

**SAN ANTONIO BRAC 2005  
GROWTH MANAGEMENT PLAN**

**TASK 4**

**FORT SAM HOUSTON COMMERCIAL  
REVITALIZATION  
AND  
REUSE OF ARMY SURPLUS PROPERTY**

**PREPARED FOR  
CITY OF SAN ANTONIO  
OFFICE OF MILITARY AFFAIRS**

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**SAN ANTONIO BRAC 2005  
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# SAN ANTONIO BRAC 2005 GROWTH MANAGEMENT PLAN

## TASK 4 REPORT

### FORT SAM HOUSTON COMMERCIAL REVITALIZATION AND REUSE OF ARMY SURPLUS PROPERTY

## 1.0 INTRODUCTION

The Growth Management Planning process includes eight tasks, shown in the figure at the right. This report responds to Task 4.

The GMP study area includes neighborhoods proximate to Fort Sam Houston, as shown in Figure 1-1 on the next page.

### 1.1 ABOUT TASK 4

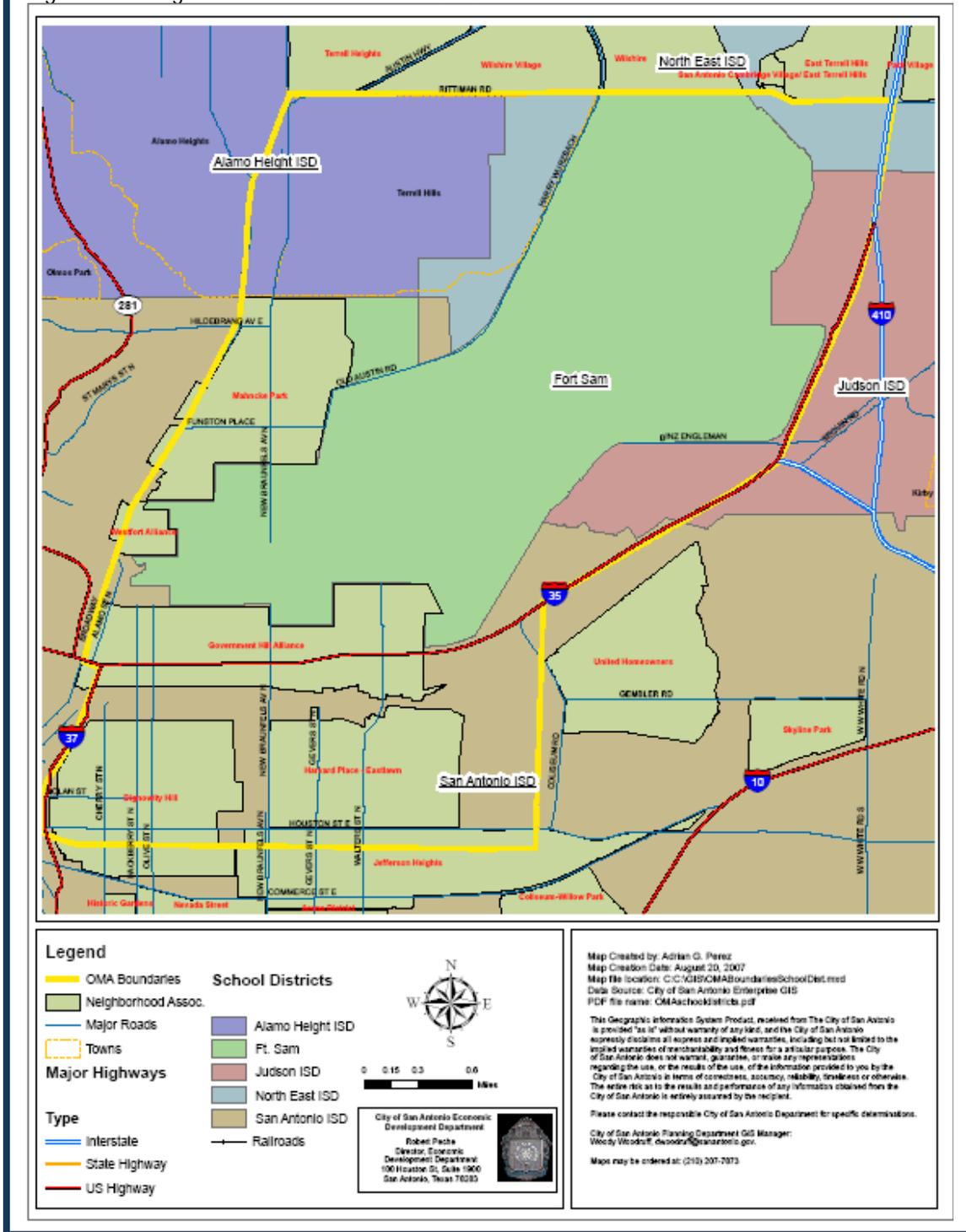
The City of San Antonio has a long history of cooperation with the military and supporting military missions based in the community. This task addresses the possible need for the community to

work with Army at Fort Sam Houston, the Joint Basing Activity led by the Air Force, the Corps of Engineers and the Deputy Assistant Secretary of the Army for Installations and Housing to: (1) Facilitate BRAC implementation; (2) Enhance military operations at Fort Sam Houston; and (3) Leverage BRAC to enhance commercial development, job creation and the revitalization of neighborhoods around Fort Sam Houston.

The Army has indicated that, under the right circumstances, certain base facilities and land adjacent to neighboring communities might possibly be available for uses that support the base mission. This section of the community Growth Management Plan (GMP) assesses the feasibility of incorporating selected parcels from the post into a community reuse and revitalization effort that is closely interrelated to a similar revitalization of neighborhoods surrounding the base. Note that Task 5 involves an assessment of opportunities to leverage BRAC to revitalize the neighborhoods around Fort Sam Houston. In addressing this task, the Study Team (Team DiLuzio) has developed an integrated plan which includes compatible development on-post and off-post, with attention to connectivity and the need for post security.

- Task 1: BRAC Community and Economic Impacts Analysis
- Task 2: San Antonio Military Medical Center Public Transportation
- Task 3: Fort Sam Houston Off-Post and On-Post Transportation Infrastructure
- Task 4: Fort Sam Houston Commercial Revitalization and Reuse of Army Surplus Property
- Task 5: Fort Sam Houston Sustainable Neighborhood Revitalization and Redevelopment Planning
- Task 6a: Redistribution of Healthcare as a Result of Realignment of Wilford Hall Medical Center (WHMC)
- Task 6b Military Clinical Training
- Task 7: Regional Coordination and Communications
- Task 8: Integration Work Accomplished for Tasks 1- 7 into a Growth Management Plan

Figure 1-1: Neighborhoods Proximate to Fort Sam Houston



Coordination has been initiated with the Army at three levels: (1) the Facility Command; (2) the BRAC Corps of Engineers BRAC Construction Management program; and (3) San Antonio Integration Office (SAIO). However, military personnel are extremely busy with implementation of the ongoing BRAC process. Thus, coordination has primarily taken place through the MTF meetings and committees. The review strategy has been:

1. Be sure the proposed ideas have merit, by vetting with stakeholder organizations that are active in property development, including those active in cooperative EUL and Milcon Exchange programs and in development of the Commercial Center planned for Fort Sam Houston.
2. Be sure that the City is prepared to adopt recommendations and lead a partnership initiative as recommended.
3. Then, with City leadership, approach the military to discuss recommended program changes, partnership roles, budgets and timetables.

This approach has been made necessary due to the fact that BRAC has very tight timetables, and there is a very significant volume of ongoing work. Over one billion dollars in construction contracts have already been awarded, and another significant set of contract awards is in the works. Missions are presently planning their move to San Antonio and addressing the details of integration into the facilities and activities at the post. The military does not have time to participate in discussions of a “what if” nature. The proposed program needs to be laid out in a Change Management format, with a credible capacity to deliver on partnership roles suggested and full understanding of the impact on mandatory BRAC deadlines.

## **1.2 PLANNED FORT SAM HOUSTON DEVELOPMENT**

The Department of Defense is establishing three features at Fort Sam Houston: (1) Medical facilities with consolidated state-of-the-art patient care, including several new Centers of Excellence; (2) A hub for training of enlisted medical technicians for all services; and, (3) Both management and joint-force activity.

To support the influx, a construction program proposes expenditures of \$2.34 billion, of which \$1.7 billion is to be spent at Fort Sam Houston. The initial estimate of incoming mission was 12,225, as shown in Table 1-1: Fort Sam Houston Details on the next page. More recent estimates are slightly higher at 12,500, and the Army cautions that numbers are subject to change as organizations begin to join the team at Fort Sam. There will also be an increase in family members, variously estimated by the Army to be between 4,500 persons and 9,400. Their estimated number of school-age children is 2,250. Considering the variation in estimates, numbers have been rounded. This report uses a projected incoming population to 17,000. Finally, it should be noted that the some moves are within San Antonio, so the total number of new jobs coming to the region will be closer to 11,000.

The pages following Table 1-1 are slides that depict areas on Fort Sam Houston that will be developed.

## Table 1-1: Fort Sam Houston Details

| Fort Sam Houston    | 2006 |     |     |       | 2007 |     |     |       | Cum   | 2008 |     |     |       | Cum   |
|---------------------|------|-----|-----|-------|------|-----|-----|-------|-------|------|-----|-----|-------|-------|
| Organization/Action | Mil  | Civ | Stu | Total | Mil  | Civ | Stu | Total | Total | Mil  | Civ | Stu | Total | Total |
| Arm Modular Force   | 165  | 137 |     | 302   | 266  | 1   |     | 267   | 569   | 430  | 374 |     | 804   | 1373  |
| Other BRAC          |      | 7   |     | 7     |      | 161 |     | 161   | 168   | 20   | 89  |     | 109   | 277   |
| AETC                |      |     |     |       |      |     |     | 0     | 0     | 17   |     |     | 17    | 17    |
|                     |      |     |     |       |      |     |     | 0     | 0     |      |     |     | 0     | 0     |
|                     |      |     |     |       |      |     |     | 0     | 0     |      |     |     | 0     | 0     |
| Directed Energy Lab |      |     |     |       | -7   | -4  |     | -11   | -11   |      |     |     | 0     | -11   |
| Totals              | 165  | 144 | 0   | 309   | 259  | 158 | 0   | 417   | 726   | 467  | 463 | 0   | 930   | 1656  |

| Fort Sam Houston    | 2009 |     |     |       | Cum   | 2010 |     |     |       | Cum   | 2011 |      |      |       | Cum   |
|---------------------|------|-----|-----|-------|-------|------|-----|-----|-------|-------|------|------|------|-------|-------|
| Organization/Action | Mil  | Civ | Stu | Total | Total | Mil  | Civ | Stu | Total | Total | Mil  | Civ  | Stu  | Total | Total |
| Arm Modular Force   | 351  | 68  |     | 419   | 1792  | 39   | 61  |     | 100   | 1892  | 55   | 4    |      | 59    | 1951  |
| Other BRAC          | 73   | 119 |     | 192   | 469   | 8    | 229 |     | 237   | 706   |      | 2265 |      | 2265  | 2971  |
| METC                | 102  |     |     | 102   | 119   | 305  |     | 886 | 1191  | 1310  | 347  |      | 3129 | 3476  | 4786  |
|                     |      |     |     | 0     | 0     |      |     |     | 0     | 0     | 1798 | 332  |      | 2130  | 2130  |
|                     |      |     |     | 0     | 0     | 84   | 146 |     | 230   | 230   |      |      |      | 0     | 230   |
| Directed Energy Lab |      |     |     | 0     | -11   | 36   | 48  |     | 84    | 73    | -3   | -13  |      | -16   | 57    |
| Totals              | 526  | 187 | 0   | 713   | 2369  | 472  | 484 | 886 | 1842  | 4211  | 2197 | 2588 | 3129 | 7914  | 12125 |

Data furnished by SAIO

Figure 1-2: Fort Sam Houston Migration Chart (Slide from Fort Sam Houston Transformation Brief)

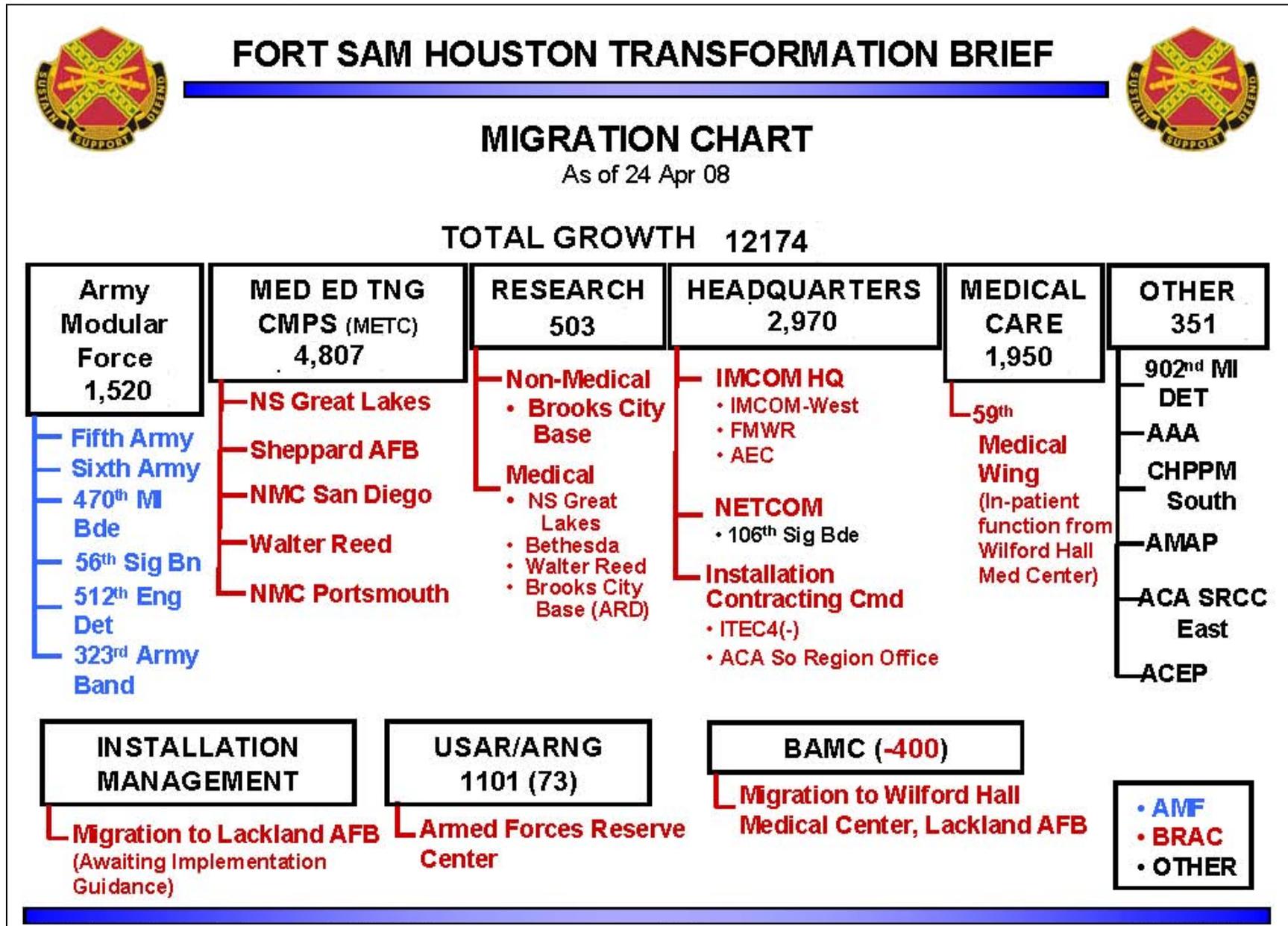


Figure 1-3: Fort Sam Houston Base Transformation FY08-FY11 (Slide from Fort Sam Houston Garrison Transformation Brief)

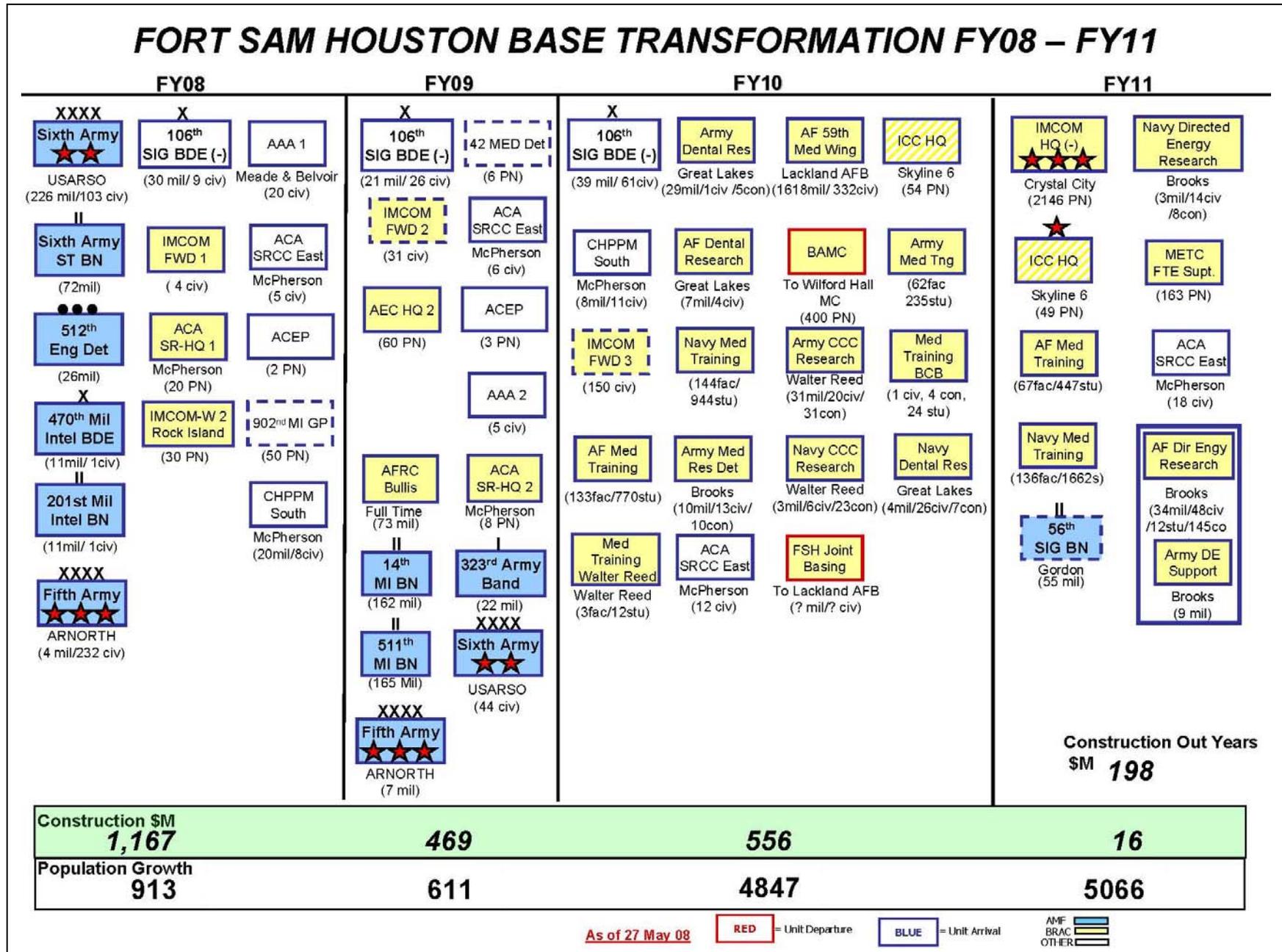


Figure 1-4: Fort Sam Houston BRAC Statistics (Slide from Fort Sam Houston Garrison Transformation Brief)

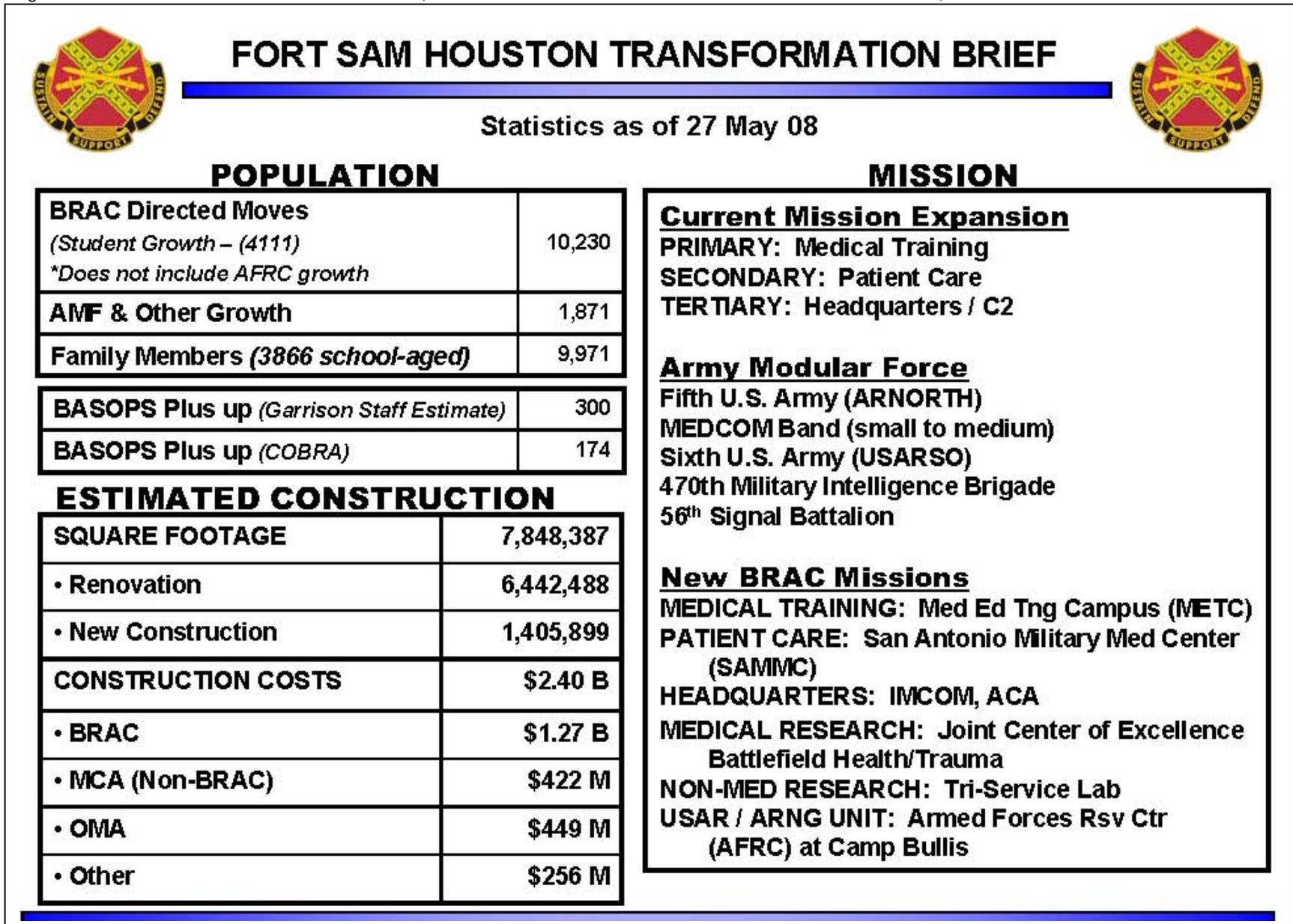


Figure 1-5: Joint Base Initiative (Slide from Fort Sam Houston Garrison Transformation Brief)

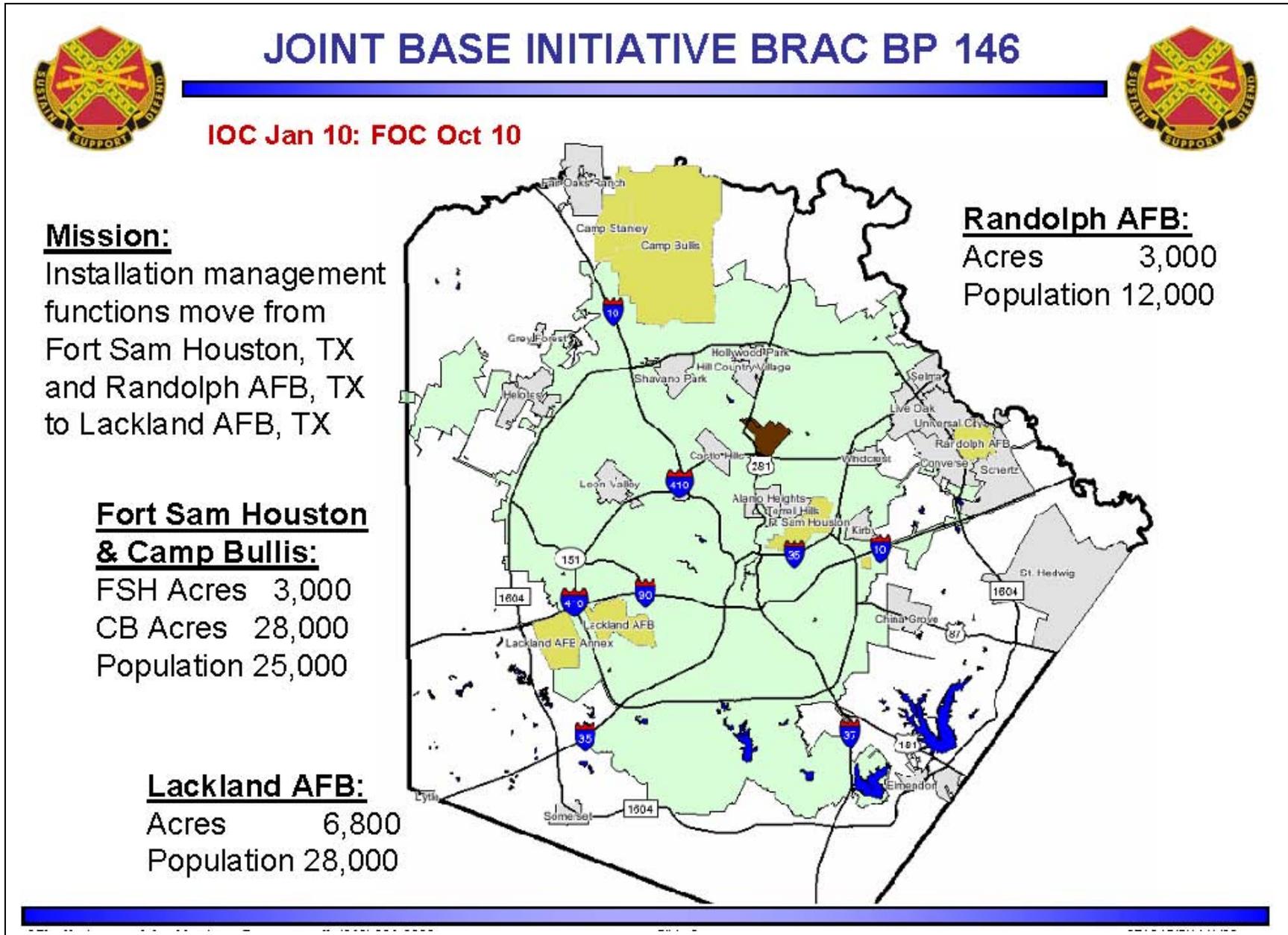


Figure 1-6: Fort Sam Houston Construction Zones and Traffic Plan (Slide from Fort Sam Houston Garrison Transformation Brief)

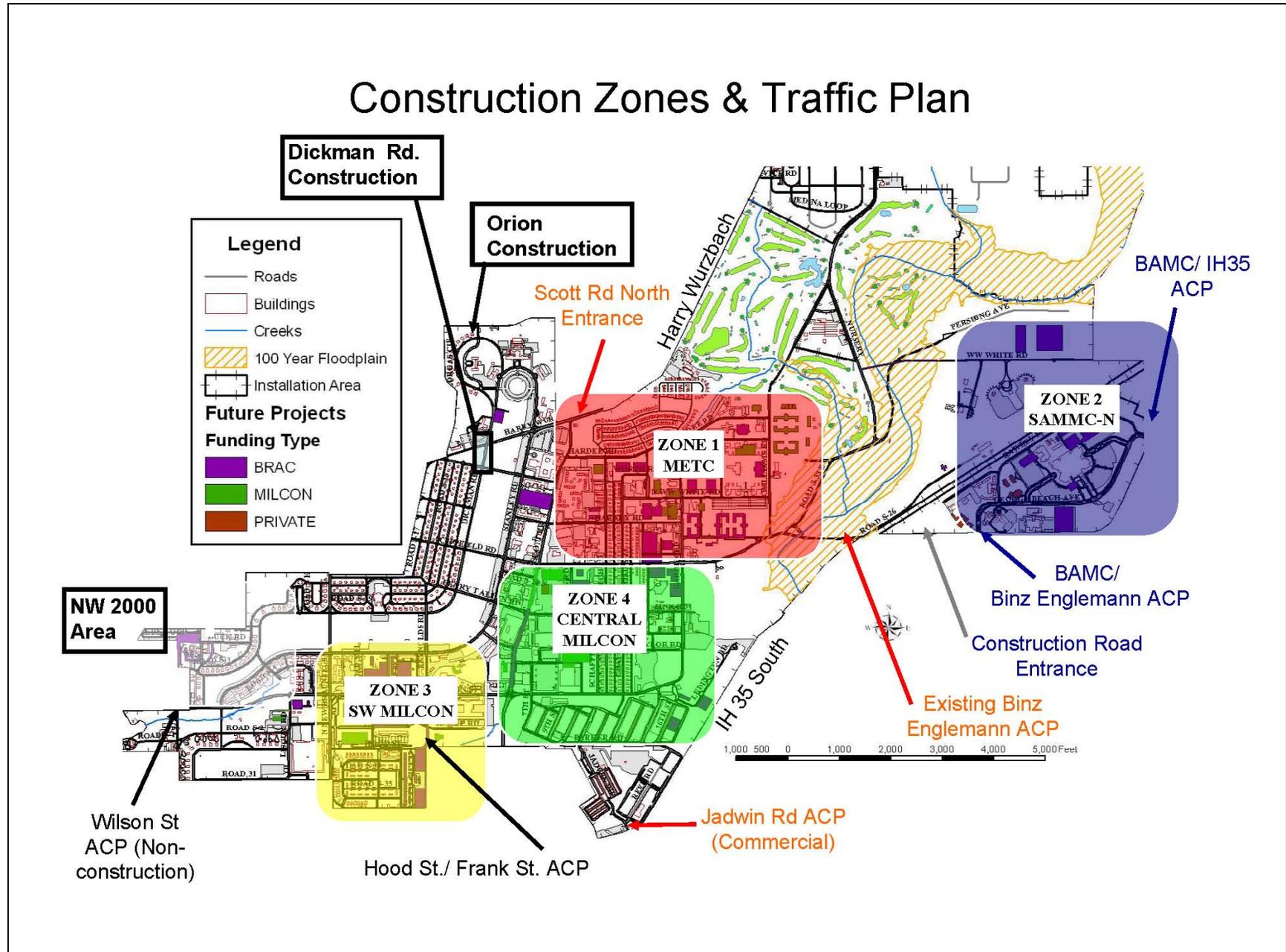


Figure 1-7: San Antonio Military Medical Center & Medical Research (Slide from Fort Sam Houston Transformation Brief)

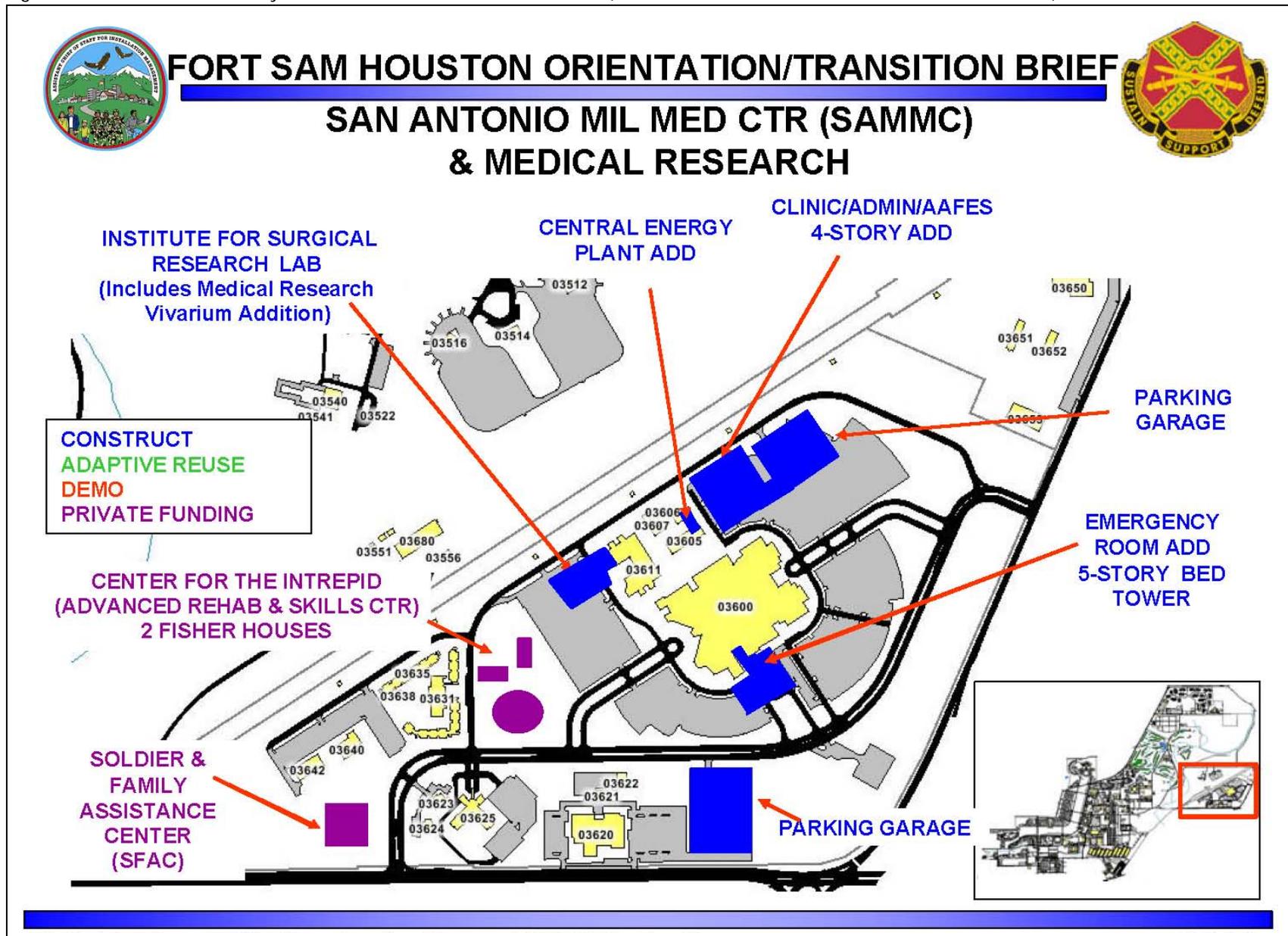


Figure 1-8: Working Solution for Medical Education Training Center (METC) & Patient Care (Slide from Fort Sam Houston Transformation Brief)

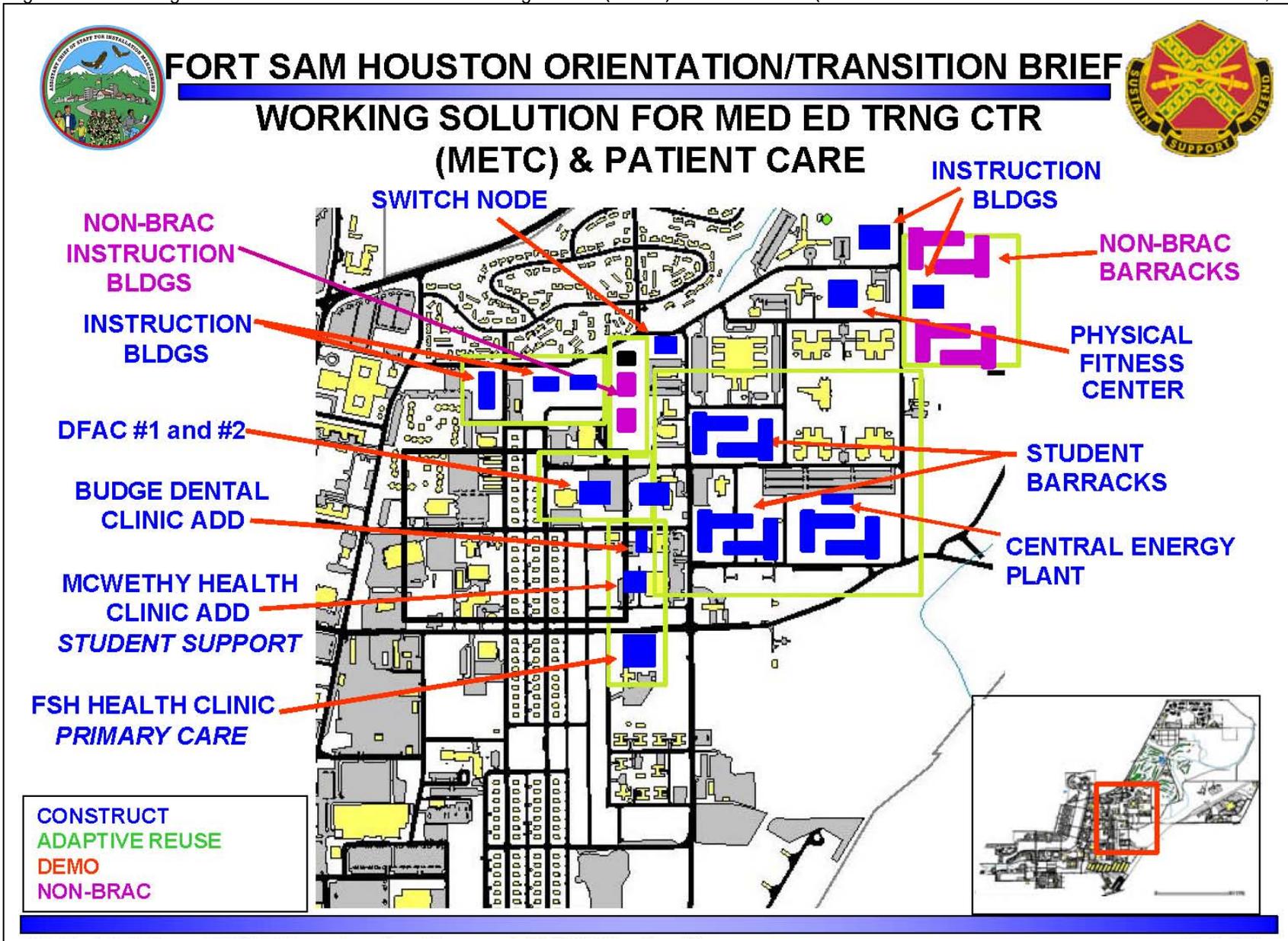


Figure 1-9: Army Modular Force Stationing (Fifth U.S. Army) (Slide from Fort Sam Houston Transformation Brief)

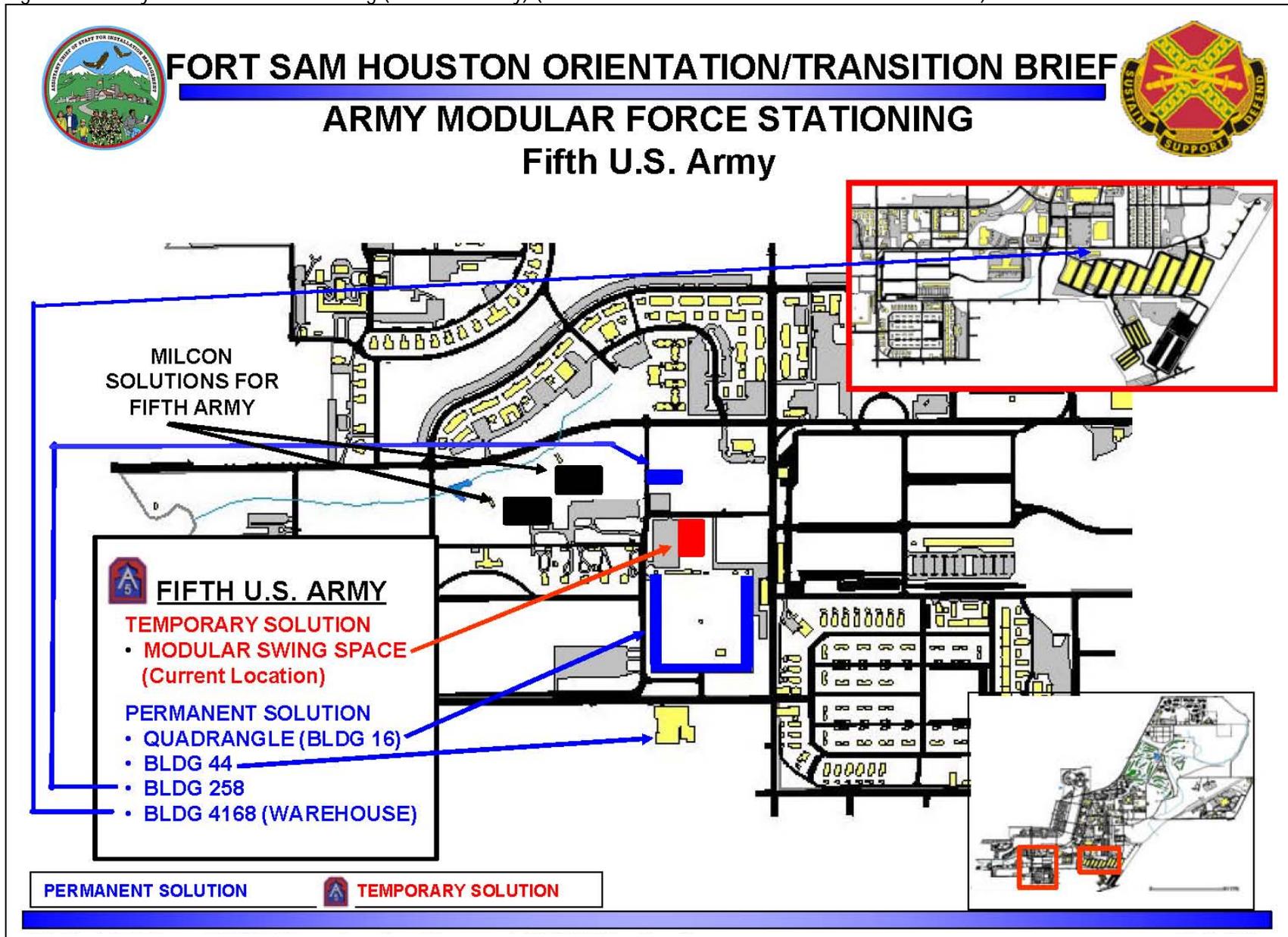


Figure 1-10: Army Modular Force Stationing (Sixth U.S. Army & 470<sup>th</sup> MI BDE) (Slide from Fort Sam Houston Transformation Brief)

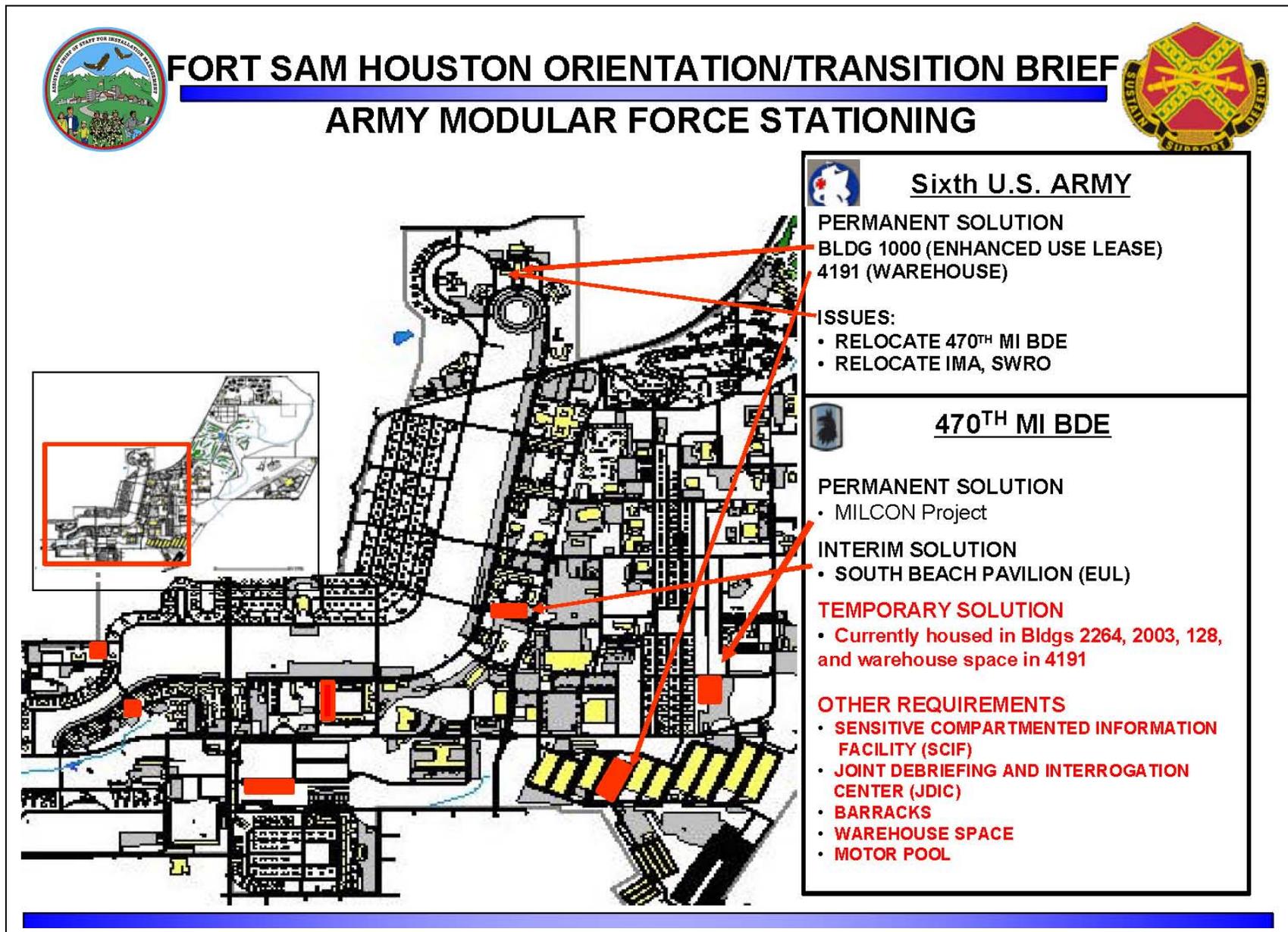


Figure 1-11: Headquarters and Motor Pools (Slide from Fort Sam Houston Transformation Brief)

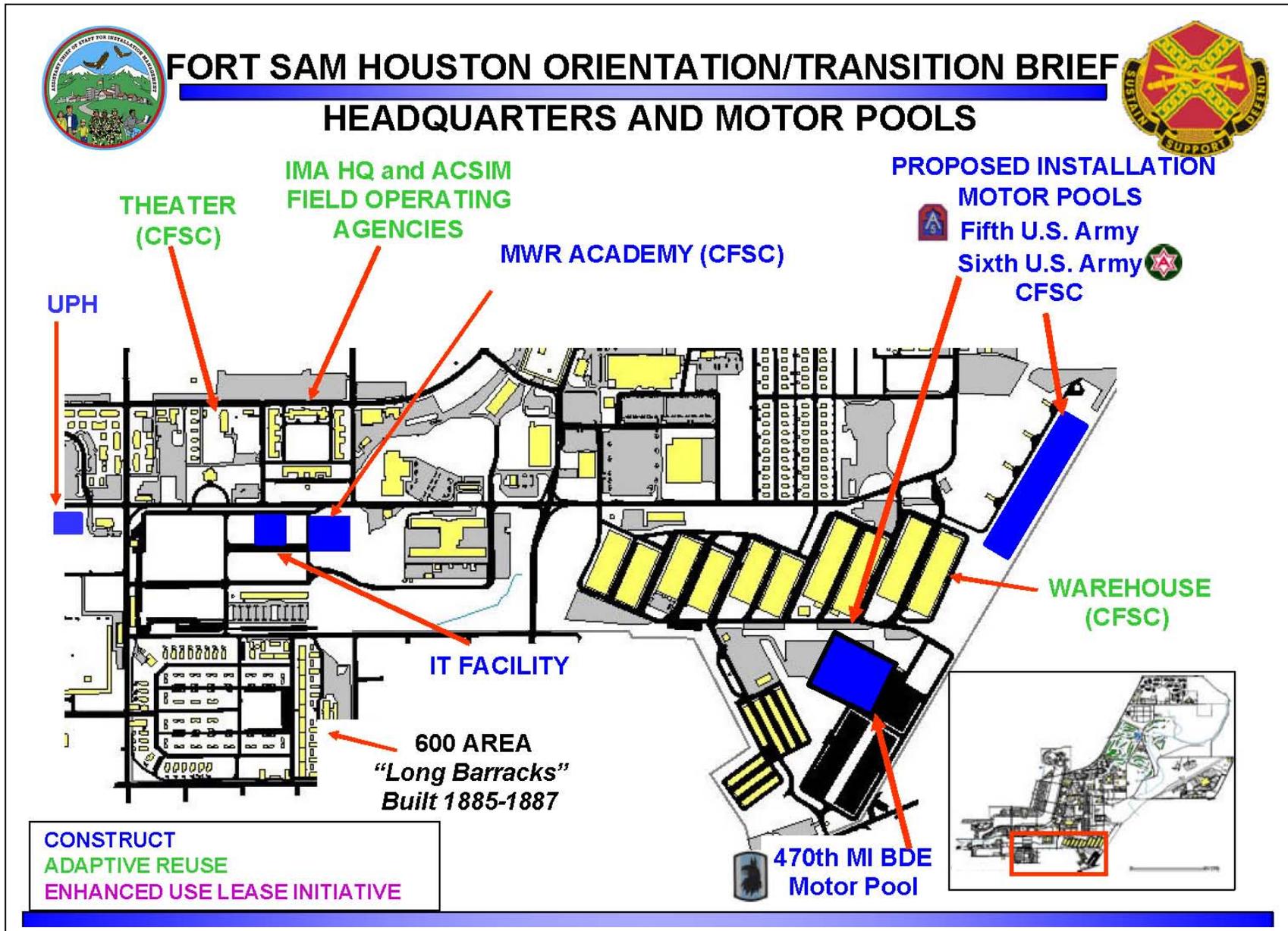


Figure 1-12: Fort Sam Community Services (Slide from Fort Sam Houston Transformation Brief)

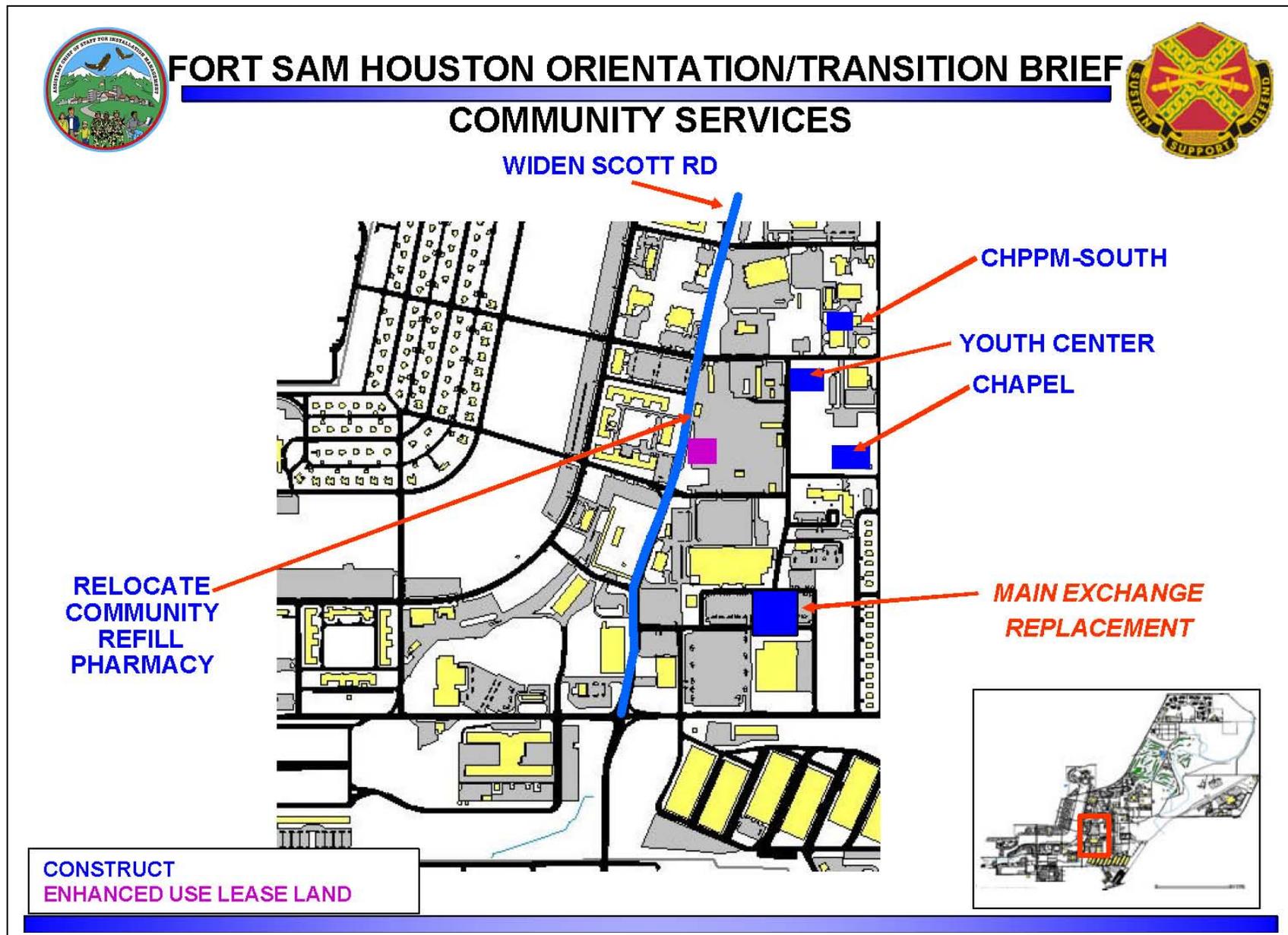


Figure 1-13: Garrison Shopping Center Development (Slide from Fort Sam Houston Transformation Brief)

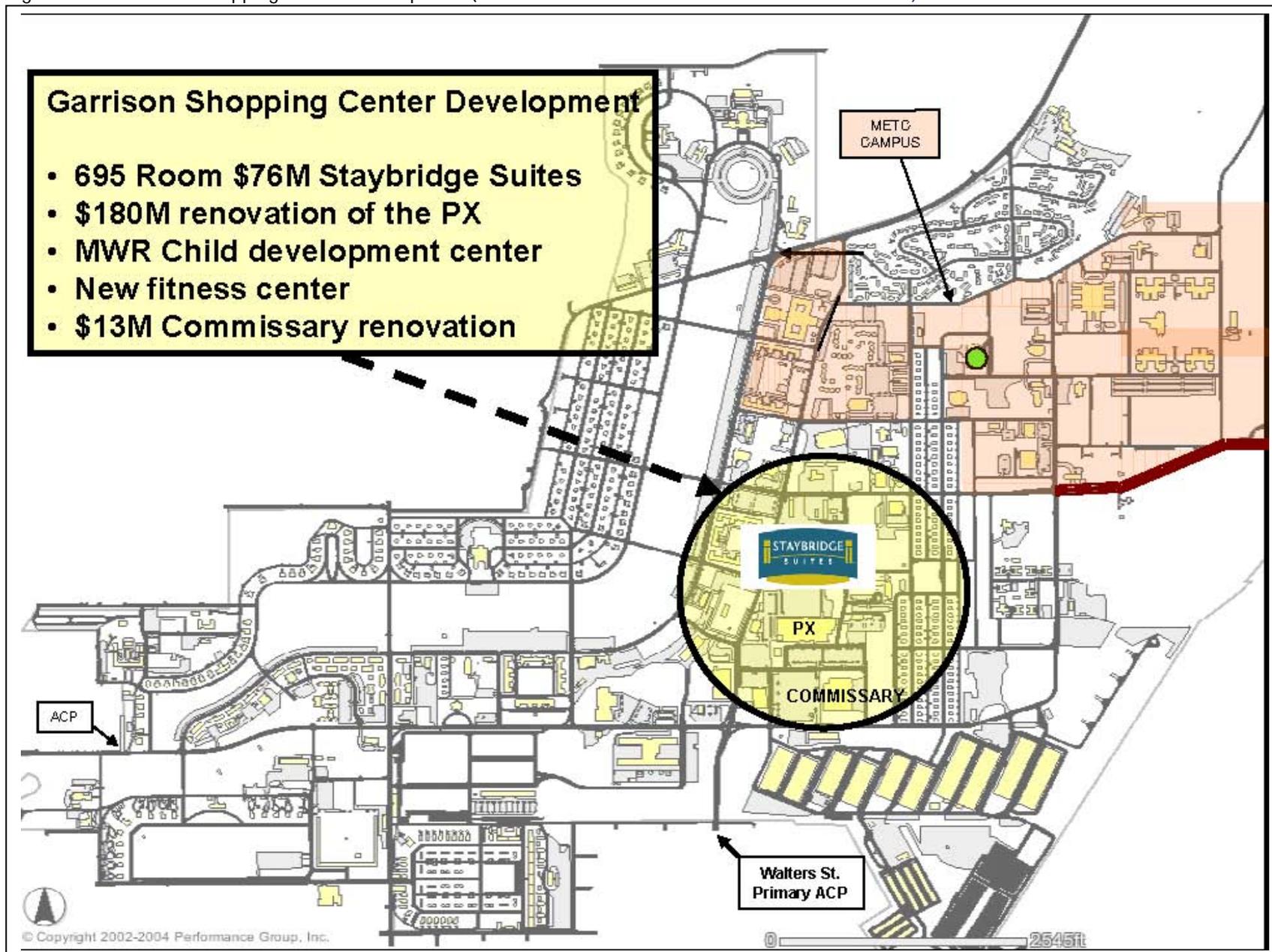


Figure 1-14: Non-Medical Research (Slide from Fort Sam Houston Transformation Brief)

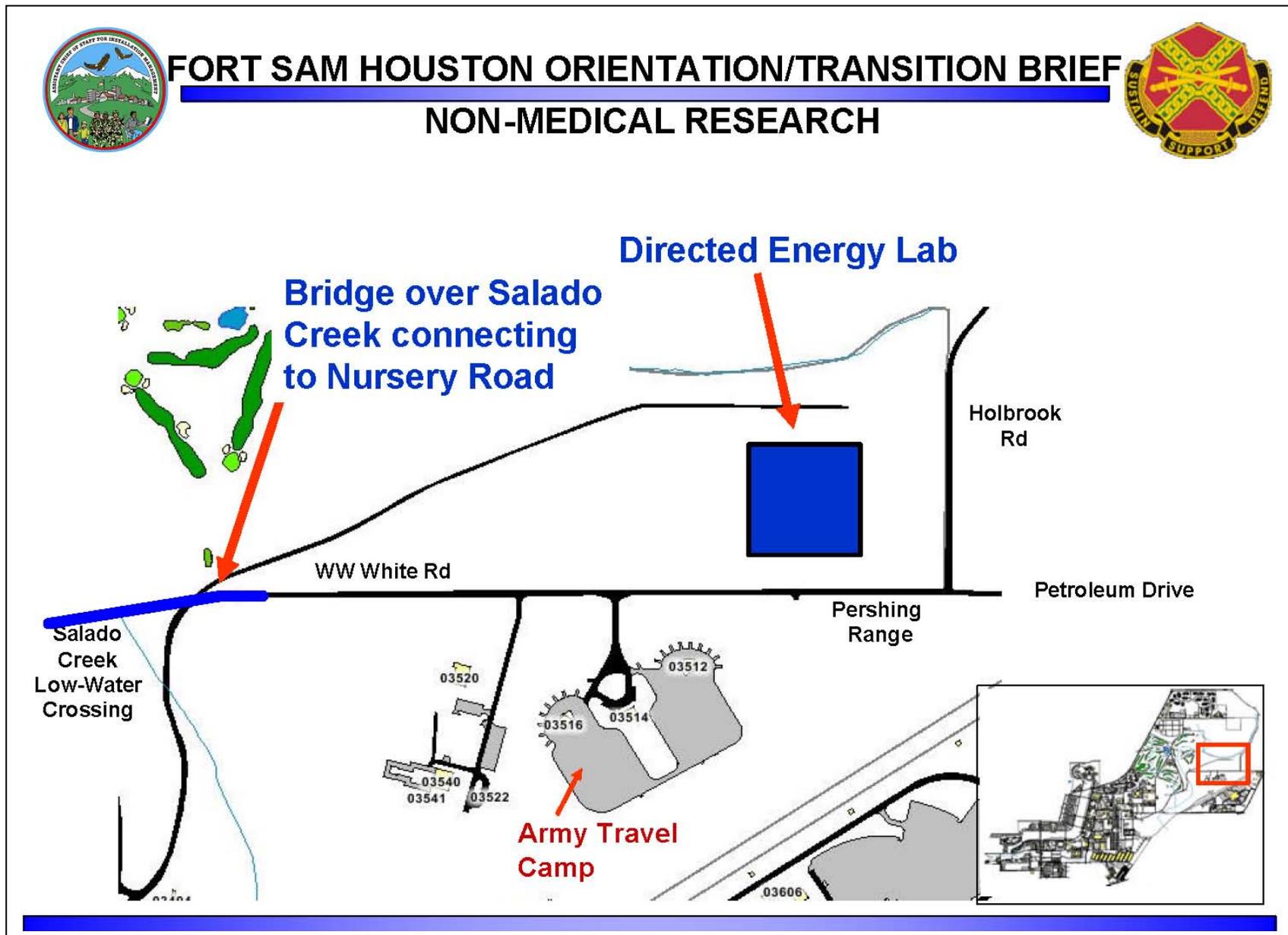


Figure 1-15: Proposed Projects to Support Controlled Access (Slide from Fort Sam Houston Transformation Brief)

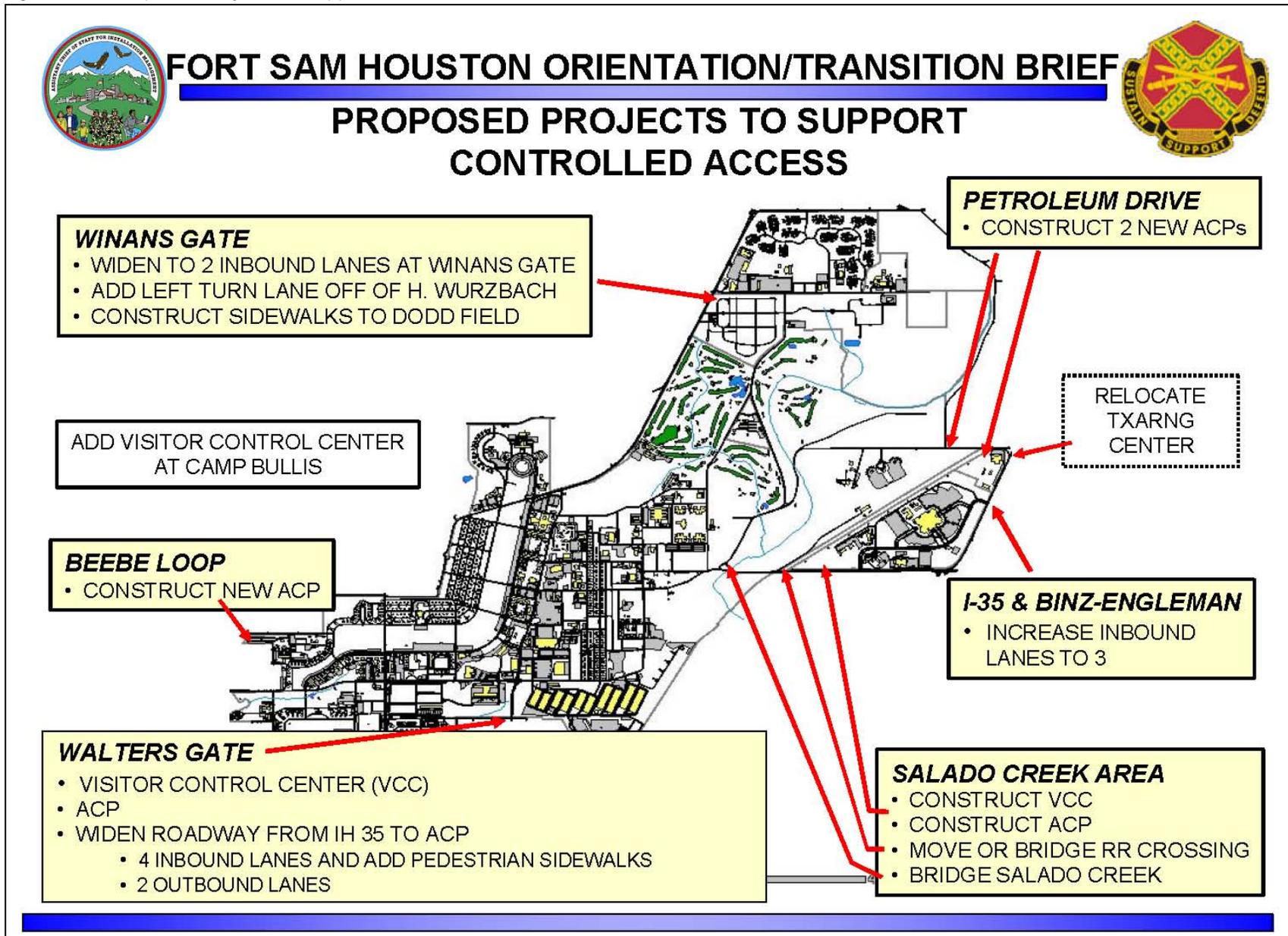


Figure 1-16: BRAC Business Plans (Slide from Fort Sam Houston Transformation Brief)

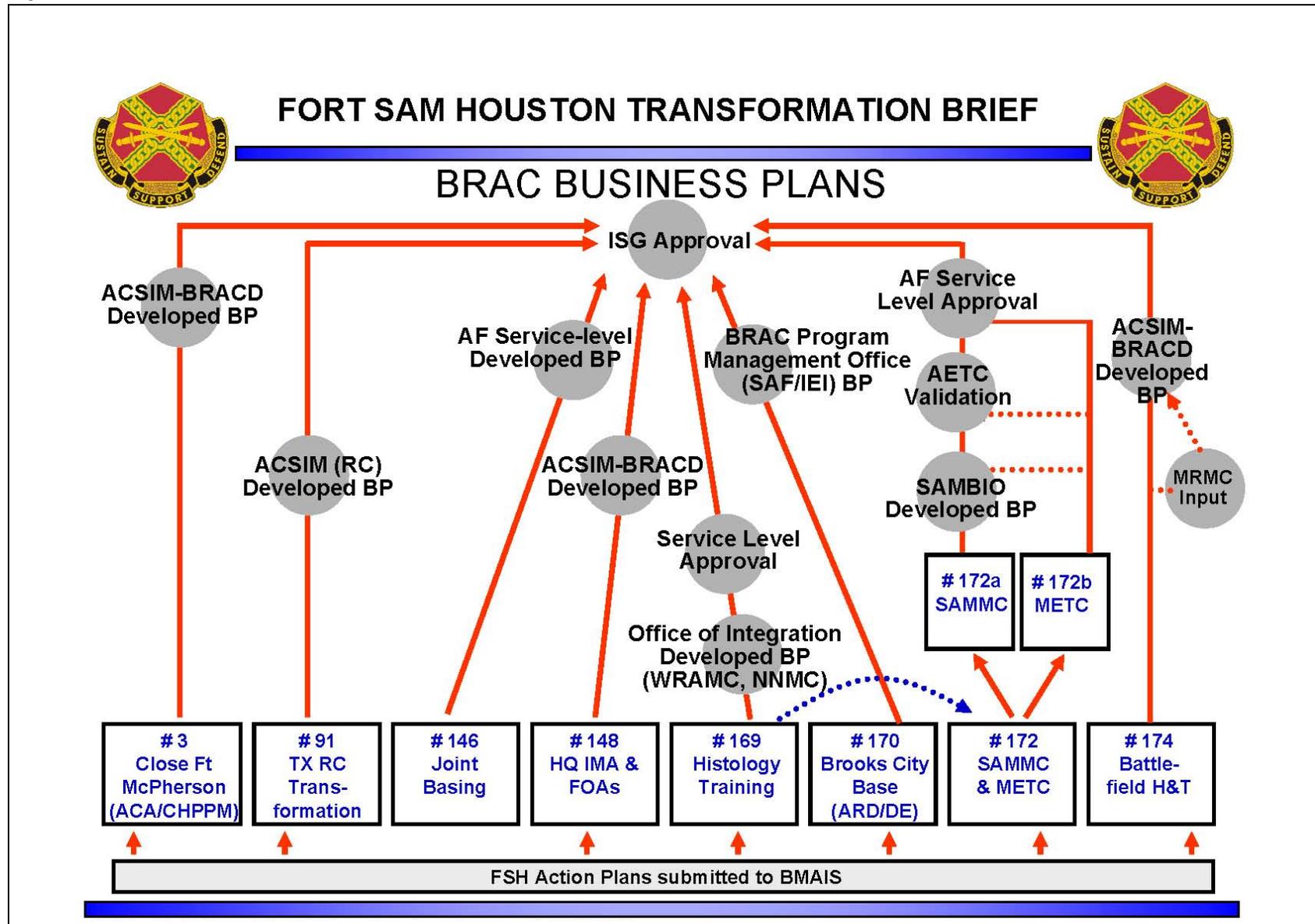


Figure 1-17: Walters Street Bridge Project (Slide from Fort Sam Houston Transformation Brief)



**Partnership with TXDOT and the City of San Antonio**

**FY 08 Widening of Walters Street Bridge over I-35**

**FY 09 Widening of Walters Street from I-35 to FSH gate 6 lanes: 4 inbound, 2 outbound**

## 2.0 PROPOSED PARTNERSHIP DEVELOPMENT

An integrated conceptual land use plan has been developed for the post and the surrounding communities. Plan development began by pulling together the neighborhood plans and creating a matrix which included the goals of all such neighborhood plans, as outlined in the Task 5 report. The proposed GMP thus embraces and incorporates the goals of neighborhood plans, and there are no known conflicts between the Consolidated On/Off Site GMP and the existing neighborhood plans. Next the team obtained the post land use plan and the plans for addition BRAC facilities as well as other planned construction. The materials were reviewed jointly, to obtain a view of the potential for coordinated development. This plan review was supplemented by extensive field evaluation and by development of information on property ownership, occupied and vacant land, and a variety of other land use information. Finally, the plans were supplemented by analyses of traffic flows, commercial viability, supporting infrastructure and the surrounding environment. This overall activity is described more fully in the Task 3 Report.

## 3.0 TOOLS FOR MANAGING PARTNERED DEVELOPMENT

There are several potential approaches of which three are considered possibly viable for development of Fort Sam Houston parcels. The three are: (1) Enhanced Use Leasing; (2) MILCON Exchange, (3) Specific Authorization. Each identified approach is described briefly, and the advantages and disadvantages of the three viable approaches are then compared.

### 3.1 ENHANCED USE LEASING

The following is excerpted from an Association of Defense Communities newsletter entitled Community Roles in Enhanced Use Leasing, Dated September 2007:

***Any non-excess land on an active military base is eligible for enhanced use leasing.***

*Military leasing authority has existed since 1892, but the basic authority has been supplemented from time to time, including major changes when leasing was “enhanced” by Congress in 2000 to permit construction of new facilities in exchange for in-kind consideration.*

### The EUL Process

#### Develop a Project Vision

- Identify non-excess assets
- Identify an “installation champion” to drive the process
- Inventory and identify development opportunities
- Review financial/economic viability
- Conduct a physical inspection of property or facilities
- Identify and map assets available for EUL projects
- Determine whether assets have specific development requirements
- Develop a project concept plan
- Identify Asset Value
- Determine market demand and conditions
- Determine highest and best use based on market conditions, site conditions and base operations
- Conduct analysis of revenue streams
- Identify and evaluate conditions and constraints, market interest, and financial attractiveness
- Determine fair market values
- “Go/No Go” decision

#### Develop and Market the Project

- Refine project concept plans
- Obtain congressional approval (required for projects involving in-kind consideration valued at \$500,000 or more)
- Develop partnering strategy and documents
- Implement selected strategy

Source: “Enhanced Use Leasing Guide,” Ernst & Young, July 2004

*This change, found at Title 10 USC § 2667, authorized the military departments to use funds received from leases for the construction or acquisition of new facilities.*

According to the Army EUL web site, <http://eul.army.mil/aboutEUL.htm>, with the expanded authority of section 2667, the department has the authority as well as an incentive to participate in EUL in order to obtain one or more of a broad range of financial and in-kind considerations in return for the leasing opportunities. The changes to Section 2667 broaden the types of in-kind consideration which may be accepted for leases. These changes allow the Army to maximize the utility and value of installation real property and provide additional tools for managing the installation's assets to achieve business efficiencies. For example, installations can, among other things:

1. Enter into long-term leases, providing greater flexibility for facility use and reuse; and
2. Receive cash or in-kind consideration as income for leased property, which income can be used for:
  - Alteration, repair or improvement of property or facilities
  - Construction or acquisition of new facilities
  - Leasing of facilities
  - Payment of utility services
  - Real Property Maintenance Services,

In summary, enhanced use leasing offers installation commanders and the Department numerous benefits:

- Enhanced mission performance through cooperative efforts with private developers;
- Improved utilization of property;
- Reduced base operating costs through improved business practices;
- The ability to stimulate local job markets;
- The ability to foster cooperation between military services and the private sector;
- The ability to introduce valuable federal property into the local market.

EUL approval authority is vested in the Secretary of the Army for Installations and Housing (DASA-I&H). The DASA-I&H provides worldwide policy, programming and oversight of the Army's real estate, military construction, engineering, housing and base realignment and closure (BRAC) responsibilities. The DASA-I&H must approve leasing of real or personal property for more than five years. A lease may be entered into if the DASA-I&H considers it advantageous to the Army and the United States, and finds that terms promote the national defense or are in the public interest. Congress must approve projects involving in-kind consideration valued at \$500,000 or more.

**The DASA-I&H vision is to create sustainable installations that support missions of the transformed Army with land, buildings and infrastructure providing excellent quality of life support for soldiers and their families. To that end, a major objective is to secure the necessary resources to sustain Army installations and establish policies and oversight that ensure the effective and efficient use of those resources.**

The conclusion is that EUL provides a very flexible authority to utilize non-surplus property in a variety of ways, with a benefit accruing to any community or commercial organization that can make the highest and best use of the property. Compensation for such use by the community or private sector can then be used by the Army in a variety of ways. One example might be to rent and use part of the improved property, thus in effect, providing free use of a share of the property improvement. A negative consideration is that approval authority for any significant arrangement resides in Washington, DC, and large projects will require Congressional concurrence.

Potential EUL projects indicated on the preceding slides include:

- South Beach Pavilion - as a temporary location for the 470<sup>th</sup> MI BDE (Refer to Figure 1-10 on page 13) (Project already in progress);
- Center for the Intrepid (Shown as “Private Funding” in Figure 1-7 on page 10);
- Soldier and Family Assistance Center (Shown as “Private Funding” in Figure 1-7 on page 10);
- The Post Hotel (see Figure 1-13 on page 16 - Project already in progress).

### 3.1.1 HOUSING AND LODGING PRIVATIZATION

According to a recent newsletter (<http://www.imcom.army.mil/site/newsletter/pal2007.asp>), the mission of the Army Installation Management Command (IMCOM) is to manage Army installations to support readiness and mission execution; provide equitable services and facilities; optimize resources; sustain the environment and enhance the well-being of the military community. Key objectives to meet this mission include:

- Work to match soldiers’ quality of life to quality of service they provide to the nation;
- Execute “Business Improvement/Lean Six Sigma” to maximize efficiency and effectiveness of services;
- Improve Army’s aging infrastructure, preserve environment, and ensure environmental and security regulations are followed;
- Construct base housing and other structures such as recreational facilities;
- Enable mission commanders and soldiers to focus on war front.

Over the past few years the US Army has conducted an extensive evaluation of its military housing, which has three main components:

- Accompanied Permanent Party



Housing (Family Housing) - For Family Housing, the Army implemented the Residential Community Initiative which privatizes housing and develops comprehensive modern communities.

- Un-accompanied Permanent Party (Barracks) - For barracks, the Army has developed a systematic approach to replace or renovate current inventory and implement pilot programs at several garrisons to privatize Senior NCO Barracks.
- Transient Housing (Lodging) - For lodging, the Army is developing and implementing the Privatization of Army Lodging (PAL) program.

### **3.1.1.1 The Residential Community Initiative**

Source: <http://www.army.mil/publications/soldiersmagazine/HotTopics/media/summer05.pdf>

The Residential Community Initiatives (RCI) program employs the authorities provided by the 1996 Military Housing Privatization Initiative Act that allows the Army to leverage appropriated funds and the value of the Army's assets to obtain private sector capital and expertise for the management, renovation, construction, maintenance and operation of military family housing. RCI is an effort to leverage private funds, through a partnering arrangement, to stem the decline in military family housing and improve family and soldier Quality of Life (QOL). The initiative addresses housing conditions with the goal of making installation homes safe, attractive and modern places for soldiers and their families to live. Congress conceived and authorized the program in 1996. Currently, the RCI program is comprised of 45 installations (combined into 35 projects) and over 88,000 homes, 99% of Army's family housing inventory in the U.S. To date, 35 installations (77,000 homes) have been privatized; 10 more (11,000 homes) are in solicitation or under development. (Foregoing Data from Army RCI Web Page as of July, 2008) The RCI program demonstrates that privatization is effective in attracting world-class development and management. Under RCI, the Army partners with private sector firms to manage and operate family housing, with the private sector entity serving as the managing member of the corporation. The business agreements associated with these privatization transactions include:

- A ground lease of the family housing footprint;
- Conveyance of housing units and ancillary facilities in the housing area to the developer;
- Development, financing and operating agreements describing the partners' responsibilities.

A typical partnership agreement is for a 50-year period with an option to extend an additional 25 years. Residents pay basic rent and utilities, equal to their basic housing allowance. Residents who conserve energy pocket the savings while those who waste energy must pay for the excess usage.

Fort Sam Houston formed an RCI partnership with Lincoln Military Housing (LMH). LMH has improved and will maintain family housing for the next 50 years. The process has involved demolition and replacement or renovation of some 925 homes. LMH has also incorporated three resident centers, two with pools, walking and running trails, and sports courts.

**No new family housing is planned on Fort Sam Houston as a result of BRAC.**

### **3.1.1.2 Barracks - systematic approach**

As shown in Figure 1-8: Working Solution for Medical Education Training Center (METC) & Patient Care, the Army is planning four clusters of new barracks at Fort Sam Houston. Two are identified as BRAC-related, and two are identified as non-BRAC related. These are expected to accommodate the existing transient population as well as the BRAC influx of students and other persons requiring such accommodations.

### **3.1.1.3 Privatization of Army Lodging**

According to the Army Web Page on PAL, thousands of soldiers and families travel on short business trips, to attend schools, or move between duty stations. Of about 19,000 hotel rooms run by the Army in the continental United States, Alaska and Hawaii, (Army web page - July 2008) more than 80% are in need of replacement or major renovation. The PAL program is a partnership between the Army and private industry to improve the condition of on-post hotel-like lodging facilities and provide for their long-term sustainment. The goal is for on-post lodging for it to be comparable in quality to that available off-post. Through the PAL program, the Army is working with the private sector to create long-term relationships which will:

1. Ensure that travelers to Army posts have easy access to quality, affordable, on-post accommodations, and
2. That quality is maintained for the long-term through adequate reinvestment.

The initiative presents an opportunity for hotel companies and other civilian private developers to bid on overhauling, refurbishing and managing the facilities on 62 installations across the United States. Revitalization of Army lodging facilities is expected to cost close to \$1 billion dollars and would take more than 20 years if the Army were to address this need internally. In addition, the Army budget would not likely provide adequate funding to maintain the quality of lodging facilities over time. Privatization under the PAL initiative will let the Army leverage private sector capital and best business practices in order to provide quality facilities much sooner and sustain that quality in the future. Private sector entities are being selected competitively, and Army interests are expected to be monitored through the terms of contractual and property lease arrangements with the competitively selected hotel partners.

A recent Government Accounting Office Review, contains the following: *(Excerpt from: (GAO-07-164 "Defense Infrastructure: Continuing Challenges in Managing DOD Lodging Programs as Army Moves to Privatize Its Program" portions of which were released on December 15, 2006 and found at <http://www.gao.gov/htext/d07164.html>).*

The Army believes privatization will provide for faster improvement and long-term sustainment of lodging facilities and will avoid costs. GAO recognizes these benefits, but its analysis shows privatization could increase costs through increased room rates and create operating challenges that have implications beyond the Army, such as uneven lodging occupancy and room rates where joint-basing is planned. GAO found that lodging privatization could increase costs to the government by about \$75 million per year through increased room rates if all military lodging facilities in the U.S. are privatized, with those costs borne by the operations and maintenance and military personnel appropriation accounts. The Army currently estimates it will also incur at least \$17.3 million in one time costs related to severance pay and discontinued service retirement annuities for lodging

employees let go because of privatization. Privatization also may affect occupancy levels and exacerbate rate disparities among bases and between official and unofficial travelers, as well as lead to inconsistencies in room rates among services at future joint bases. Complying with relevant reporting requirements contained in housing privatization legislation will allow Congressional oversight of the Army's privatization of lodging.

The 2008 Army Posture Statement (Found at: [http://www.army.mil/aps/08/information\\_papers/sustain/Privatization\\_of\\_Army\\_Lodging.html](http://www.army.mil/aps/08/information_papers/sustain/Privatization_of_Army_Lodging.html)) poses the question: "What has the Army done?" and then answers it: "In September 2006 the Army selected Actus Lend Lease, a veteran partner already working with the Army at multiple installations in the RCI program, as the partner for the first of the three PAL project groups (the Group A project). Actus has chosen InterContinental Hotels Group (IHG) as the operator and manager for this project. The PAL Group A project includes Redstone Arsenal, Alabama; Fort Rucker, Alabama; Fort Leavenworth, Kansas; Fort Riley, Kansas; Fort Polk, Louisiana; Fort Sill, Oklahoma; Fort Hood, Texas; **Fort Sam Houston, Texas**; Yuma Proving Ground, Arizona; Fort Myer, Virginia; Fort McNair, District of Columbia; and Fort Shafter's Tripler Army Medical Center, Hawaii."

The Actus/Continental Partnership includes five hotel brands, including Holiday Inn, Holiday Inn Express, Staybridge Suites, Candlewood Suites, and Historic Collection Hotels, with a Staybridge Suites Hotel tentatively scheduled to be established at Fort Sam Houston. (Source: Altus - Pal Proposal found at: <http://www.pal.army.mil/documents/ACTUS%20Concept.pdf>)

**Recommendation: The Army and Actus/Continental should be encouraged to develop the post hotel at an alternative location, and as part of a larger mixed-use development near the old Playland Park site on the western edge of the post.**

## 3.2 MILCON EXCHANGE

Military Construction Exchange or "MILCON Exchange" is also known as the Real Property Exchange Program. This is a procedure whereby a military department can negotiate to exchange property for construction of needed facilities elsewhere. Authority for the military to enter into exchange of property **at bases which have not been closed** or vacated by realignment or transfer is found at Title 10 U.S.C. 2662. The Corps of Engineers is the real estate authority for such exchanges, and exchanges are limited to a maximum of \$500,000 without specific Congressional approval. Transfer of property belonging to the United States must be reported to the committees on Armed Services of the Senate and House of Representatives if the estimated value is more than \$50,000, and the transaction may not be consummated until after 30 days have expired from the date the report is submitted to the committees.

Title 10 U.S.C. 2672 provides that the Secretary of a military department may acquire any interest in land, including temporary use, by gift, purchase, exchange of United States owned land or otherwise, that he or his designee determines is needed in the interest of national defense and does not cost more than \$500,000 exclusive of administrative costs or the amounts of deficiency judgments. This exchange authority permits the Department

of Defense to convey certain real property assets to private parties in exchange for land or real property improvements on a Fair Market Value (FMV) for Fair Market Value exchange basis. The exchange must be accomplished through a legally binding agreement (LBA).

## DEPARTMENT OF DEFENSE

### REAL PROPERTY ACQUISITION, MANAGEMENT, AND DISPOSAL AUTHORITIES

- 6.1.1.1. 42 U.S.C. 4321, et seq. (reference (i)) mandates policy and procedures to be followed before acquisition of real property.
- 6.1.1.2. 10 U.S.C. 2676 (reference (j)) specifies conditions under which a Military Department may acquire real property not owned by the Government.
- 6.1.1.3. 10 U.S.C. 2233 (reference (j)) gives authority to the Reserve components to acquire real property.
- 6.1.1.4. 40 U.S.C. 483 (reference (k)) covers the acquisition or exchange of Government-owned property.
- 6.1.1.5. 10 U.S.C. 2672 (reference (j)) sets minor land acquisition authority limits.
- 6.1.1.6. 10 U.S.C. 2672a (reference (j)) provides authority for acquiring land when the need is urgent.
- 6.1.1.7. 42 U.S.C. 4601-4655 (reference (l)) states the requirements that must be met regarding the acquisition of real property relative to uniform relocation assistance.
- 6.1.1.8. 10 U.S.C. 2677 (reference (j)) covers the use of advance options to acquire real property.

Source: <http://biotech.law.lsu.edu/blaw/dodd/corres/pdf2/d41656p.pdf>

Acquisition of real property for legally authorized civil works projects is authorized in 33 U.S.C. 591-595a and 701. As in the case of military projects, the Secretary of the Army is also authorized to accept donations of lands and materials required for civil works projects. A separate authority is provided for Army Reserve property at 10 U.S.C. 18240. There is also authority to exchange personal property found at 40 U.S.C. 481(C) (reference (ccc)) and described in the Federal Property Manual at 102-39.

In many cases, both the military and the community can benefit from direct transfer to developers because the private sector can efficiently access capital, develop property and put it to use. (Source: April 2006 U. S. Department of Army Notice of Availability for Exchange: United States Army Reserve Center, Los Angeles, Ca. at <http://zev.lacounty.gov/westla/NOALosAngeles-Final.pdf>)



## MILITARY ISSUE PAPER

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### MILITARY CONSTRUCTION (MILCON) EXCHANGE AUTHORITY

**STATEMENT:** Extend Military Construction (MILCON) Exchange Authority to the end of 2011.

**BACKGROUND:** The most recent round of BRAC in 2005 will have a profound affect on a number of military communities across Texas. Communities such as Corpus Christi/Ingleside and Red River will experience base closures, while El Paso and San Antonio will realize significant increase in missions and personnel at their local bases. By law, all BRAC actions must be implemented by September 15, 2011. MILCON Exchange may be a powerful tool to assist the military with their construction needs in order to adhere to BRAC actions and timelines. MILCON Exchange authority allows the military to exchange US Federal property owned and operated by the military for military construction projects. The military and communities across the United States are just starting to realize the potential of this authority and how it can be used to meet the military's and community's needs and goals. Currently, MILCON Exchange Authority is schedule to expire at the end of 2008. Extension of this authority to the end of 2011 will allow the military and community to take advantage of this authority for mutual benefit.

### 3.3 SPECIFIC AUTHORIZATION

As outlined in the preceding section, most significant transactions require Congressional approval. In addition, both Enhanced Use Leasing and military exchange tend to be initiated and led by the military. Such federal initiatives tend to be complex, and they tend to be managed at the department level to address broad issues like the need to modernize very large numbers of military housing units. This format is cumbersome, time-consuming and ill-suited to addressing a different concept, making a single facility an ideal place to work while offering significant technical and quality of life advantages to the military, surrounding communities and the local economy.

The Association of Defense Communities has recently issued a paper entitled "Advancing Public-Private Partnerships in Defense Communities: An ADC Policy Paper." Recommendations from that policy paper are reproduced in the text box on the next page. In supporting the recommendations, the paper points to creative initiatives led by communities, specifically mentioning Brooks City Base in San Antonio, as the types of approaches that need to be available as "tools in the military real estate tool box."

### 3.4 COMPARISON AND RECOMMENDATION

Mechanisms for partnering in the development of a combined on-post/off-post land use solution such as the one recommended by this Growth Management Plan are compared in the table on the next following page. If the strategy were to elect a project-by-project approval of each element of the Growth Management Plan, the preferred tool would be the

Enhanced Use Lease. An immediate need would then be to cluster or group projects in order maintain a Fair Market Value (FMV) for the Army and an equal FMV for other participants in the partnership. The simplest approach would be to consider a FMV to FMV relationship based on the entire package of components that the partners agree to include in the partnership plan. With such an approach, specific approval is the preferred implementing tool. The final consideration is that any significant Milcon Exchange would require Congressional acceptance. Since both clustering and Congressional sanctioning will likely be necessary, the recommended strategy is to solicit Congressional involvement with a goal of having the Texas delegation become advocates for the cooperative Growth Management Plan.

| Table 3-1: Comparison of Alternative Mechanisms             |                    |                 |                      |
|---|--------------------|-----------------|----------------------|
| Criteria  | Enhanced Use Lease | Milcon Exchange | Specific Legislation |
| Flexible in Addressing Many Needs and Circumstances         | 3                  | 3               | 3                    |
| Ease of Use   | 3                  | 1               | 2                    |
| Army Has a Designated Lead                                  | 3                  | 3               | 3                    |
| Required Level of Approval                                  | 3                  | 1               | 1                    |
| Program Approval or Project by Project Approval             | 1                  | 3               | 3                    |
| Can Apply to Both On-Post and Off-Post Elements of the Plan | 2                  | 1               | 1                    |

Where there is significant opportunity, as in the case at Fort Sam Houston, then obtaining specific State and Congressional authority are necessary and appropriate steps in crafting the strategic plan for realizing the opportunity. A positive approach will also encourage the military/community partnership to draw in both the State of Texas and the United States Congress as participants or at least as advocates. The foregoing discussion leads to:

**Recommendation: The community and the military should develop an integrated plan for realizing their joint goal of transforming both the post and the surrounding neighborhoods into vibrant and attractive places to live and work as well as conducive to “Sustained Excellence” in Health Care, Health Care Education and Military Command activities. The partnership should include appropriate State, County and Private Sector participation. Further the partnership should seek appropriate State and Federal legislative concurrence and support for both the partnership plan and implementing strategy.**

- Lead – Office of Military Affairs
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## Policy Ideas & Recommendations

The opportunity to use partnerships as a tool for creating sustainable military installations is only beginning to be realized. While the military's real estate sophistication continues to increase, reaching the full potential of defense real estate as a marketable asset will require robust policies and programs that meet the changing requirements and needs of defense installations. In his keynote address at the 2006 ADC Defense Policy Forum, Deputy Undersecretary of Defense Phil Grone declared: "There is an enormous opportunity to change how we do business and the results we expect. Partnerships have to be part of our long-term approach to sustaining installations."

The following recommendations explore several policy ideas that will assist in further bringing together the private market and the military services for entering public-private partnerships at growing installations:

1. No single partnership program or authority is a solution that will meet the diverse needs of the military. There needs to be a real property partnership toolbox that includes a range of programs that matches the dynamic needs of installations. In creating this robust toolbox, Congress should consider new authorities that:
  - a. Build on the best practices and programs of other federal agencies, like GSA's exchange authority; and
  - b. Create pilot authorities and expand existing pilot authorities, like the Army's municipal services program or the Air Force's "city-base" concept. Also in this context, Congress should work with DoD and the White House Office of Management and Budget to identify new programs based on emerging issues, convene field hearings to receive input from the private sector/communities, and examine one-time authorities that could now have a broader reach.
2. Private sector interest in partnership tools can be maximized by creating programs that have (1) strong DoD support that enhances flexible and creative implementation by the military services; (2) clearly defined objectives and roles for the private and public sectors; and (3) robust and responsive deal structures that can be financed in the private markets.
3. The Office of the Secretary of Defense (OSD) should provide broad program-level guidance and executive oversight for partnership programs. While recognizing the need for implementation flexibility among the military services, it is essential for DoD to provide a general policy and legal foundation that not only helps to identify opportunities, but also encourages creative approaches in response to private sector market conditions. Also, congressional leaders must understand the value of partnerships, and OSD leadership and oversight should further demonstrate their significance.
4. Creating and sustaining successful partnerships requires knowledge of how the private sector works, an understanding of how deals come together and an appreciation of the rationale and need for these partnerships by installation personnel. By their own admission, this skill set sometimes is lacking within the military. There needs to be a focus on increasing the real estate and partnership knowledge base of military personnel, especially at the installation level.
5. Communities and states play an important role in encouraging, supporting, participating in and sustaining partnerships. OSD and the military services must continue to embrace and recognize this role.

## 4.0 CONNECTION AND INTEGRATION INTO THE COMMUNITY

Both the military and the community efforts to implement the BRAC process have focused on improving corridors into and out of the base. This narrow focus tends to overlook a significant need for improvements within the community. The post represents a large “island” in the middle of a thriving metropolitan area. With the closure of gates in the wake of 911, the few through-base corridors connecting those communities were cut off. In addition, customers who work on the post were cut off from the myriad of small businesses that catered to their needs in the neighborhoods immediately surrounding the post.

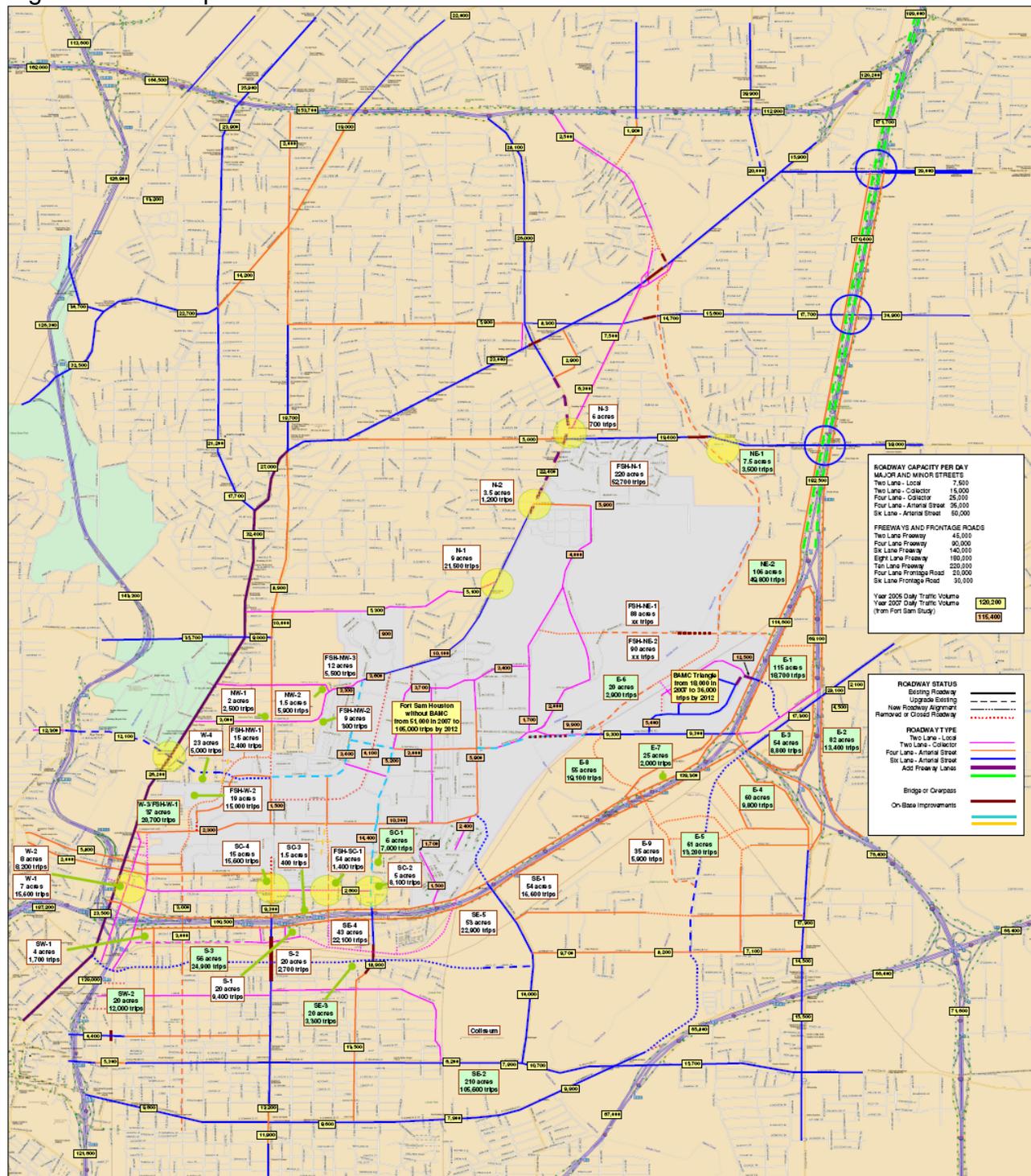
The GMP adds two significant perspectives. One is the incorporation of “corridors” which re-connect neighborhoods proximate to the base. The corridors:

- (1) Relieve congestion and provide more convenient routes for traffic that now often cuts through neighborhood streets;
- (2) provide commercial corridors where small business will have access to both transient traffic and post customers who want to access off-post services such as bistros, markets, shops and automobile service stations; and
- (3) Connect proposed living and multi-modal development centers to the post, the neighborhoods and both the nearby amenities and the broader array of community amenities.

The network of recommended streets is described more fully in the report for Task 3 of the GMP: *Fort Sam Houston Off-Post and On-Post Transportation Infrastructure*. The network of recommended improvements is presented in the Figure 4-1 for a convenient reference.

The second perspective is a broader look at the region in terms of both smoothing traffic flow and providing alternatives to traditional commuting, such as express busses, park and ride facilities, etc. The plan also recommends such a broader view, to consider connecting the Fort Sam and adjacent development into a regional mass transit system and into the Austin to San Antonio Commuter Rail System, with stops at Schertz, Fort Sam Houston and Sunset Station.

Figure 4-1: Transportation Network Recommendations



**Location of Redevelopment Parcels around Fort Sam Houston**

Yellow Text Boxes: Fort Sam Houston and BAMC Triangle  
 Green Text Boxes: Short-term Growth Areas (10 year)  
 White Text Boxes: Long-term Growth Areas (beyond 10 years)