



Enhanced Use Leasing - A Brief Overview -

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EUL – Background

- Enabled by 10 USC 2667 and 2667a.
- Modeled after western lands grazing program.
- Allows private sector leasing of government assets (up to 50 years):
 - Real property.
 - Buildings.
 - Equipment.
- Current authority granted to DoD, BLM, and VA.





EUL – Basics

- Allows private sector use and/or investment in asset redevelopment.
- Allows Government to retain ownership of underutilized asset while leveraging private money.
- Not allowed to be used on closed or excess (BRAC) assets.





EUL – How it is used

- DoD uses it for large fixed assets:
 - Joint-use test and evaluation facilities,
 - Lodging facilities.
 - Office / Warehouse facilities.
- BLM uses it for grazing rights.
- VA uses it for Real Estate.





EUL – Opportunities

- Army has initiated 8 EUL projects:
 1. Fort Sam Houston, TX
 2. Fort Leonard Wood, MO
 3. Picatinney Arsenal, NJ
 4. Walter Reed Hospital, DC
 5. Fort Dietrich, MD
 6. Fort Greely, AK
 7. Aberdeen Proving Ground, MD
 8. Yuma Proving Ground, AZ
- VA has initiated at least 12 more (exact number unknown).
- AF and Navy are evaluating potentials.





EUL – What is it...really?

- EUL is a process that allows the Federal Government to take assets; primarily real estate that is old, unused, impaired in some way (historically and/or environmentally), inefficient or outdated and possibly turn them over to the private sector for redevelopment and reuse.
- It's a Lease.





EUL – Why Installations do this?

- Reduce operating costs, offset SRM growth.
- Eliminate square footage from operating inventory.
- Avoid historic preservation or environmental costs.
- Bring mission critical suppliers / vendors / contractors closer to the end user.
- Can't "excess" or restore facilities.
- Generate revenue / In Kind Services for the Installation.
- Government asset is no longer efficient or able to meet its mission requirements.





EUL – What does the Government get?

- Relief from O&M costs to maintain unused building.
- Possible synergy from future tenants.
- Cost avoidance (Enviro and/or Historic).
- Possible revenue stream.
- Renovated facility at end of lease term.
- “In-Kind” services.





EUL – What do Developers get?

- Chance to acquire lease-hold interest in potentially valuable buildings or real estate.
- Opportunity to co-locate with clients.
- Revenue stream from sub-leases.
- Potential to provide services to redevelopment and “in-kind” services.
- A 25- to 50-year lease.





EUL – What to look for

- Economically viable location. (Would someone build or lease a building located there if it wasn't owned by the Government)
- Active (non-BRAC'd) or reserve installation, base, or other facility.





EUL – What to look for (cont.)

- Old buildings that are not in use, not being used for their intended purpose, barely in use, or soon to be vacant.
- Land that might be environmentally impaired.
- Historic buildings.





EUL - Process

- The Government Agency develops a Notice of Availability for Lease.
- A Developer is selected through competitive process.
- The Developer creates a business and lease plan that is approved by the Government.
- Ground Leases between the Government and Developer are negotiated.
- Developer takes control of asset and executes business and lease plan.





EUL – Take Aways

- This is a Lease of Government-owned assets.
- This is not a Contract to provide services.
- The Developer must foot the burden of all development, construction, and operation costs.
- The Government is not obligated to use the facilities.
- The Developer is required to pay a ground lease payment to the Government for the use of the Government-owned asset.





EUL - Conclusion

- You must fully understand the Government expectations; needs verses wants.
- Fully evaluate your risks, remember: it's your money.
- This is a Lease of Government-owned assets, this is not a Contract to provide services.
- You need dependable and knowledgeable partners.
- The Government is not obligated to use the facilities.





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