

6-9-2010 - FOUO

EUL Opportunity Naval Air Station Patuxent River Alvarez & Marsal

June 9, 2010



EUL Opportunity

- The EUL properties consist of approximately 45.3 acres on seven parcels located on NAS Patuxent River.
- The initial lease term will not exceed 50 years. However, the Navy may enter into a succeeding lease depending on the lessee's satisfactory performance under the initial lease.





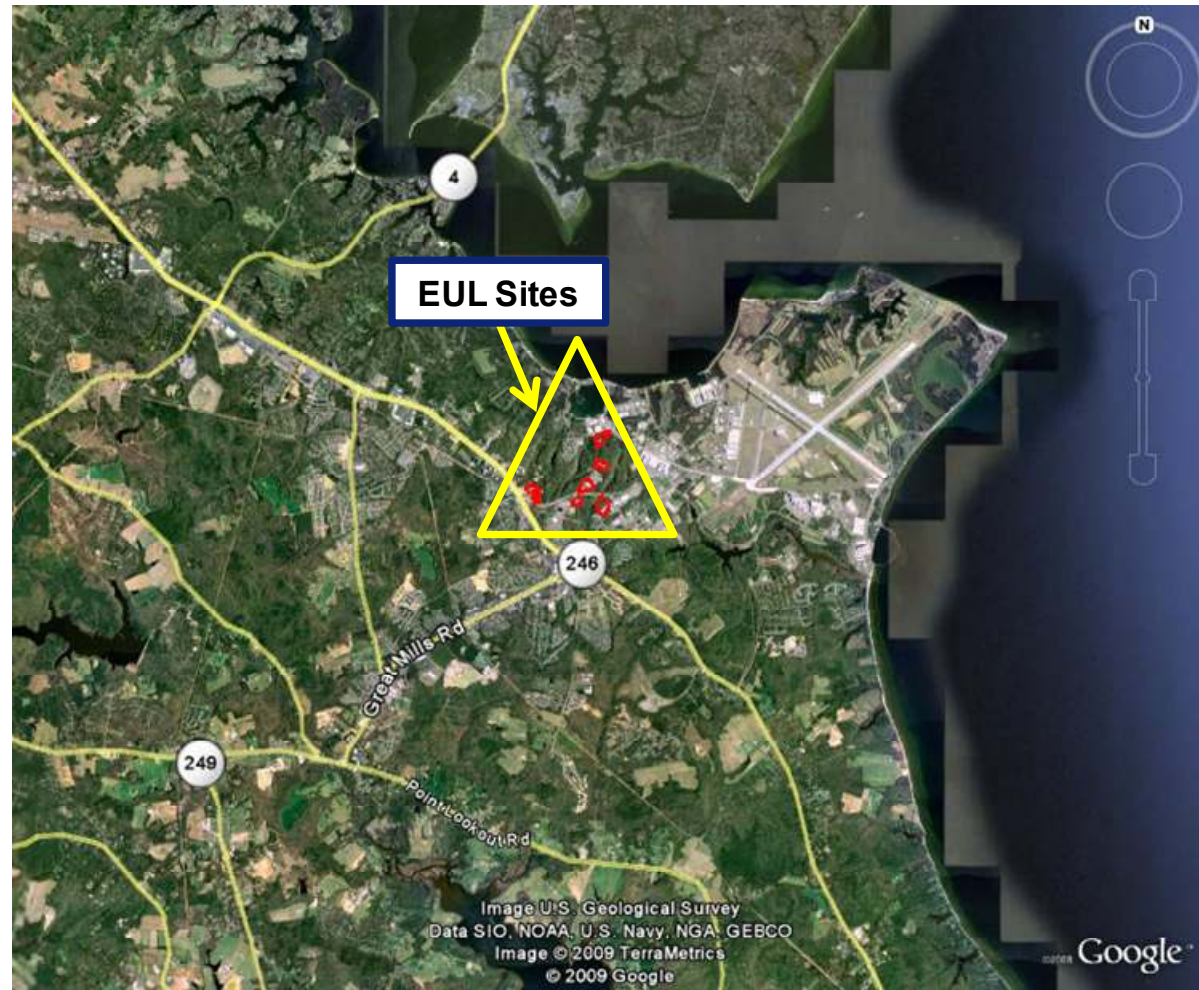
Development Objectives

- Develop a successful, long-term, mutually beneficial business relationship with the Navy.
- Maximize the value of the real property within the constraints and restrictions identified by the Navy.
- Design and develop the real estate in a manner that is compatible with adjacent Navy missions, including noise and accident potential zones.
- Execute, operate, and manage the development consistent with best commercial practices.
- Maintain positive relations with local government authorities and the adjacent communities.





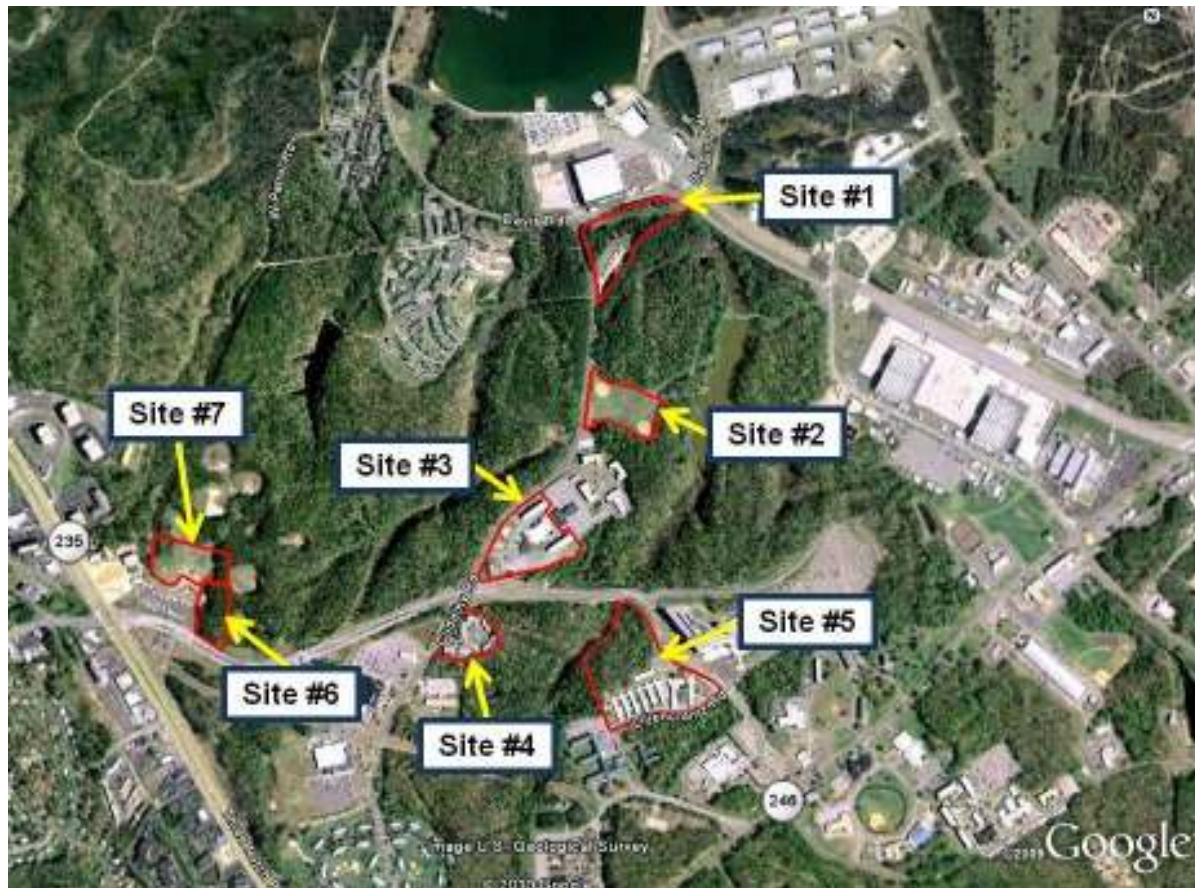
EUL Sites Overview



Source: Google Earth™



EUL Sites Overview



Source: Google Earth™





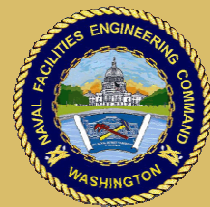
EUL Sites Overview



| Site | Location | Land | Structures | Tenants / Uses |
|-------|------------------------------------------------------------------------------|------------|----------------------------------------------------------------|-----------------------------------------------|
| 1 | On the eastern side of Cuddihy Road near its intersection with Tate Road | 7.10 acres | Unpaved lot | Storage lot for boats and trailers |
| 2 | On the eastern side of Cuddihy Road, halfway between Buse Road and Tate Road | 4.95 acres | Two ball fields (1027 and 1028) | MWR / ball fields |
| 3 | On the northeast corner of Buse Road and Cuddihy Road | 8.99 acres | Youth center, pool, and admin buildings | MWR / youth center, pool, and admin buildings |
| 4 | On the southeast corner of Buse Road and Cuddihy Road | 3.27 acres | Chaffee Court housing (Buildings 1600-1605) | Demolition in progress |
| 5 | On the western side of Buse Road across from the NAVAIR IPT Building | 9.59 acres | A former hospital converted to offices and six admin buildings | Office / admin |
| 6 & 7 | Near the Gate 1 entrance north and east of a static aircraft display | 7.78 acres | None | None |



EUL Sites Overview (continued)

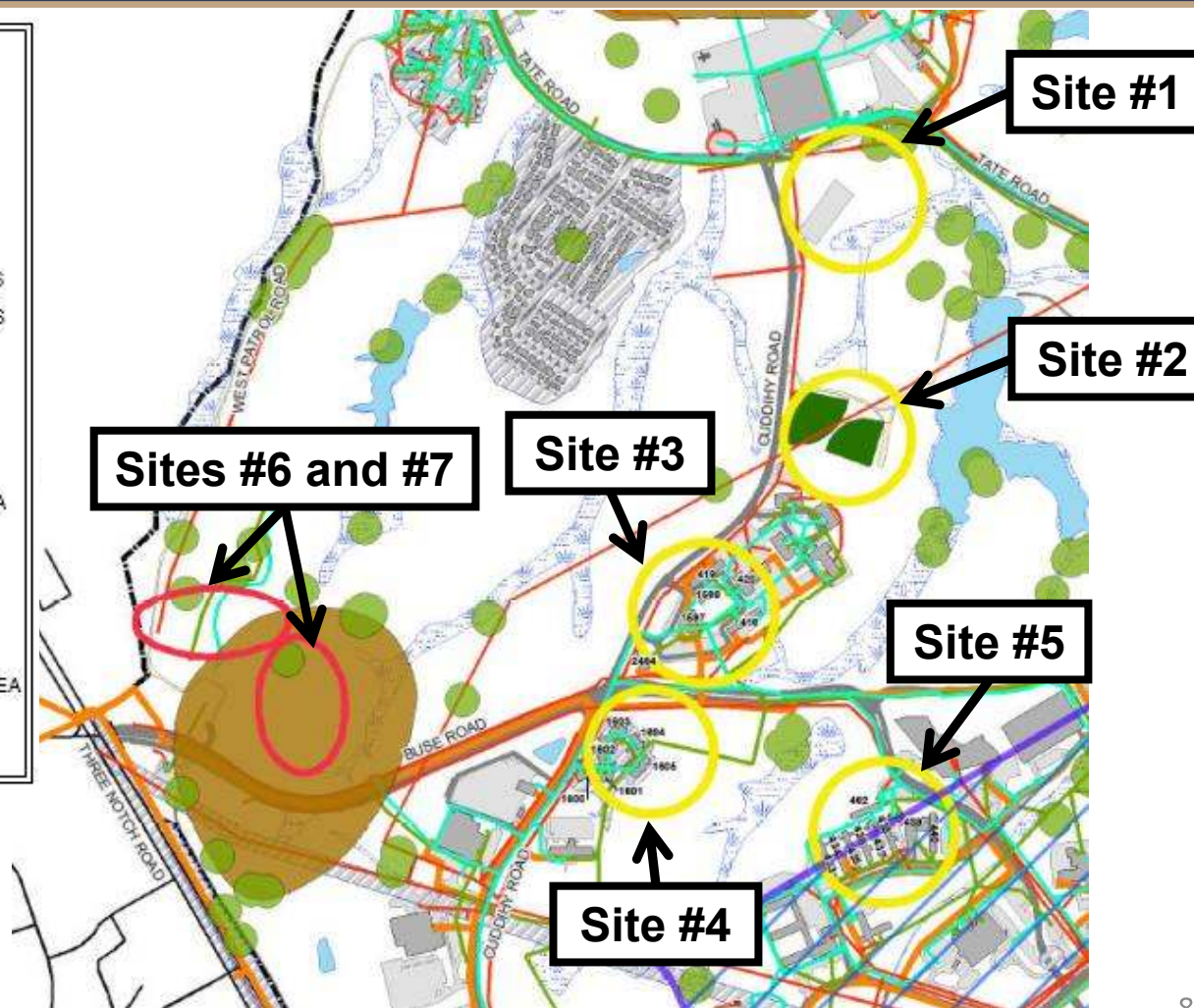


| Site | Land | Utilities | Environmental Constraints | Noise Zone | Relocation Requirements |
|-------|-------------|------------------------------------------------------------------------------|------------------------------------------|------------------|-----------------------------------------|
| 1 | 7.10 acres | Utilities available | Wetlands present in area surrounding lot | 60-65 DNL | Boat storage lot |
| 2 | 4.95 acres | Power line needs to be relocated; a geothermal well field is located on site | Site is near a pond and wetlands | 65-70 DNL | Ball fields |
| 3 | 8.99 acres | Utilities available | None | 65-70 DNL | Youth center, pool, and admin buildings |
| 4 | 3.27 acres | Utilities available | Sound attenuation may be required | 65-70 DNL | None |
| 5 | 13.22 acres | Utilities available | Site is near APZ-1 | 65-70 DNL | Admin buildings |
| 6 & 7 | 7.78 acres | Utilities available | Sites have state-protected habitat | Less than 60 DNL | None |



EUL Sites – Existing Conditions

| Legend | |
|-----------|---------------------|
| | APZ-I |
| EUL_AREAs | |
| TYPE | |
| | FLEX |
| | OFFICE |
| | FLORA SPECIAL AREAS |
| | FUANA SPECIAL AREAS |
| | WATER LINE |
| | WASTEWATER LINE |
| | ELECTRIC |
| | NATURAL GAS |
| | WATER SURFACE AREA |
| | BUILDINGS |
| | outgrant_area |
| | ESQD ARCS |
| | PARKING |
| | ARCHAEOLOGICAL AREA |
| | WETLAND |
| | ATHLETIC FIELD |

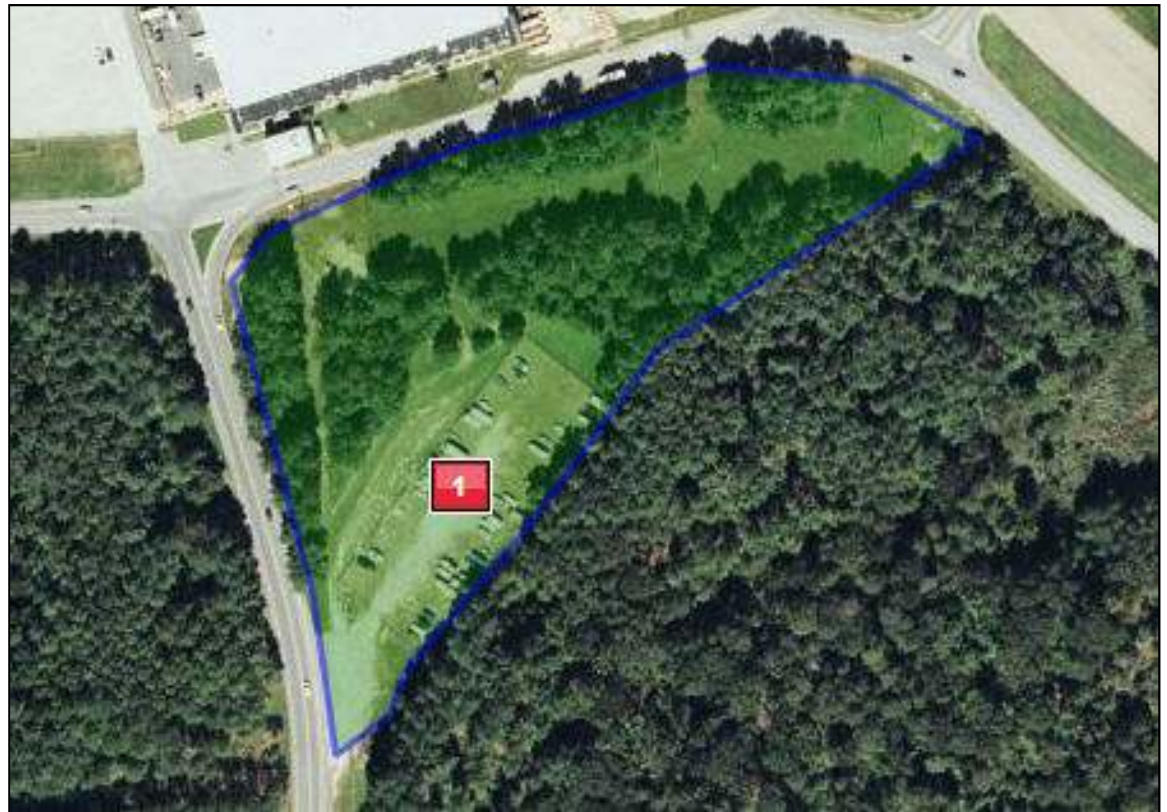


Source: NAVFAC Washington – For Official Use Only



Site #1 Description

- Site #1 is approximately 7.10 acres.
- Site #1 is an unpaved lot where boats and trailers are currently parked.
- Site #1 is located on the eastern side of Cuddihy Road near its intersection with Tate Road.



Source: Bing™





Site #1 Description

- Name of Facility on Site #1: Housing Boat Compound Storage (Facility Number 2099A)
- Current Use: Parking for boats and campers. Operated by Morale, Welfare and Recreation (MWR).
- Current Condition: Fenced compound is in good condition
- Environmental Impacts:
 - Wetlands surround the site to the north, east, and south, creating a U shape. A wetlands delineation is required for any development within 100' of the wetlands.
 - The very northern tip of the site is in the critical area (1000' buffer). Any tree removal in that area would require mitigation at a 1:1 ratio.
- Is Site Impacted by an Easement: No
- Utility Impacts: No utilities are used in this compound. However, for all new construction a dig-permit would be required by the installation.
- Replacement requirements include a flat surface area with a fenced compound and front locked gate.





Site #1 Photo



Source: NAS Patuxent River





Site #2 Description

- Site #2 is approximately 4.95 acres.
- Site #2 includes two ball fields bisected by a utilities easement for power lines.
- Site #2 is located on the eastern side of Cuddihy Road, halfway between Buse Road and Tate Road.



Source: Bing™





Site #2 Description

- Facilities on Site #2: Ball Fields (1027 and 1028)
- Current Use: Used as main playing fields on NAS Patuxent River. Operated by Morale, Welfare and Recreation (MWR).
- Current Condition: Playing fields are in good condition.
- Environmental Impacts:
 - Wetlands are located to the north of the ball fields. Wetlands delineation is required for any development within 100' of the wetlands.
- Site is impacted by an easement with the Southern Maryland Electric Cooperative Inc. (SMECO) for power lines that bisect the two ball fields.
- Utility Impacts: A main 69kV transmission line serves Substation #1, located on Millstone Road. Lines are owned and operated by SMECO. Relocation subject to SMECO's, Naval Mission and Real Estate requirements.
- SMECO is a provider for all utilities at NAS Patuxent River under a public-private venture.
- Replacement requirements include a flat surface area with regulation playing fields.





Site #2 – Geothermal Well Field

- An underground geothermal well system exists under one of the ball fields as shown on Slide 15.
- This system serves the heating and cooling needs of Buildings 446, 447, and 448 just south of the site.
- If the wells are disturbed then it will likely be required to mitigate that disturbance.
- It may also be possible to tap into and expand the geothermal system for use for any new building on the site.
- Another consideration is that the area above the well could be paved over and used for parking. For example, a new building could be developed where the westernmost ball field is and parking could be provided over the geothermal area. This would be subject to further engineering analysis.
- The geothermal system is buried about 10 feet deep in order to provide the cover necessary to insulate the system from solar heat gain.
- The information on the geothermal well field is not in the current Draft RFQ but will be in the Final RFQ.



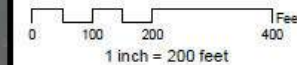
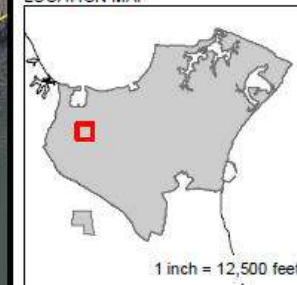


Site #2 – Geothermal Well Field



GEOHERMAL WELL FIELD AT POTENTIAL EUL SITE 2

LOCATION MAP



Legend

- Site 2
- Geothermal Well Field
- Electric

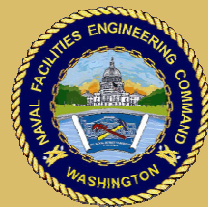
03-JUNE-2010



Source: NAS Patuxent River



Site #2 Photo

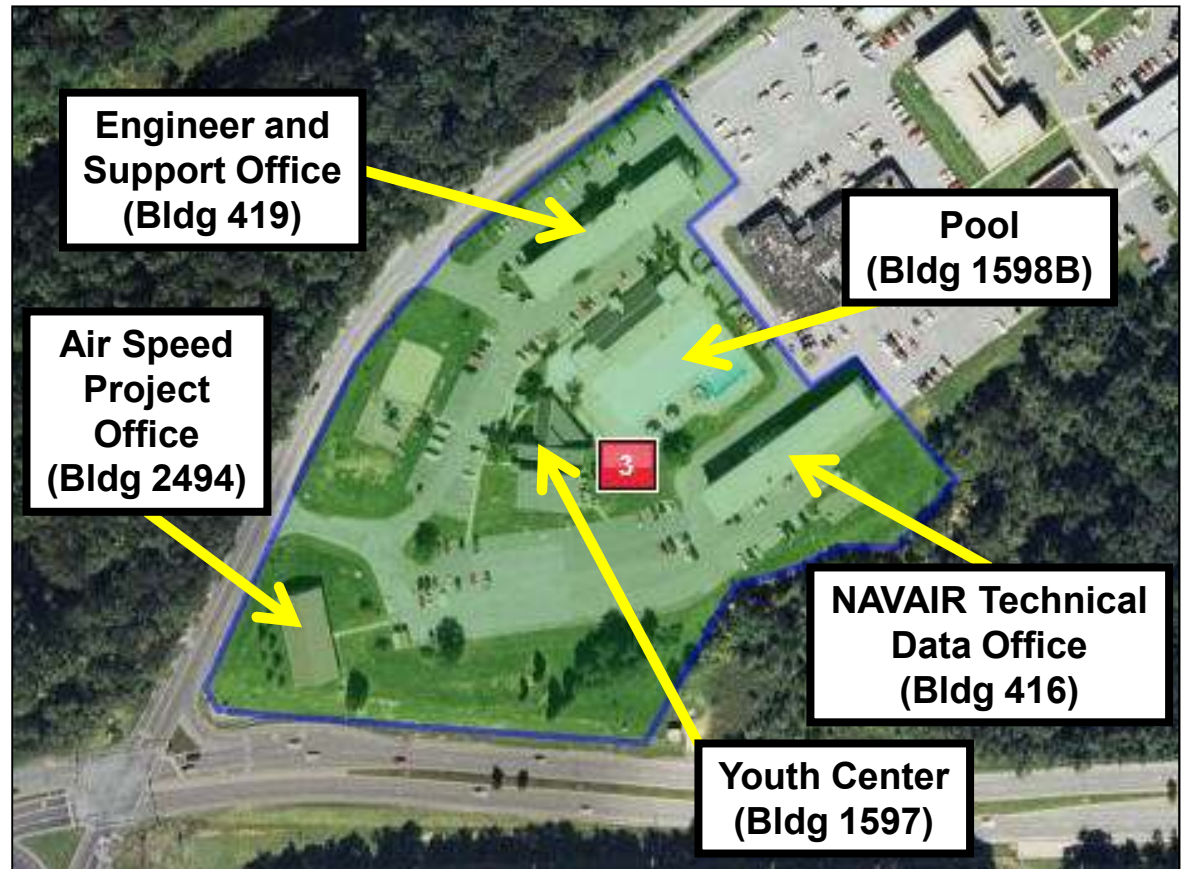


Source: NAS Patuxent River



Site #3 Description

- Site #3 is approximately 8.99 acres.
- Site #3 includes a Youth Center, a pool, and administration buildings.
- Site #3 is located on the northeast corner of Buse Road and Cuddihy Road.



Source: Bing™





Site #3 Description

- Facilities on Site #3:
 - Youth Center (Facility 1597)
 - 7,637 SF
 - MWR Bath House (Facility 1598)
 - 4,866 SF
 - MWR Pool (Facility 1598B)
 - 12,500 SF
 - 50-meter, eight-lane Olympic-size outdoor pool
 - Used by Active-duty, retired military, reserves, DOD employees and Civilian Recreation Association membership
 - NAVAIR Technical Data Office (Facility 416)
 - 17,197 SF
 - Engineering Support Office (Facility 419)
 - 17,592 SF
 - Air Speed Project Office (Facility 2494)
 - 5,500 SF





Site #3 Description

- Building Ages:

| # | Built | Renovated | # | Built | Renovated |
|-------|-------|-----------|------|-------|-----------|
| 1597 | 1976 | 2000 | 416 | 1943 | 2001 |
| 1598 | 1976 | N/A | 419 | 1943 | 1985 |
| 1598B | 1976 | N/A | 2494 | 2000 | N/A |

- None of the buildings are listed on the National Register.
- Is Site Impacted by an Easement: No
- Utilities: SMECO is a provider for all utilities at NAS Patuxent River under a PPV.
- Environmental Impacts:
 - The site would most likely fall under Maryland Department of the Environment's (MDE's) redevelopment regulations for stormwater.
- Replacement of facilities will be required.





Site #3 Photo Building 416



Building 416





Site #3 Photo Building 419



Building 419





Site #3 Photo Pool



Pool (Facility 1598B)





Site #3 Photo Youth Center



Youth Center (Facility 1597)





Site #4 Description

- Site #4 is approximately 3.27 acres.
- Site #4 is the former site of the Chaffee Court Enlisted Quarters that are currently being demolished.
- Site #4 is located at the southeast corner of Buse Road and Cuddihy Road.



Source: Bing™





Site #4 Description

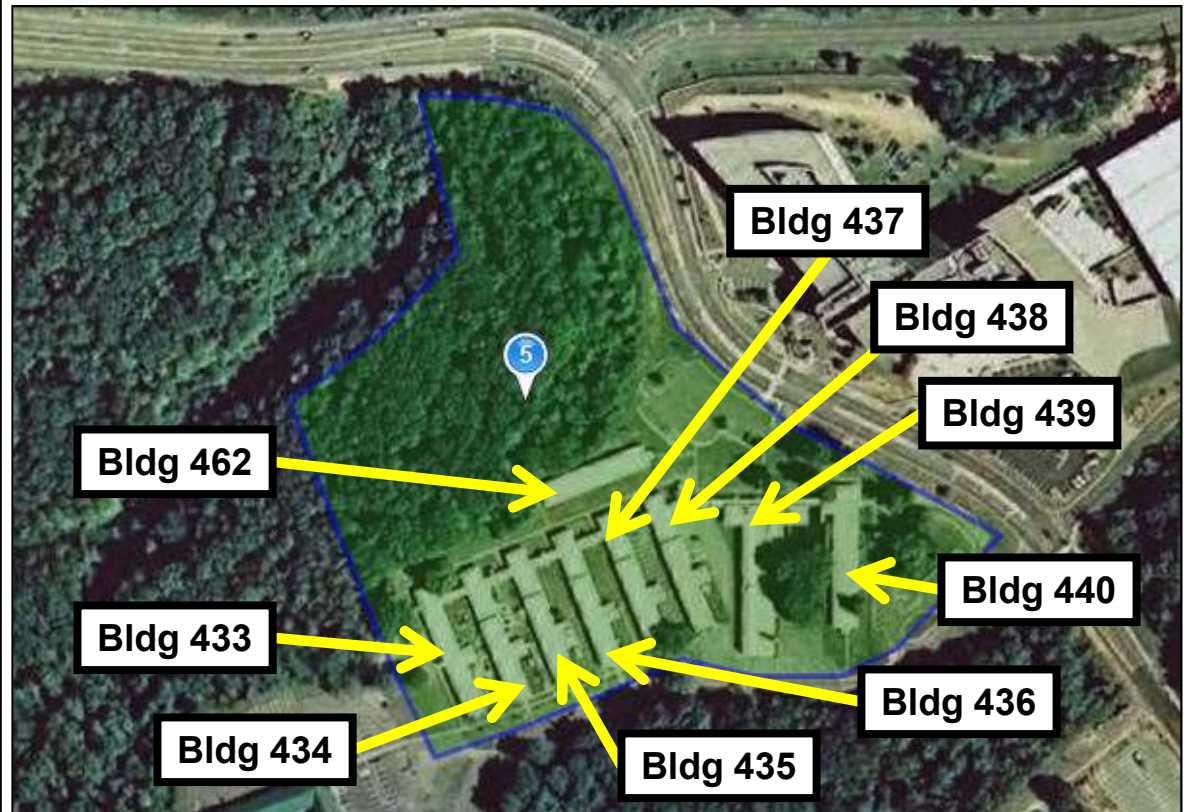
- Site #4 is the former site of the Chaffee Court Enlisted Quarters comprised of 28 homes in six buildings totaling 44,500 SF. The housing was a PPV between the Navy and Lincoln Military Housing.
- Lincoln Military Housing is in the process of demolishing the homes. The land will be returned to the Navy in 2010.
- Environmental Impacts:
 - There is a small stream / creek located just to the east of the site. If the project were to be developed within 100' of the stream, a wetlands delineation would be required.
- Is Site Impacted by an Easement: No
- SMECO is a provider for all utilities at NAS Patuxent River under a public-private venture.
- Replacement of facilities is not required.





Site #5 Description

- Site #5 is approximately 13.22 acres.
- Site #5 includes nine administrative buildings.
- Site #5 is located on the western side of Buse Road across from the NAVAIR IPT Building (Building 2272).



Source: Bing™





Site #5 Facilities

- DIFS Office Space (Facility 433)
 - 6,845 SF
- Child Care Center (Facility 434)
 - 7,496 SF
- NAS Counselor's Office (Facility 435)
 - 8,063 SF
- Environmental Health Center (Facility 436)
 - 6,946 SF
- NAS Business and Finance Management Office (Facility 437)
 - 7,439 SF
- CAAC/ARD Office (Facility 438)
 - 7,212 SF
- Payroll / Administration Building (Facility 439)
 - 21,624 SF
- Public Affairs Building (Facility 440)
 - 9,701 SF
- Administration Building (Facility 462)
 - 5,836 SF





Site #5 Description

- Current Use: Administrative buildings.
- Building Ages:

| # | Built | Renovated | # | Built | Renovated | # | Built | Renovated |
|-----|-------|-----------|-----|-------|-----------|-----|-------|-----------|
| 433 | 1943 | 1995 | 436 | 1943 | 1995 | 439 | 1944 | 1998 |
| 434 | 1943 | 2001 | 437 | 1943 | 2009 | 440 | 1944 | 1986 |
| 435 | 1943 | 1988 | 438 | 1943 | 1991 | 462 | 1948 | 1988 |

- None of the buildings are listed on the National Register.
- Environmental Impacts:
 - Wetlands are located northwest of the site. If the project were to be developed within 100' of the wetlands, a wetlands delineation would be required.
 - This site could possibly fall under MDE's redevelopment regulations for stormwater.
- Is Site Impacted by an Easement: No
- SMECO is a provider for all utilities at NAS Patuxent River under a public-private venture.
- Replacement of facilities will be required.





Site #5 Photo Building 433



Building 433





Site #5 Photo Building 434



Building 434





Site #5 Photo Building 435



Building 435





Site #5 Photo Building 436



Building 436





Site #5 Photo Building 437



Building 437





Site #5 Photo Building 438



Building 438



Site #5 Photo Building 439



Building 439





Site #5 Photo Building 440



Building 440



Site #5 Photo Building 462



Building 462





Site #6 Description

- Site #6 is approximately 3.26 acres.
- Site #6 is a vacant lot located near the Gate 1 entrance east of a static aircraft display.



Source: Bing™





Site #6 Description

- Site is vacant.
- Environmental Impacts:
 - Consultation with legal may be needed to determine the requirements for relocating any state listed plant species that are located on the site.
 - Wetlands are located to east of the site. A wetlands delineation is required for any development within 100' of the wetlands.
- Is Site Impacted by an Easement: No
- SMECO is a provider for all utilities at NAS Patuxent River under a public-private venture.





Site #7 Description

- Site #7 is approximately 4.52 acres.
- Site #7 is a vacant lot located near the Gate 1 entrance north of a static aircraft display.



Source: Bing™





Site #7 Description

- Site is vacant.
- Environmental Impacts:
 - Consultation with legal may be needed to determine the requirements for relocating any state listed plant species that are located on the site.
 - Wetlands are located to east of the site. A wetlands delineation is required for any development within 100' of the wetlands.
- Is Site Impacted by an Easement: No
- SMECO is a provider for all utilities at NAS Patuxent River under a public-private venture.





Possible Development

- The targeted development is a modernized work campus to create efficient work space for Navy government and contractor employees fulfilling essential development and testing missions for the Navy.
- Any proposed project could meet this goal in a number of important ways, including:
 - Facilitate the integration of important contractor and government personnel into an on-base work campus as close as possible to existing facilities to improve the efficiency of the Navy mission;
 - Create modern facilities that would enhance acquisition, engineering, testing, evaluation, research and development activities;
 - Assist the installation and host community to accommodate program and personnel (government and contractor) growth at NAS Patuxent River as is projected over the next five years.
- Other compatible uses could include but are not limited to:
 - Flex, R&D and other light industrial
 - Hotel
 - Retail





Prohibited Uses

- Prohibited uses include but are not limited to:
 - Casinos, gaming facilities, or any other type of establishment which facilitates gambling.
 - Petroleum-fired or gas-fired electrical generation plants; petroleum, oil, and lubricants (POL) storage facilities; coal-fired electrical generation plants or facilities; steam-driven electrical generation plants; or similar facilities.
 - Structures with heights greater than 150 feet Above Ground Level (AGL) at any of the proposed sites, in accordance with Federal Aviation Administration (FAA) Criteria. Any proposed structure approaching 150 feet in height will have to be examined for its specific location relative to the runways and the runway heights.
 - Electromagnetic and radio frequency emissions that would interfere with aircraft, aircraft communications systems, or aircraft navigational equipment.
- The list of Prohibited Uses is subject to revision if and as necessary to fully reflect the requirements of the U.S. Navy.





Physical Security Requirements

- Provisions for physical access control between the EUL sites and areas utilized for Navy research, development, test, evaluation and fleet support shall be considered during the Phase II period of exclusive negotiations with the Selected Developer.
- The estimated costs of establishing adequate physical restrictions to accessing sensitive areas will be factored into any business agreement between the Navy and the Selected Developer.
- The Navy may also temporarily or permanently restrict access to the leased property due to needs of national defense.
- The government is not responsible to the Selected Developer for lost rent based on tenants' inability to gain installation access.





Jurisdiction

- Exclusive Federal jurisdiction applies to the NAS Patuxent River, including the EUL property.





Utilities

- SMECO provides electricity to St. Mary's County and would be the provider of electricity to the EUL sites.
- Natural gas is available from Washington Gas.
- Wastewater is collected and pumped to the on-base Pine Hill Wastewater Pump Station and is serviced by the St. Mary's County Metropolitan Commission.
- Water is obtained by on-base wells that provide over 248 million gallons of water per year. The base has sufficient water capacity for future growth. However, the Navy does not guarantee the continued provision and/or sufficiency of any utility services provided.
- The Successful Offeror will be charged the Navy's established rate for water service. This rate is set annually by Navy policy and is not negotiable. This rate will also incorporate any life-cycle costs associated with the improvements.
- If the Successful Offeror chooses to obtain utility services from the local utility provider, the Offeror must obtain separate utility connections and operating agreements with the individual providers.





Potential Office Demand NAS Patuxent River

- Existing and future defense contractors would be the primary market along with some potential Navy occupancy.
- An on-base work campus could provide the Navy with significantly increased operational efficiencies resulting from the increased synergy of contractor personnel being located in close proximity to their Navy counterparts and test personnel. A work campus concept also provides the potential to accommodate planned mission growth at the installation at affordable costs to the government.
- The Navy also foresees a general growth trend at the installation as new aircraft and weapon systems are brought into NAS Patuxent River for testing, evaluation and operation. At this time no specific number or percentage can be predicted.
- The Navy would not move contractors. Office location is a business decision made by each contractor organization, and they would make those on a market basis, depending on the status of their leases and contracts, their accommodations off-base and the terms of their leases in comparison to the competitive value of any newly constructed facilities on or off-base.





Potential Office Demand NAS Patuxent River

- There is no maximum percentage of EUL space that the Navy can occupy. The Navy's lease-back of space in an EUL would have to comply with 10 U.S.C. Section 2667 and guidance in OMB Circular A-11.
- If new office space were available as in-kind compensation for use of the underutilized Navy land, some Navy personnel could be relocated to such new facilities. Furthermore, as anticipated mission growth is realized, additional space will likely be required and the Navy would have to make decisions at that time as to the most cost-effective and operationally effective solution to accommodate such personnel involved in meeting those new mission requirements.





Potential Office Demand NAS Patuxent River

- NAS Patuxent River currently has 826 people in relocatable facilities on-base totaling 102,880 SF.
- NAS Patuxent River plans to lease additional trailers in FY10-11 for 1,330 people totaling 227,780 SF.
- NAS Patuxent River currently has 209 people in leased office space off-base totaling 90,641 SF.
- NAS Patuxent River is currently soliciting offers to lease additional off-base office space for 465 people.





Market Data

Recent Transactions – Office

| Property | Size | Type | Price | Date |
|------------------------------------------------------------------------------|------------|--------|----------------------------|--------|
| 22738 Maple Rd Lexington Park, MD | 31,458 SF | Office | \$3,800,000 (\$121/SF) | Apr-06 |
| Expedition Park 46579 Expedition Dr Lexington Park, MD | 61,156 SF | Office | \$5,871,100 (\$96/SF) | Mar-04 |
| Exploration Park 22289 Exploration Dr Lexington Park, MD | 264,551 SF | Office | \$25,397,433 (\$96/SF) | Mar-04 |
| Wildewood Professional & Technology Park Pecan Court California, MD | 210,740 SF | Office | \$20,231,468 (\$96/SF) | Mar-04 |
| Old Line Professional Centre 12070 Old Line Ctr Waldorf, MD | 80,544 SF | Office | \$12,000,000 (\$149/SF) | Aug-07 |
| Franklin Square 50 Post Office Rd Waldorf, MD | 30,000 SF | Office | \$3,150,000 (\$105/SF) | May-10 |





Market Data

Recent Transactions – Office





Market Data

Recent Transactions – Industrial / Hotel / Retail

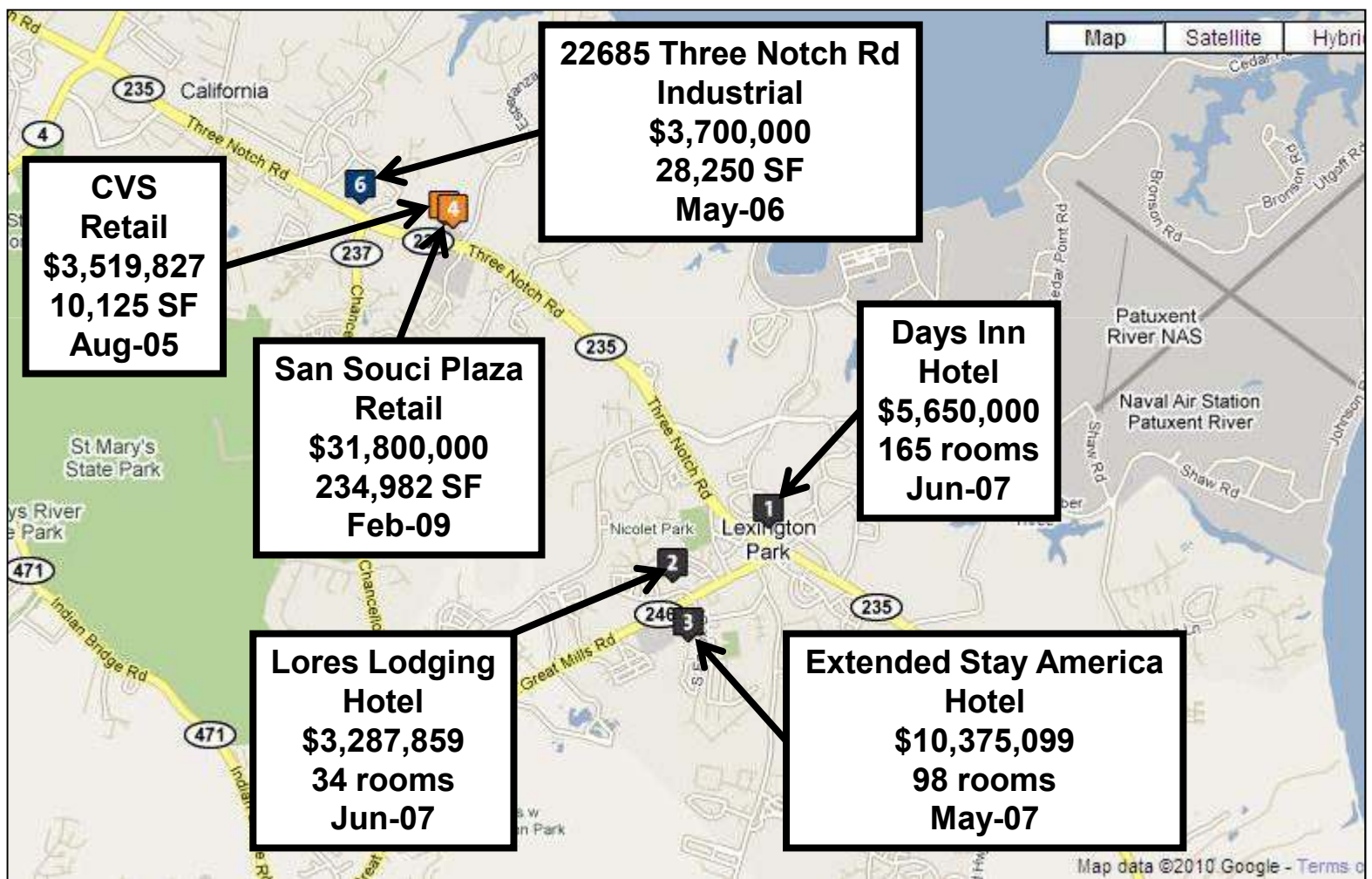
| Property | Size | Type | Price | Date |
|-----------------------------------------------------------------------|------------|------------|----------------------------------|--------|
| Days Inn 21847 Three Notch Rd Lexington Park, MD | 165 rooms | Hotel | \$5,650,000 (\$34,242/room) | Jun-07 |
| Lores Lodging 21628 Great Mills Rd Lexington Park, MD | 34 rooms | Hotel | \$3,287,859 (\$96,702/room) | Jun-07 |
| Extended Stay America Thomas Rd & S Essex Dr Lexington Park, MD | 98 rooms | Hotel | \$10,375,099 (\$105,868/room) | May-07 |
| San Souci Plaza 22599 Macarthur Blvd California, MD | 234,982 SF | Retail | \$31,800,000 (\$135/SF) | Feb-09 |
| CVS 22565 Three Notch Rd California, MD | 10,125 SF | Retail | \$3,519,827 (\$348/SF) | Aug-05 |
| 22685 Three Notch Rd California, MD | 28,250 SF | Industrial | \$3,700,000 (\$131/SF) | May-06 |





Market Data

Recent Transactions – Industrial / Hotel / Retail



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Market Data

Rental Data – Office / Industrial

| Property | Size | Type | Status | Rental Rate | % Leased |
|-------------------------------------------------------------|------------------------|-----------------------|------------|-------------|----------|
| Expedition IV 46579 Expedition Dr Lexington Park, MD | 61,156 SF 4 Stories | Class A Office | Built 2002 | \$22.00/fs | 100% |
| Exploration V 22289 Exploration Dr Lexington Park, MD | 61,059 SF 4 Stories | Class A Office | Built 2000 | \$22.00/fs | 100% |
| 44425 Pecan Ct California, MD | 60,345 SF 2 Stories | Class B Office | Built 1997 | \$20.00/fs | 93.7% |
| 44414 Pecan Ct California, MD | 25,444 SF 1 Story | Class B Office | Built 1986 | N/A | 100% |
| 44417 Pecan Ct California, MD | 29,053 SF 1 Story | Class B Office | Built 1989 | N/A | 100% |
| 44420 Pecan Ct California, MD | 25,200 SF 1 Story | Class B Office | Built 1989 | \$12.00/nnn | 0% |
| 44408 Pecan Ct California, MD | 50,532 SF 1 Story | Class B Industrial | Built 1986 | N/A | 100% |



Source: CoStar

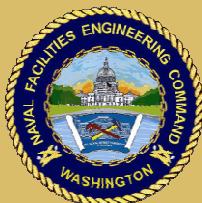


Market Data

Recent Data – Office / Industrial



Source: Google Maps™





Recess

Site Tour to Follow

