

City of Alexandria, Virginia

MEMORANDUM

DATE: SEPTEMBER 21, 2006

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES K. HARTMANN, CITY MANAGER *J*

SUBJECT: CONSIDERATION OF APPLICATION FOR FEDERAL DEFENSE
ECONOMIC ADJUSTMENT PROGRAM GRANT FUNDS

ISSUE: Developing economic development plans to respond to federal Department of Defense plans to move commands and other operations from Alexandria.

RECOMMENDATION: Authorize the City Manager to file a first-year grant application with the federal Department of Defense (DoD) Office of Economic Adjustment (OEA) in the amount of \$260,000.

BACKGROUND: On November 9, 2005, the recommendations of the 2005 Base Realignment and Closure (BRAC) Commission were signed into law by the President of the United States. Congress took no action on these recommendations, and the President approved the recommendations without making any changes from what BRAC had recommended. These BRAC recommendations were national in scope, and were the largest set of DoD related base closures, consolidations and moves in the history of the BRAC process. As part of that process, DoD determined that it wanted to move from leased space in Northern Virginia (Arlington, Fairfax County and the City of Alexandria) to existing military bases in Northern Virginia, as well as other parts of the country. The military claimed that the proposed moves would save money, but the City, our Congressional delegation, and others argued that the moves would actually not result in a long-term DoD cost savings, as well as would have a negative effect on disrupting existing military commands and offices. Part of the motivation of DoD was anti-terrorism related in that DoD wanted to get its employees "inside the fence" on its protected military bases such as Ft. Belvoir and Quantico.

When the BRAC recommendations were first proposed in 2005, Mayor Euille created a 20-member Mayor's BRAC Work Group that is comprised of the Mayor, Councilwoman Pepper, residents, businesses, AEDP staff, City staff, as well as impacted property owners and their representatives. The Mayor's BRAC Work Group helped develop arguments that were

presented to BRAC and our Congressional delegation, and has also continued to meet to discuss how the City should respond to the BRAC triggered job moves from Alexandria.

As a result of these DoD BRAC decisions, the City of Alexandria is estimated to lose approximately 7,370 DoD and related private sector jobs (See Attachment for details). While firm numbers are still not available, 20 Department of Defense (DoD) agencies and commands were directed to realign or close their operations currently operating in leased office space in the City. The projected 7,370 loss in jobs equates to about 7.5% of all employment in the City of Alexandria. It is estimated that this move of jobs out of the City will leave 1.5 million square feet, or 8% of the City's existing office stock vacant. In addition, 4.2 million of square feet of office space mostly in adjacent Crystal City will also become vacant in Arlington County as 23,000 DoD jobs are transferred out of that County. As a result, since Crystal City is an office market that the City competes with, the economic impact of the BRAC job losses will be greater than just the BRAC job losses in the City.

By federal law, all of these actions must take place over a six-year period and be completed no later than September 15, 2011. While this is the legal deadline, many persons familiar with these moves believe that some of the more complex moves (such as the major moves of jobs to Ft. Belvoir) cannot be completed within the current six-year currently mandated period. In Alexandria's case, several commands are scheduled to move out of the Northern Virginia region to existing military bases in Maryland, Illinois, and Texas where the moves likely face less complexity and fewer logistical challenges than the proposed move to Ft. Belvoir.

Timing of the loss of these Alexandria-based operations, and those leaving space in adjacent Arlington is unknown and uncertain. The uncertainty is based on a variety of factors, including the fact that the 2005 BRAC process is the largest in DoD history, and for the first time ever, included the realignment of DoD activities from privately-owned leased office space. DoD, like the City of Alexandria, has no previous experience in dealing with the multitude of issues associated with relocating the quantity of jobs from this type of space. Many of the commands are scheduled to relocate to places where new construction is required at the receiving installations, which is another major complicating factor. At Ft. Belvoir, for instance, a complete planning, engineering and environmental process must be completed before construction can even begin. Major transportation issues and funding also have to be addressed as part of the Ft. Belvoir and Quantico moves.

To date, there has also been little information accessible about the affected DoD workforce, and little organized contact with this DoD workforce has been able to be initiated or facilitated, in part because DoD had to focus first on organizing its BRAC implementation efforts. Over the past year, the City of Alexandria has been seeking to learn more, including basic information about how many actual workers are scheduled to leave to more specific information about characteristics and skills of the workforce. It appears that at this time DoD is ready to identify authorized point-of-contacts (both within this region and at the receiving military bases in other states beyond of the Office of Economic Adjustment point-of-contact which had been established earlier this year) so needed information can begin to be obtained.

Because the majority of space to be vacated in Alexandria is concentrated in the Eisenhower Avenue corridor, it is likely there will be major impacts on small service businesses that cater to

the daytime DoD population. The City needs to begin reaching out to those businesses. In addition to the small business community, the defense contractor community will be impacted by the 2005 BRAC actions. While definitive numbers are not available, there are a significant number of defense contractor jobs that are at risk for relocation out of the City in order to remain close to the commands that are scheduled to leave Alexandria. While it is likely that some of the defense contractor jobs may leave the City, the City's desirable location, quality of life, and transportation infrastructure (improving interstate highway access, new Woodrow Wilson Bridge, new Springfield interchange, Metrorail-VRE-AMTRAK access, and adjacency to Reagan National Airport) will help the City retain and attract businesses.

As part of a BRAC process, DoD tasks its OEA agency with the responsibility of assisting communities impacted by BRAC decisions (both moves into and out of communities) to adjust for the DoD BRAC moves, and to plan for a community's economic future. OEA makes grants available for multiple years (on a year-by-year basis) to help communities plan. In the City's case given the magnitude of the moves and the at least six-year time-period that those moves will encompass, annual grants will likely be made available to the City for a five to six year period.

Recognizing all of the impacts stated above, the Mayor's BRAC Task Force has endorsed a recommendation for an initial request for first-year OEA grant assistance of \$260,000. OEA has recommended that communities submit grant applications prior to September 30, 2006.

The requested first-year OEA grant funds will enable the City to hire a BRAC Coordinator who will be solely dedicated to BRAC functions, and have the responsibilities of being the City's point person in coordinating data and information gathering from the various DoD commands and offices in the City, as well as from points-of-contact at receiving military bases, the General Services Administration, and other sources. The BRAC Coordinator would either be a consultant or an AEDP employee. Selection of the BRAC Coordinator would be a competitive process with City participation and selection sign off. Such data and information gathering will enable the City to develop a multi-year response plan, including grant proposals to OEA for future years. This grant-funded BRAC Coordinator will also work closely with AEDP staff, City staff, and the staff and boards of the City's various business organizations, such as the Small Business Development Center and the Eisenhower Partnership. It is planned that this BRAC Coordinator be housed in AEDP's offices, so that that close coordinated work between the BRAC Coordinator and the AEDP staff can occur. AEDP is the City's main economic development agency, and there will need to be substantial interaction and joint work between the AEDP staff and the BRAC Coordinator.

The BRAC Coordinator will also be responsible for researching, and then coordinating the development of proposals for City consideration related to new initiatives that will mitigate the negative economic impact of BRAC. The second component of this first-year grant application to OEA will be funding of a study to begin to identify business sectors, market niches, and potential emerging business areas towards which the City should target its marketing and recruitment efforts in order to backfill the to-be vacated office space with quality organizations and jobs. OEA and the City would also review and sign off on the Request for Proposal (RFP) solicitation that would be issued for this study.

FISCAL IMPACT: The City of Alexandria is requesting a first-year 12-month grant in the amount of \$260,000 to accomplish the tasks previously described. At this time a decision has not been made on whether the BRAC Coordinator is a consultant or AEDP employee. In order to cover the costs of the BRAC Coordinator, related staff support, and non-personnel expenses, \$160,000 in grant funds has been earmarked in the grant budget for this category of expenses. The initial business sectors study category is budgeted at \$100,000 in grant funds. Based on actual needs, any grant funds not needed for one grant category can be shifted to another grant category with the City's and OEA's approval. There is a federally required local 10% match that will be provided through in-kind time of City staff and AEDP staff. No local cash match will be needed. AEDP will be responsible for day-to-day grant administration.

ATTACHMENT: City of Alexandria 2005 BRAC Impacts

STAFF:

Mark Jinks, Deputy City Manager

Stephanie Landrum, Acting Executive Director, AEDP

City of Alexandria 2005 BRAC Impacts

information compiled by the Alexandria Economic Development Partnership, August 2006

Building Information	Command/Agency	New Location	Lease Ex. Date	Approx Jobs Impact	Approx Sq Ft Impact	Total RBA *
Park Center						
Park Center 1 3101 Park Center Drive Stonewater Partners Stonewater Ptnrs., David Cheng/Courtney McLeod 914.285.3373/914.461.3301	U.S. Army Audit Agency	Fort Belvoir, VA	July 31, 2007	140	27,656	226,000
Park Center Office 4 4501 Ford Avenue Northwestern Mutual Life Cambridge (management), Carmen Davis 703.671.5082, cdavis@cambridgeus.com	Army Test and Evaluation Command (ATEC)	Aberdeen (APG), MD	July 1, 2015	796	100,000	229,000
Mark Center						
1901 N Beauregard Street Mark Center Plaza II, LP Duke Realty Corp. 703.578.7773	OSD, Defense Modeling Simulation Office	Fort Belvoir, VA	Mar. 17, 2006 LEASE EXTENDED	75	15,013	85,400
2001 North Beauregard Street 2001 N Beauregard Street, LP Duke Realty Corp. 703.578.7773	OSD, Defense Acquisition University	Fort Belvoir, VA	Oct. 10, 2007	40	8,000	239,945
4850 Mark Center Drive Institute for Defense Analysis Duke Realty Corp. 703.578.7773	OSD, DOT & E	Fort Belvoir, VA	Jan. 13, 2007	130	26,000	258,412
Hoffman Center						
Hoffman 1 2461 Eisenhower Avenue Hoffman Family Ltd. Partnership Hoffman Mngmt., Mike Perine 703.960.4700	Office of the Secretary of Defense Washington Headquarters Services Army Contracting Agency E-Commerce Region HQs U.S. Army G1/Personnel Transformation Administrative Assistant to the Secretary of the Army (SAAA) Communication and Electronics Command U.S. Army G1/Civilian Personnel Office	Fort Belvoir, VA Fort Belvoir, VA Fort Sam Houston, TX Fort Belvoir, VA Fort Belvoir, VA Fort Belvoir, VA Fort Belvoir, VA	Sept. 2010	1,547	309,376	309,376
Hoffman 2 200 Stovall Street Hoffman Family Ltd. Partnership Hoffman Mngmt., Mike Perine 703.960.4700	US Army Surface Deployment and Distribution Command Army Human Resources Command	Scott Air Force Base, IL Fort Knox, KY	Mar. 2010 Dec. 2014	1,472 2,000	204,783 401,792	606,575

Attachment

Alexandria Tech Center IV 2850 Eisenhower Avenue Alexandria Tech Center IV Ltd. Simpson Properties, Fred Zamer 703.299.0029, x 13	Defense Technology Security Administration	Fort Belvoir, VA	Feb. 28, 2012	202	40,422	70,000
2320 Mill Road Simpson Family Partnership Simpson Properties, Fred Zamer 703.299.0029, x13	Army Broadcasting-Soldier Radio/TV	Fort Meade, MD	May 2006 REALIGNED	80	16,000	17,446
Sheet Metal Workers Building 601 N Fairfax Street Sheet Metal Workers Natl Pension Fund Trammell Crow, Spencer Stouffer 703.288.2549	American Forces Information Service Army Broadcasting-Soldier Radio/TV	Fort Meade, MD Fort Meade, MD	July 31, 2007	119 100	23,760 20,000	118,800
Security Storage 621 North Payne Street Security Storage Co. of DC, Rob Williams 202.234.5600	Office of the Secretary of Defense	Fort Belvoir, VA	Feb. 2008	0	95,446	95,446
Braddock Place 1340 Braddock Place ING Clarion Realty Services James Dean, Dave Peterson 202.879.9483, 703.917.0909	Counterintelligence Field Activity (CIFA) Defense Security Service (DSS)	Quantico, VA Quantico, VA	Nov. 15, 2007	129 140	25,855 28,123	79,964
Summit Centre 4700 King Street MGP Summit Centre Operating LLC Scott Moseley 301.968.4900, smoseley@mgpre.com	Army Community and Family Support Center	Fort Sam Houston, TX	Jul. 1, 2008	400	77,124	114,757

				Approx Job Impact	Approx Sq Ft Impact	Total RBA*
Totals				7,370	1,419,350	2,451,121

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* Total RBA- Total rentable building area, in square feet