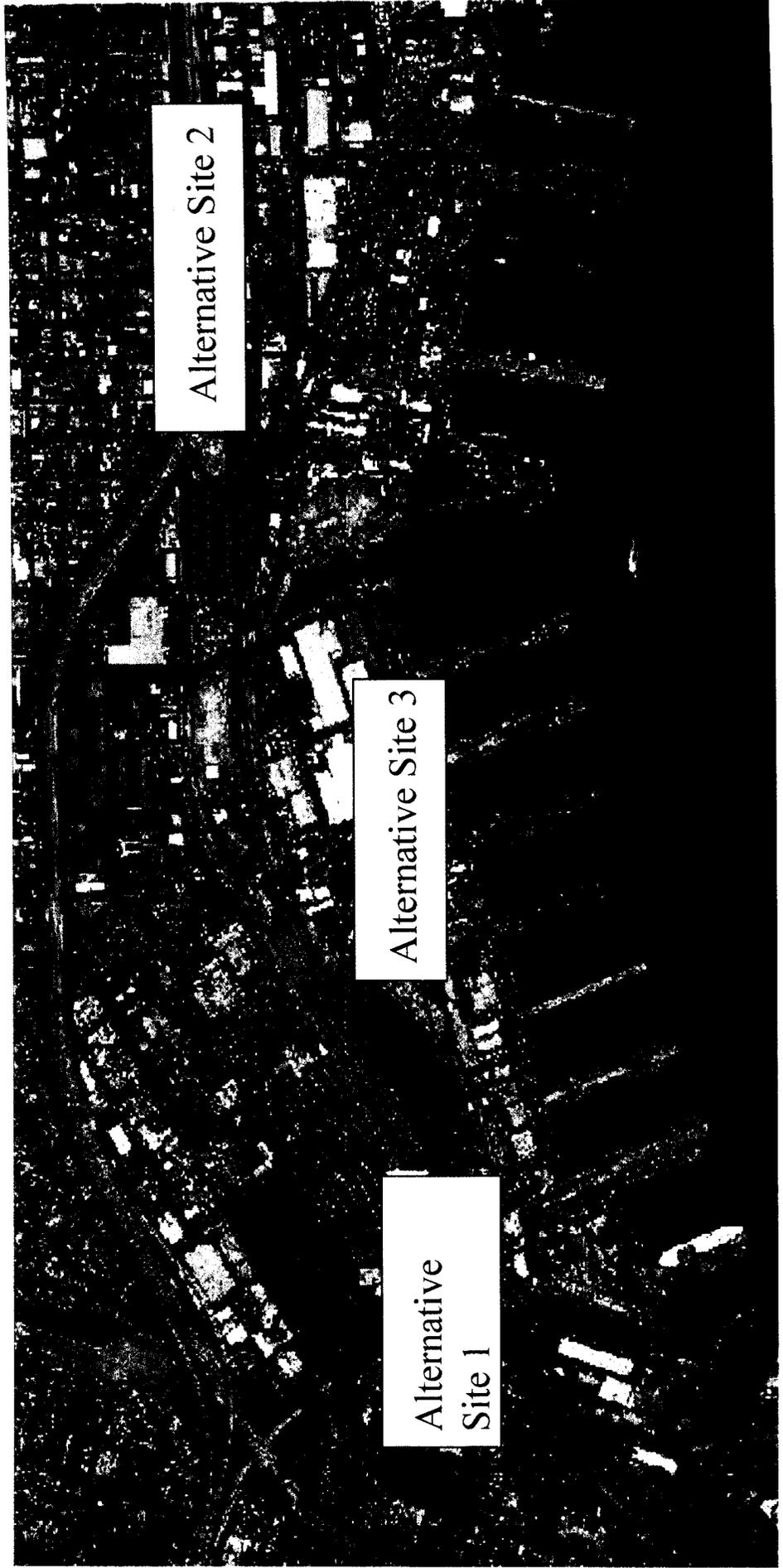
NRSW & NAVFAC COMPLEX
OPTION 2

MCCS STABLES

0 300 600 1,200 1,800 2,400
Feet



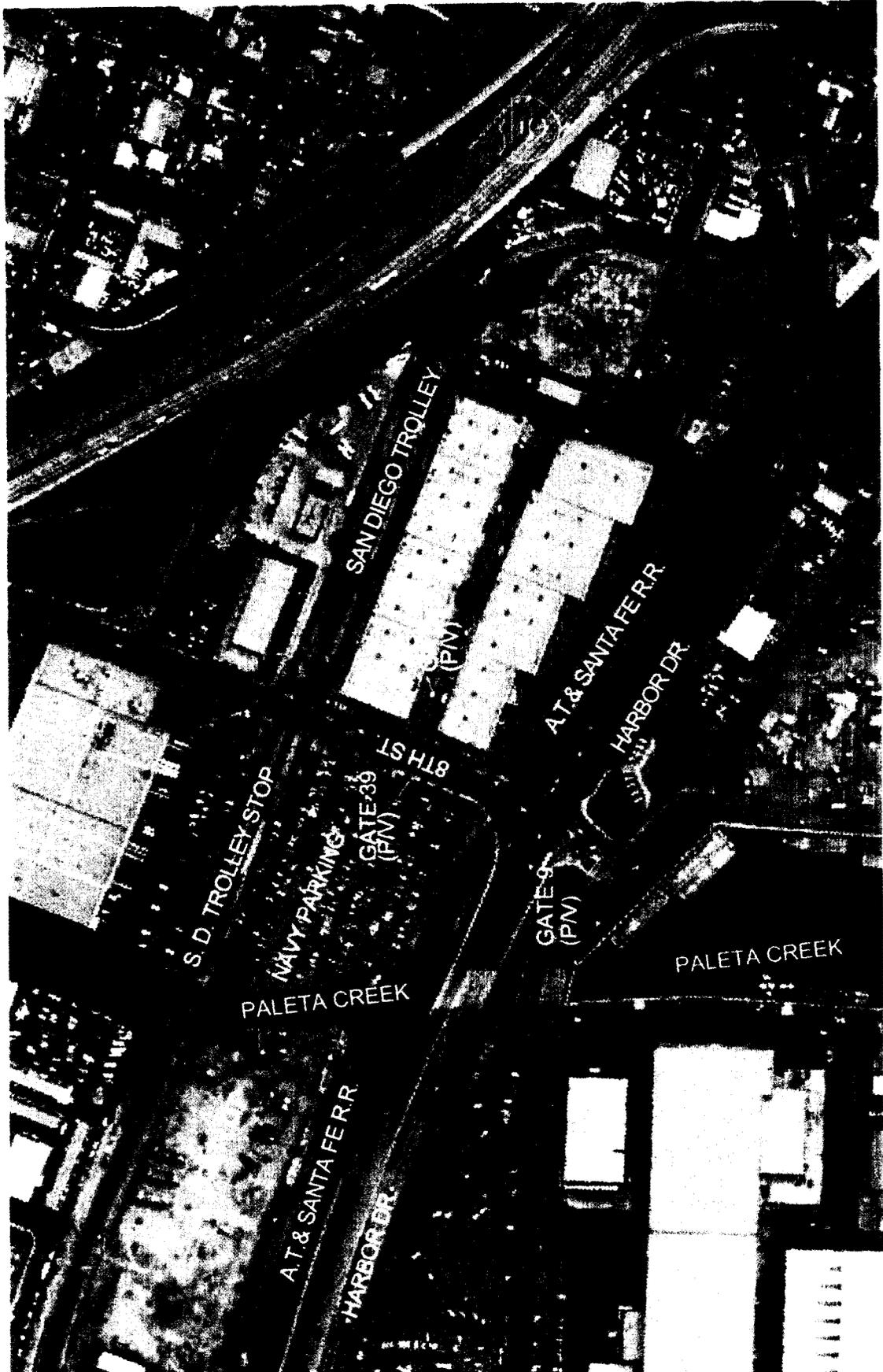
Alternative Sites for the Broadway Complex at Naval Base San Diego



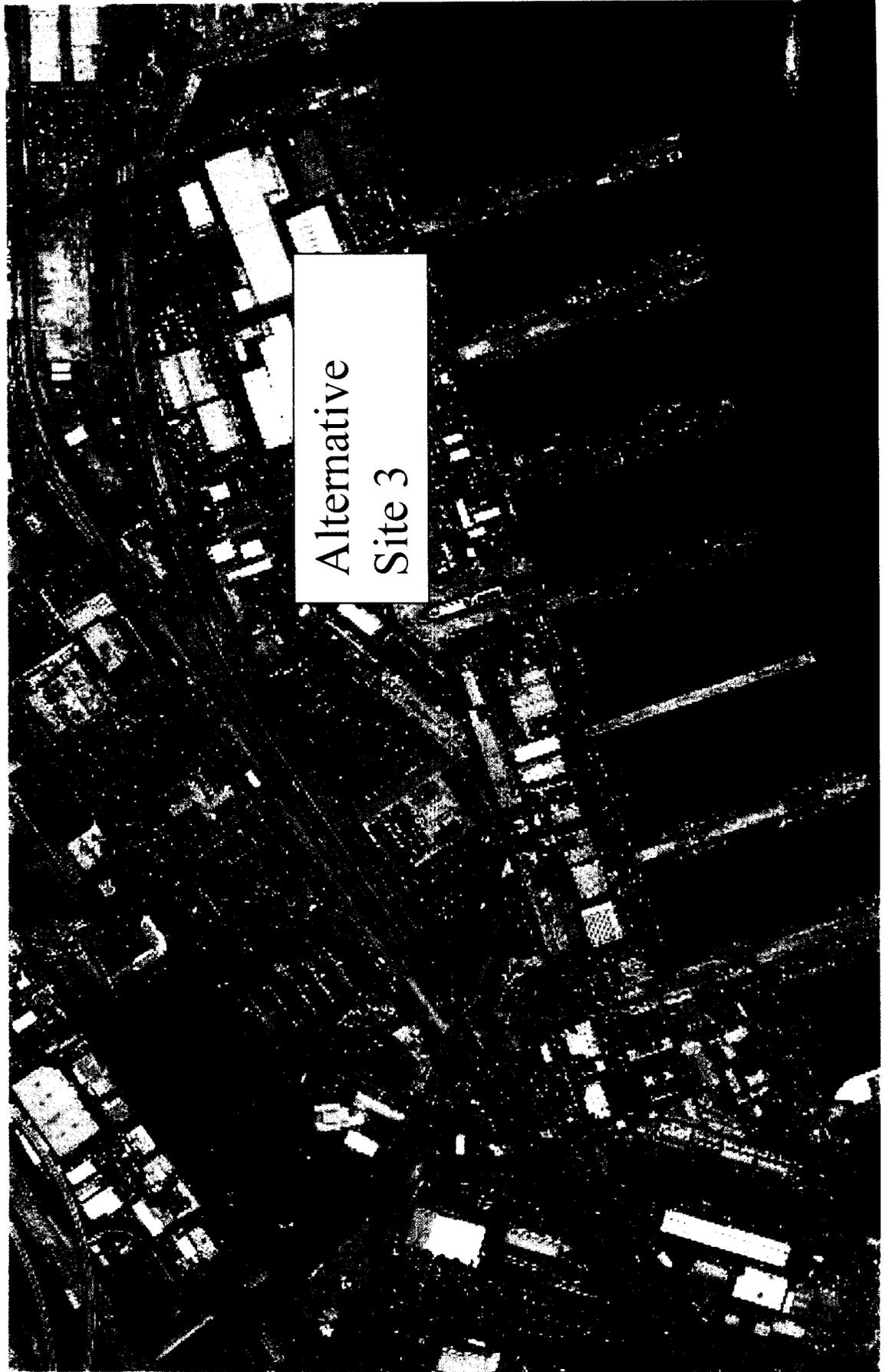
Alternative Site 1

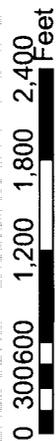
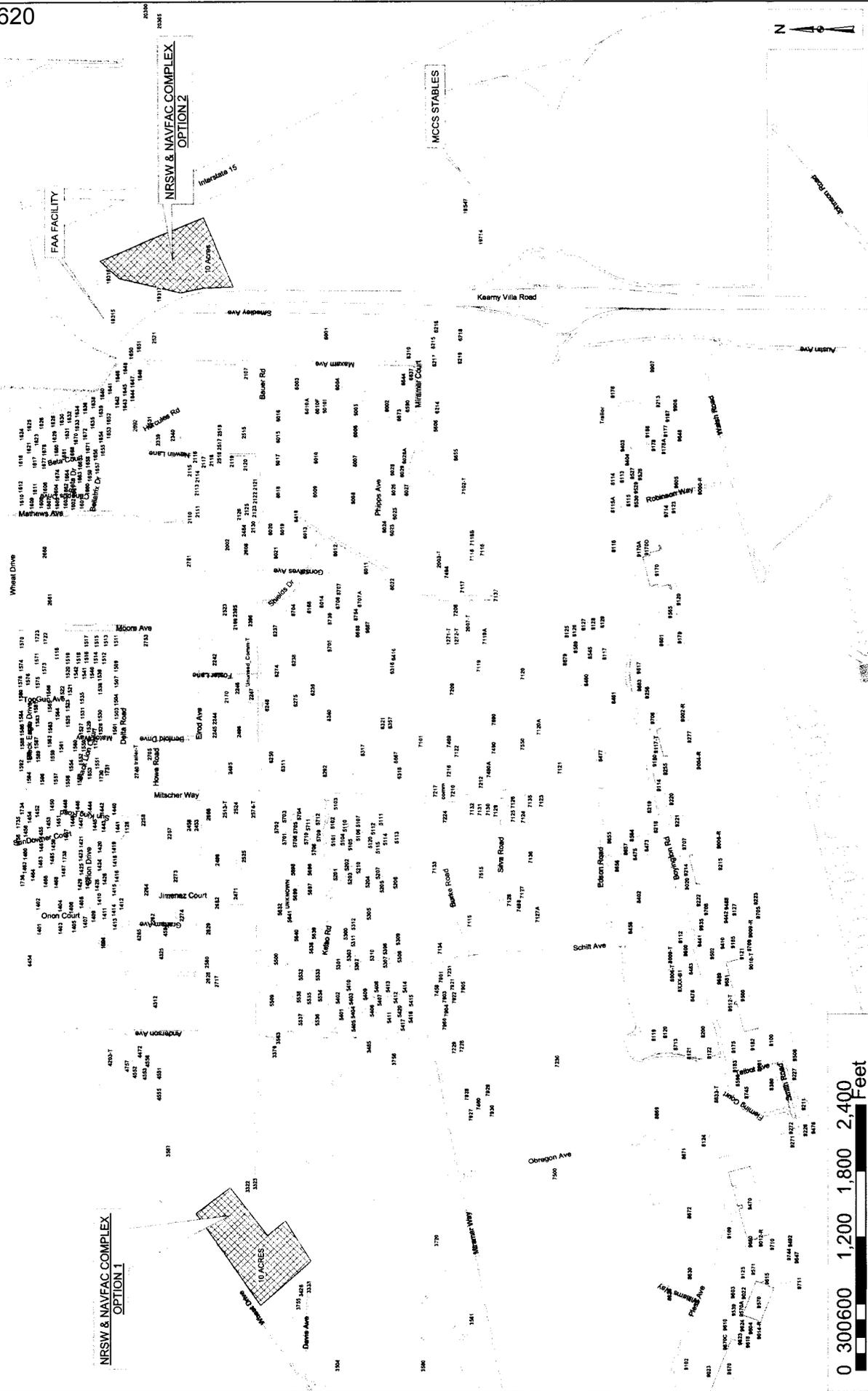
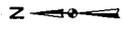


Alternative Site 2



Alternative Site 3





0 300600 1,200 1,800 2,400 Feet