

MEDAC questions regarding Future Base Design (FBD)
Spring 2021

1. From Skipper Hewitt's presentation, slide 5 "Discussion" states "FBD is executed utilizing existing USC Title 10 authorizations" and "All FBD real estate actions are undertaken through existing NAVFAC legal authorities and processes." Wanted to confirm that this means all FBD initiatives will follow US Code Title 10 Section 2661, Section 2667 and NAVFAC processes to address associated environmental impact studies, competitive bid process, etc.

Yes. And transactions will execute in a manner to leverage the capabilities of public/private entities to meet environmental studies/requirements.

2. What is SIA's role as an integration partner? SIA is primary entity responsible for Future Base Design coordination and execution.

Will they explore (or revisit) Fair Market Value (FMV) assessments of all NAS Oceana parcels under consideration? Perhaps, but FMV assessments are a DoD responsibility. There are, however, broader discussions to determine economic value derived from businesses operating on federal property.

3. From Skipper Hewitt's presentation, page 7 "Ongoing FBD Actions", "City of Virginia Beach Department of Economic Development is researching P3 opportunities for all developable acreage (~350) of available underutilized installation property." Is this a preliminary high level look or an in-depth analysis? This is a high level look. For questions on the level of detail, would look to the VBED team.

Is VBED conducting a Fair Market Value assessment? VBED is not doing a formal FMV as this is executed by DoD. Of course, VBED will perform their internal analysis and due diligence as necessary.

Is there coordination with SIA on this analysis? SIA, together with DoN staff, will be discussing the FMV determination as dictated by DoD. SIA will be active in consulting NASO/DoN staff to determine the economic value of any proposed outgrant (leases, easements) that will inform a "in-kind" consideration discussion.

4. Are there parcels under consideration for beyond a 5-year lease? (noting from USC section 2667 that 5 years is the maximum "unless the Secretary concerned determines that a lease for a longer period will promote the national defense or be in the public interest".) Yes, leases will be considered for long term lease consideration (i.e. solar panel farm = 35 year lease). This is typical for long-term leases under the Navy's Enhanced Use Lease (EUL) program, which has informed many FBD concepts.

5. Do we anticipate any limits or constraints placed on transactions (i.e. leases, easements, etc) for future NAS Oceana CO's? As it pertains to National Defense/Security, there will always be provisions for reversion of property control back to DoD/DoN/NASO as needed.

6. Will SIA (and if not SIA, what entity) consult and advise on length of leases, value the exchanges for lease-monetary / in-kind considerations for all stakeholders. Yes, SIA is consulting.

Said another way, should the city of VB conduct its own valuation process or will SIA serve as the independent entity for all? **TBD, but recommend directing this question to VBED to gain their insight.**

7. Will leased property be taxable by the municipality? **City of VB will know best.**

8. Are we moving towards a system where parcels of leasable Oceana property will be bucketed into categories based on valuation, size, compatible use requirements, etc? If so, can the categories & requirements be shared? **At this time, we expect some system of categorizing of parcels will be established, but nothing formal has been developed at this time.**

9. How can we assist in the engagement and communication strategy with Virginia Beach residents near or adjacent to parcels under consideration? **NASO/DoN will share guidance and recommendations when ready.**

10. What do we envision the process to be in those instances where a waiver is required? Examples may include:

- Items such as not including the clause requiring the lease to be revokable at any time by SecNav. **DoD will never issue a lease or easement without this provision.**
- Waiver for a lease for money or in-kind consideration that is less than fair market value. **Federal law does not permit this.**
- Determination of value of items offered for in-kind consideration in order to compare to fair market value of lease. **The process is continuing to develop in coordination with DoD/DoN, etc.**
- SecNav approval for leases greater than 5 years. **Very routine and, in fact, a common occurrence.**
- Request for SecNav determination that a competitive bid is not in the public interest. **Follow established DoN process to request sole source determination.**



October 25, 2021

The Honorable Mayor Robert "Bobby" Dyer & Members of City Council
2401 Courthouse Drive – City Hall
Virginia Beach, VA 23456

Subject: Endorsement of Naval Air Station Oceana Future Base Design Non-Binding Agreement,
United States Navy/City of Virginia Beach

Dear Mayor Dyer and Members of City Council,

The Virginia Beach Military Economic Development Advisory Committee (MEDAC) supports the Naval Air Station Oceana Future Base Design (FBD) initiative as detailed in the non-binding agreement signed June 23, 2021 between the Department of the Navy and the City of Virginia Beach. The continued readiness and operational effectiveness for all NAS Oceana assets are crucial to our nation's warfighting effort. Navy leadership recognized that the fiscal challenges and base operating support budgetary constraints demand innovative strategies and cooperation, like FBD, to turn the tide. The introduction of the FBD initiative is a tribute to the long-standing collaborative relationship established between the City of Virginia Beach and NAS Oceana leadership.

FBD's pioneering approach in seeking to reduce the Navy's infrastructure costs, eliminate expenditures and redirect savings toward its primary warfighting mission places both the City and the Navy at the forefront of innovation in public-private partnerships. Rear Admiral Rock, Commander Navy Region Mid-Atlantic, emphasized that "Future Base Design shows the Navy is committed to finding innovative solutions to save taxpayer dollars, contributing to further economic growth of the region, providing world-class services to our Sailors and ensuring Naval Air Station Oceana will be here for generations to come."

MEDAC is confident the close collaboration between Virginia Beach Economic Development, City Council, Naval Air Station Oceana, and the Department of the Navy will identify real estate leasing opportunities in compatible use areas that will be mutually beneficial to both the Navy and the City of Virginia Beach for years to come.

Thank you for your kind consideration.

Sincerely,


Fenton Priest, RADM, USN (Ret)
MEDAC Chair

Attached: Naval Air Station Oceana Future Base Design Non-Binding Agreement, United States Navy/City of Virginia Beach, signed June 23, 2021

Copies: MEDAC Members

Patrick A. Duhaney, City Manager

Taylor V. Adams, Deputy City Manager and Director of Economic Development

Naval Air Station Oceana Future Base Design Non-Binding Agreement United States Navy / City of Virginia Beach

1. Preamble

Naval Air Station (NAS) Oceana ("NAS Oceana") was commissioned August 17, 1943. It is a complex with more than seven miles of runways and the latest equipment to serve military air traffic with 14,600 military personnel, 2,000 civilians and is home to 16 strike/fighter squadrons flying the Navy's most advanced aircraft. In the years since World War II, it has taken its place in the list of essential installations and is rightly considered the East Coast Master Jet Base. As one of the most important contributors to the economic stability of the City of Virginia Beach (the "City") and the Commonwealth of Virginia, NAS Oceana generates 16,000 jobs with a total payroll of more than \$1.18 billion and produces more than \$400 million in goods and services each year. In 2005, to address important issues surrounding the U.S. Navy's need to ensure NAS Oceana's long-term operational viability, and the City's need to pursue strategic development goals, the City and the Navy participated in the Hampton Road Joint Land Use Study (JLUS). This collaboration resulted in the foundational initiative by which the City incorporated Navy airfield compatibility criteria into the municipal zoning ordinance. Subsequently, the City developed an unprecedented plan, the YesOceana program, to roll back encroachment in the areas surrounding NAS Oceana known as Accident Potential Zone 1 (APZ-1) and the Clear Zones. The YesOceana program has been codified into the Virginia Beach City Code to insure only conforming uses are allowed going forward. Financial incentives were established and zoning ordinances changes made to encourage conforming businesses such as light manufacturing, trade, warehousing, and storage operations to locate in these areas and for existing businesses to expand their facilities.

This Agreement is entered into between the United States Department of the Navy (the "Navy") and the City (collectively, the "Parties") in furtherance of the Navy's and City's commitment to each other and the airfield compatibility principles codified through municipal zoning and the YesOceana program. This Agreement outlines the shared understanding of the Parties regarding the potential renovation, redevelopment, or other utilization of certain NAS Oceana land parcels to meet the Navy requirement of providing mission capable facilities for NAS Oceana and supported partner tenant commands and the opportunity for the City to explore additional opportunities for compatible use development at NAS Oceana, known as Future Base Design ("FBD"). Further, obligations under this Agreement are contingent upon satisfying all applicable federal, state, and local requirements including, but not limited to National Environmental Policy Act (NEPA) and Virginia Department of Environmental Quality (VDEQ) requirements, and executing the required real estate decision documents.

As specified below, the Navy and the City agree to explore leasing opportunities on U.S. Government property to facilitate compatible use real estate development proximate to certain NAS Oceana land parcels in exchange for in-kind consideration.

2. Planning

The Navy and City agree to work together to develop a master plan for FBD areas. The master plan will be consistent with the City's Comprehensive Plan and City Code for FBD areas that are subject to local code and policies (the "Master Plan").

3. Mutual Cooperation

The Navy agrees to engage with the City regarding compatible use development of certain NAS Oceana land parcels and the potential associated transfer by the Navy to the City of certain real property interests in exchange for in-kind consideration. The Navy and the City agree that non-privileged products generated as a result of this Agreement, including but not limited to all elements of FBD and environmental studies, will be fully utilizable by both Parties.

4. Lease of Navy Property

a. Lease of Property; Legal Authority

Subject to receiving appropriate approvals and to Section 7 of this Agreement, the Navy may lease to the City such real property in certain NAS Oceana land parcels as may be necessary or appropriate to facilitate the transactions contemplated in this Agreement. Leases would be accomplished under existing legal authority, as approved by the Navy, or via special legislation to be introduced as soon as reasonably feasible under the circumstances.

b. Environmental Alternatives Analysis

Each Party reserves its discretion under VDEQ regulations and NEPA, as applicable, to select other alternatives and/or a no project alternative.

c. Nature of Real Property Interests to be Leased

The real property interests leased may take the form of a long-term leasehold interest. The intention would be for the City to subsequently sub-lease portions of the leased property where private development was indicated by the Master Plan. The term of any lease where a private party is anticipated to be the ultimate user/subtenant would be of sufficient length to allow that party to obtain financing for its proposed project. The Parties will discuss and mutually agree upon the nature, timing, triggering event(s), terms and conditions for each proposed real property lease. Any private use would be consistent with the Master Plan and all applicable local, state and federal restrictions.

d. Timing of Real Property Leases

The possession of the property interests leased to the City would occur on or after the Navy's completion of NEPA review.

e. Consideration

In consideration for such leases, and subject to Section 7 of this Agreement, the Navy would receive in-kind consideration at NAS Oceana, the specifics of which shall be mutually agreed upon by the Parties.

f. Access to Property and Data

- i. **Site Access.** The Navy will provide appropriate access to the City and its representatives, consultants, contractors, agents, and employees, for the purpose of conducting environmental review activities and associated site investigative work. The City understands and agrees that the Navy will only provide such access during the Navy's normal business hours and only to persons and entities to whom access can be reasonably granted in accordance with the Navy security policy, regulations and DODM 5200.08 Volume 3, "Physical Security Program: Access to DoD Installations".. The terms and procedures governing such access shall be the subject of a separate agreement between the Navy and the City.
- ii. **Sharing of Data.** The Navy will provide the City with access to available unclassified information, data, and studies concerning the physical condition of identified real estate and facilities at NAS Oceana and any other unclassified information reasonably requested from time to time by the City to perform appropriate due diligence. The City shall provide the Navy with copies of any tests, studies, or analysis obtained or made by the City.
- iii. **Licenses and Approvals.** The City will ensure that all licenses, permits, and governmental approvals required by applicable law are secured prior to performing any tests, studies, or analysis on NAS Oceana property, and will coordinate the application process with the Navy prior to obtaining any necessary permits or governmental approvals. The Navy will cooperate with the City in securing necessary permits or governmental approvals to the extent reasonable and feasible under the circumstances.

5. Industry Outreach

During the duration of this Agreement, the City's Department of Economic Development will serve as the lead entity in connection with industry outreach on FBD, with the cooperation and assistance of the Navy and in accordance with the roles and responsibilities to be outlined and agreed upon by the Parties. The industry outreach process is designed to ensure, among other things, financial feasibility and sufficient

market interest. The Parties will meet and confer to agree upon the roles and responsibilities of each Party and identify the optimal transactional and procurement structure.

6. Schedule

The Parties will meet and confer to develop an effective and efficient schedule and sequence of the various components of FBD so as to ensure timely completion of all components in an economically and commercially feasible manner.

7. Termination

This Agreement may be terminated in writing by either party if:

- a. There is a lack of substantive progress on the projects for any reason;
- b. There exist operational, environmental, or economic conditions that would materially impact the feasibility of FBD; or
- c. There is a failure of either party to receive necessary approvals or funding.

8. Confidentiality

To the greatest extent allowable under applicable law, the Parties agree to maintain the confidentiality of all communications, documents, surveys, feasibility studies, appraisal reports, site investigative reports or other materials directly or indirectly generated by the Parties. To facilitate such confidentiality, the Parties agree to cause all consultants, advisors or contractors at whatever tier to execute a confidentiality and non-disclosure agreement in a form mutually agreeable to the Parties.

9. Additional Agreements

The Parties will enter into subsequent agreements after additional details emerge and corresponding commercial and legal terms have been discussed and agreed.

10. Counterparts

This Agreement may be executed in multiple counterparts, and, so long as each applicable party signs at least one counterpart, each counterpart shall be an original, but all of which shall constitute one and the same Agreement. Any signature delivered by a party by facsimile, email or other electronic transmission shall be deemed to be an original signature to this Agreement.

[SIGNATURES ON FOLLOWING PAGES]

WITNESS the following signatures and seals:

UNITED STATES DEPARTMENT OF THE NAVY

By: 

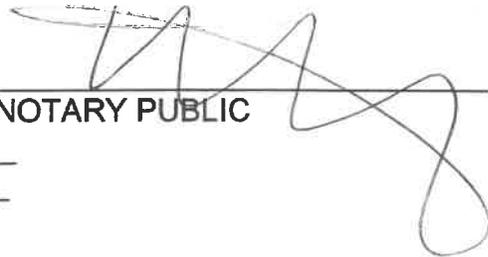
Name: C. W. Rock, RADM, USN
Title: Commander, Navy Region Mid-Atlantic

With THE UNITED STATES ARMED FORCES AT NAVAL STATION NORFOLK

STATE OF _____
CITY/COUNTY OF _____, to-wit

I, LCDR Victor L. Marquez a Notary Public in and for the City and State aforesaid, do hereby certify that C. W. Rock, as COMMANDER, NAVY REGION MID-ATLANTIC of the United States Department of the Navy, whose name as such is signed to the foregoing Agreement, has acknowledged the same before me, this 23rd day of JUNE, 2021.

LCDR Victor L. Marquez
JAG Corps, USN
Authority: 10 U.S.C. 1044a
Expiration: Indefinite


NOTARY PUBLIC

My Commission Expires: INDEF
My Registration Number: N/A

LCDR Victor L. Marquez
JAG Corps, USN
Authority: 10 U.S.C. 1044a
Expiration: Indefinite

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**CITY OF VIRGINIA BEACH, a
municipal corporation of the
Commonwealth of Virginia**

By: [Signature]
Name: Ronald H Williams Jr
Title: City Manager / Authorized Designee

ATTEST:

[Signature]
City Clerk / Authorized Designee

STATE OF VIRGINIA
CITY OF VIRGINIA BEACH, to-wit

I, Jennifer Anne Grundler, a Notary Public in and for the City and State aforesaid, do hereby certify that Ronald H. Williams Jr City Manager / Authorized Designee of the City Manager of the City of Virginia Beach, Virginia, whose name as such is signed to the foregoing Agreement, has acknowledged the same before me, this 2nd day of April, 2021.

[Signature]
NOTARY PUBLIC

My Commission Expires: 5/31/2022
My Registration Number: 7037167

Commonwealth Of Virginia
Jennifer Anne Grundler - Notary Public
Commission No. 7037167
My Commission Expires 5/31/2022

STATE OF VIRGINIA
CITY OF VIRGINIA BEACH, to-wit

I, Jennifer Anne Grundler, a Notary Public in and for the City and State aforesaid, do hereby certify that Amanda Barnes, City Clerk / Authorized Designee of the City Clerk of the City of Virginia Beach, Virginia, whose name as such is signed to the foregoing Agreement, has acknowledged the same before me, this 6th day of April, 2021.

[Signature]
NOTARY PUBLIC

My Commission Expires: 5/31/2022
My Registration Number: 7037167

Commonwealth Of Virginia
Jennifer Anne Grundler - Notary Public
Commission No. 7037167
My Commission Expires 5/31/2022

APPROVED AS TO CONTENT:



Dept. City Manager

APPROVED AS TO LEGAL
SUFFICIENCY:



City Attorney