

◆ BASE CLOSURE PARTNERS, LLC

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MILITARY REAL ESTATE PRIMER

POTENTIAL ADVANTAGES

- ◆ Significant Price Discounts
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TYPES OF MILITARY REAL ESTATE

- | | |
|---|---|
| ◆ Airports & Manufacturing/Repair Facilities | ◆ Ports: Shipyards & Loading Facilities |
| ◆ Utilities and Energy Facilities | ◆ Warehouses |
| ◆ Depots | ◆ Hospitals & Medical Centers |
| ◆ Manufacturing/Heavy Construction Facilities | ◆ Office Buildings |
| ◆ Small & Large Multi-Use Parcels | ◆ Research Labs & Technology Facilities |

CATEGORIES OF CLOSING MILITARY REAL ESTATE

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| ◆ <i>Base Closures, a/k/a "BRAC"</i> | ◆ <i>Non-BRAC Closure Sites</i> |
| ◆ <i>Special Legislation Closures</i> | ◆ <i>Overseas Closures</i> |
| ◆ <i>Formerly Used Defense Sites (FUDS)</i> | ◆ <i>Utilities and Housing Privatization</i> |

Bases Closures, a/k/a "BRAC." The central vehicle by which to implement the post-1988 Bush/Clinton/Bush policy, championed by every Defense Secretary since 1988, is to "downsize" the Department of Defense's (DoD) industrial infrastructure and their corresponding, heavy costs through the shedding of unproductive or unneeded real estate, e.g., "base closures." Programmatically, this latest era of base closure efforts was initiated by then-Reagan Defense Secretary Frank Carlucci in 1988. In the decade of the 1990s, the Department "closed" roughly 21% -- approximately 100 -- of its existing installations through four "rounds" of decisions by the Base Realignment and Closure Commission (BRAC), in 1988, 1991, 1993, and 1995. These real estate properties are handled under special rules unique to the BRAC process. Under current law, another "round" of base closures will be conducted in 2005. Defense Secretary Donald Rumsfeld, echoing then-Clinton Defense Secretary William Cohen, stated that the 2005 round will close roughly 25% of the current infrastructure; i.e., more military real estate in 2005 than in the four base closure rounds in the 1980s and 1990s, combined.

Non-BRAC Closure Sites. In the 1990s, a number of military sites were closed on the decision of individual military services which "owned" them, for a variety of economic and programmatic reasons. However, those sites were not included in DoD's recommended list of BRAC closures, and thus are handled under different federal government real estate rules, some Congressionally prescribed.

Special Legislation Closures. Despite successful Congressional opposition to DoD efforts to systematically close military bases during the time period from the mid-1960s through the late 1980s, Congress periodically authorized the closure and transfer of individual bases during this same period. These individual closures were

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typically enacted through the National Defense Authorization Act, a law enacted annually which sets forth those military programs and actions that are legally required to be carried out by DoD during that fiscal year.

Overseas Closures. In contrast to domestic military installations, those overseas are operated typically under bilateral treaties or “Status of Forces Agreements” (SOFAs) with host countries. Because of this different legal arrangement, DoD enjoys greater latitude in closing these facilities than they do in domestic installations.

Formerly Used Defense Sites (FUDS). The formal “base closure” effort of the 1980s and 1990s and the “non-BRAC” properties came on top of a previous, 20th Century history of closing military installations. During this time, thousands of installations, including industrial plants, labs, ranges and bases, were shuttered virtually on the decision of the then-serving Secretary of Defense (or his equivalent prior to 1947, the Secretary of War and the Secretary of the Navy), with little formal process. These were conveyed to other federal government agencies, state and local governments, private entities, and some were retained by the Department of Defense. There are approximately 9200 of these, whose cleanup is the exclusive responsibility of the Army Corps of Engineers, a “wholly owned subsidiary” of the Army.

Utilities and Housing Privatization. As an illustration of the DoD Industrial Transformation policy (to become an “end user” rather than an industrial operator), the Department commenced a process in the late 1990s under the Defense Reform Act by which to privatize as many of its 2700 utility systems (1700 domestically) as possible. This effort has emerged slowly, in large measure because of the concerns expressed by interested private utility companies after discovering the extensive state of disrepair of these systems, due often to a long-term lack of operational funding. In contrast, DoD has achieved much more significant results through privatizing much of its base military housing: renovating old, deteriorated housing and building thousands of new housing units to accommodate the needs of military families. This effort is one more example of DoD seeking to extricate itself from historically underfunded infrastructure responsibilities that can be more efficiently addressed by the private sector.

BRAC 2005 TIMELINE

- 2/12/04: DoD issues final “selection criteria” for closing and realigning domestic bases
- 3/15/05: President submits nominations for BRAC Commission to the Senate for confirmation
- 5/16/05: Secretary of Defense publishes closure & realignment recommendations to BRAC Commission
- 9/8/05: BRAC Commission submits findings and recommendations to the President
- 9/23/05: The President approves or disapproves BRAC Commission recommendations, in their entirety
 - ◆ If the President approves, Congress has 45 “legislative days” or until final Congressional adjournment (“*sine die*”) to disapprove recommendations on an “all-or-none” basis. Otherwise, they become binding.
 - ◆ If the President disapproves, BRAC Commission has until 10/20/05 to consider the President’s objections and submit to him a revised list. The President then has until 11/7/05 to accept and forward to Congress the revised BRAC Commission list. Congress then has 45 legislative days or until final Congressional adjournment (“*sine die*”) to disapprove recommendations on an “all or none” basis.