



DEPARTMENT OF THE NAVY
SOUTHWEST DIVISION
NAVAL FACILITIES ENGINEERING COMMAND
1220 PACIFIC HIGHWAY
SAN DIEGO, CA 92132-5190

N68311.000979
NAVSTA LONG BEACH
SSIC #5090.3

5090
Ser 56LB.JH/0961
November 6, 1997

Mr. Michael Lemke
Port of Los Angeles
425 So. Palos Verdes Street
P.O. Box 151
San Pedro, CA 90733-0151

Dear Mr. Lemke:

We have received your letter of October 14, 1997, in response to the Draft Lease in Furtherance of Conveyance (LIFOC), for the Site 6A and Strip of Mole parcels at the former Long Beach Naval Station. We do recognize your concern regarding the environmental cleanup cap outlined in Section 3 of the LIFOC, however, we believe further explanation is needed to insure all parties understand the terms of the LIFOC.

The Port of Los Angeles (POLA) has had a lease with the Navy for the Site 6A parcel for several years. The POLA has been paying fair market value rental rates for the property, amounting to \$66,500 per month, and requested a reduction in rent. The Navy, in an effort to reduce rental costs incurred by the POLA, offered to allow the POLA to provide services in-kind in lieu of paying rent. Some of the services required by the Navy include security, maintenance and environmental sampling and cleanup, if required.

The POLA agreed to the terms, however, requested a cap be placed on the remediation of the property. The Navy responded by proposing a cap of \$8,947,224 on the environmental cleanup of the parcels. You have indicated that this cap is unacceptable to the POLA.

As discussed with Pat Nave on October 10, 1997, the Navy has reevaluated its proposal and offers the following options:

- a) The POLA can continue to pay fair market rental for the property (\$66,500 per month); or
- b) Provide services in-kind including security, maintenance, environmental sampling and cleanup, if required, with environmental costs not to exceed \$3,400,000.

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The proposal to have the POLA provide in-kind services as an option to paying fair market rental was a good faith effort by the Navy to significantly reduce rental costs incurred by the POLA, not an effort to extract full value for the property.

Please determine which of the above listed options best suits the needs of the POLA and respond with your request by November 17, 1997. The Navy is committed to working with you to proceed with the LIFOC and ultimately transfer the property.

If you have any questions or comments, please contact Ms. Kim Ostrowski at (619) 532-2004, extension 15.

Sincerely,



KIMBERLY KESLER
Base Closure Manager
By direction of the Commander

Copy to:
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