

AUG 12 2005

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August 12, 2005

Charles Battaglia  
Executive Director  
Defense Base Closure and Realignment Commission  
2521 S. Clark St., Ste. 600  
Arlington, VA 22202

Re: Consolidation of Defense Information Systems Agency and Military Medical Commands

Dear Mr. Battaglia:

It was a pleasure to meet you last week, however briefly in the hall outside your office, after having a highly engaging meeting with Mr. Tim Abrell and Mr. Ethan Saxon of your staff. I wanted to take a moment to follow up on our brief discussion with regard to the consolidation of the Defense Information Systems Agency and the various Military Medical Commands from their current leased spaces and onto government-owned property.

As you can imagine, as the property owners of much of the leased space in question, we have grave concerns with the Department's recommendations, but as a long-time vendor and supporter of the Department, we understand and support the Department of Defense's need to right-size its foot print and transform to meet the security needs of our nation.

However, much of our specific concern surrounds the Department's justification of the wholesale vacation of leased space, which is based on the desire to:

- a) ensure that agency personnel are housed in a building that complies with the new antiterrorism/force protection (AT/FP) standards;
- b) achieve costs savings; and,
- c) consolidate the various agency offices into one site.

We appreciate the opportunity we have been given to comment on each of these rationales and respectfully request the Commission give careful scrutiny and consideration to each of these issues. I wanted to take this opportunity to fully develop for you our concerns, as illustrated by the Defense Information Systems Agency and the various Military Medical Commands.

The overall DoD decision to vacate leased space is justified on two false assumptions, namely 1) that currently-leased space cannot be made compliant with force protection standards and 2) that currently-leased space is less cost effective. In fact, many current DOD leased space facilities can be made compliant with the Department's new AT/FP standards, and a number of buildings are either currently compliant or could become so with relatively minimal cost and disruption.

The Skyline campus, for example, which is located along the I-395 corridor, currently houses the majority of personnel assigned to the Defense Information Systems Agency, the Tricare Management Activity and offices of both the Army and Air Force surgeons general.

Our own initial calculations indicate that a five building, 1.8 million rentable square foot Skyline complex could be made AT/FP compliant for a cost of less than \$50M, or approximately \$25.00/GSF, notably lower than the DoD's own average cost of \$28.28/GSF. Additionally, this compliance could be achieved within 18-24 months, much sooner than DoD's own proposals which would not relocate many of its personnel to AF/FP-compliant facilities until 2011.

Further, the Department assumes as an inflexible rule that leased space is a more costly method of housing personnel. The Department, however, did not engage in an individualized review of leased facilities, as it admitted in a response to an inquiry from Mr. Frank Cirillo:

“The HSA JCSG did not gather information via the BRAC certified data gathering processes regarding the costs of leased space in FY2004 dollars and lease termination dates...” [OSC BRAC Clearinghouse Memorandum dated 28 July 2005 in response to Frank Cirillo request, DCN 6240.]

When actual lease costs are examined, it becomes evident that the Department grossly overestimated the cost of leased space. First, the Department failed to use lease figures for the relevant geographic submarket. Second, the Department failed to consider actual lease costs paid by major government tenants. Third, the Department underestimated the actual costs to replicate facilities on government property. Finally, to justify the economies of proposed moves, including, for example, the DISA move to Fort Meade, the Department included figures for costs and savings that are not related to the proposed moves or bundled unrelated DoD components together in one recommendation to generate a cost-saving scenario.

In an effort to provide the Commission with as accurate data as possible, as the owners and builders of the facilities in question, we have provided to your staff what we believe is a far more accurate estimation of the costs to replicate the DISA facilities at Fort Meade. When this new data is applied to the COBRA model, the payback period for the recommendation rises to considerably beyond the 20-year standard benchmark and approaches a 40 year payback. Moreover, when a separate COBRA analysis was performed on consolidating the Air Force and Navy's medical staff to the Skyline campus alongside their colleagues in the Army and the Tricare Management Agency, the payback period for the transition drops from 5 years for a possible relocation to Bethesda down to 2 years for consolidation at the Skyline campus.

We believe that if consolidation is the primary driver for these recommendations, then consideration of a range of consolidation options is appropriate. We respectfully submit that the Skyline campus could facilitate consolidation of both DISA and the various Military Medical Components in a shorter timeframe and at a substantially lower cost than DoD's proposed relocation.

The current site at the Skyline campus has substantial benefits. Aside from both security and infrastructure cost concerns, we note that both DISA and the medical agencies are some of the many agencies which benefit greatly from a close proximity to their primary customer, the Pentagon. The fact that Skyline is only four miles from the Pentagon and is linked by regular shuttle bus service results in operational benefits and cost savings. Surprisingly, no evidence seems to indicate that DoD considered the consolidation of these agencies to an area within close proximity to the Pentagon, including the Skyline campus.

With particular note regarding DISA, one vital fact for Commission consideration is that the primary building which houses DISA and its research and development elements (Seven Skyline Place) is a new building, built specifically to Department of Defense specifications for DISA and opened in late 2001. **The military value of this building can not be more strongly stated, as the building was designed, constructed and outfitted to the exact specifications of the Department.** Among many special design elements incorporated into the construction is a 52,000 square foot complex of underground and windowless facilities for research and development activity.

Taken together, the consolidation of the various DISA and medical components to the Skyline campus, where both are primarily located, is both a more cost effective and timely solution.

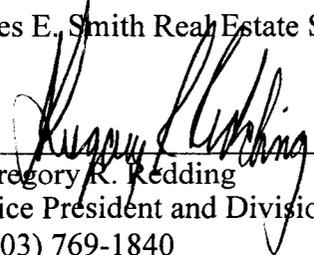
We also would like to inform the Commission that the entirety of DISA and the medical agencies would not fill the Skyline campus. The expenditure of \$50M which would bring a 1.8 million rentable square foot complex into security compliance would also provide the Commission the opportunity to consolidate other agencies to the Skyline campus, all the while saving money, personnel losses and benefiting from close proximity to the Pentagon.

Finally, while we understand it is not the Commission's role to negotiate rental space on behalf of the Department of Defense, it should be noted that these costs for security compliance could be addressed to the benefit of DoD as part of a long-term leasing commitment from the Department to remain at the Skyline campus, further supporting the cost benefits of consolidation to the Skyline campus.

Please do not hesitate to contact me if we can be of any further assistance, or provide any further information to the Commission in the coming days and weeks.

Sincerely,

Charles E. Smith Real Estate Services L.P.

By:   
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cc: Tim Abrell  
Ethan Saxon