



# Enhanced Use Leasing Industry Forum Naval Submarine Base New London Groton, CT

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Hilton Garden Inn  
224 Gold Star Highway  
Groton, CT



May 13, 2008



# Welcome



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Matthew Kurtz  
NAVFAC MIDLANT





# EUL Opportunity

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- Competitively select developer to lease approximately 43,500 square foot parcel of land at NSBNL.
- The successful offeror will operate and maintain the site within the EUL area for the term of the lease, and will provide in-kind consideration or cash to the Navy of not less than the fair market value of the developer's leasehold interest in the leased premises.





# Development Objectives

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- Ensuring compatibility with the operational and security requirements of NSBNL
- Entering into long-term business relationship with a responsible party to provide good stewardship over property
  - Maximizing value to the Navy and surrounding community
  - Complying with environmental and National Environmental Policy Act (“NEPA”) requirements
  - Employing the best commercial practices to the benefit of both the Navy and the Developer
  - Providing facility capable of meeting current and anticipated future public or private-sector demand
  - Ensuring safe, clean, quiet, and environmentally friendly electrical generation





# Introduction



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Mondez Hollomon

Manager

Alvarez & Marsal





# Agenda

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<b>Timeframe</b>	<b>Topic</b>	<b>Speaker</b>
0800 to 0900	Registration and Continental Breakfast	All
0900 to 0910	Introduction and Announcements	Matthew Kurtz, NAVFAC MIDLANT Mondez Hollomon, A&M
0910 to 0920	Welcome to SUBASE New London	CAPT Mark S. Ginda, CO NSBNL
0920 to 0930	Groton, CT Overview	Mark Oefinger, Town Manager Town of Groton Denny Hicks, Dir., Strategic Planning, ECTCC
0930 to 1000	EUL Opportunity	Joe Simmons, PWD NSBNL Art Holland, Pace Global Energy
1000 to 1010	Break	All
1010 to 1100	EUL Program	Alan Zusman, Deputy Director, Asset Management, NAVFAC Amanda Pack, RECO NAVFAC MIDLANT
1100 to 1200	Site Tour	All
1200 to 1300	Lunch	All
1300 to 1400	Panel/Q&A Session	All
1400	Adjourn	All



# Welcome to Naval Submarine Base New London

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CAPT Mark S. Ginda

Commanding Officer

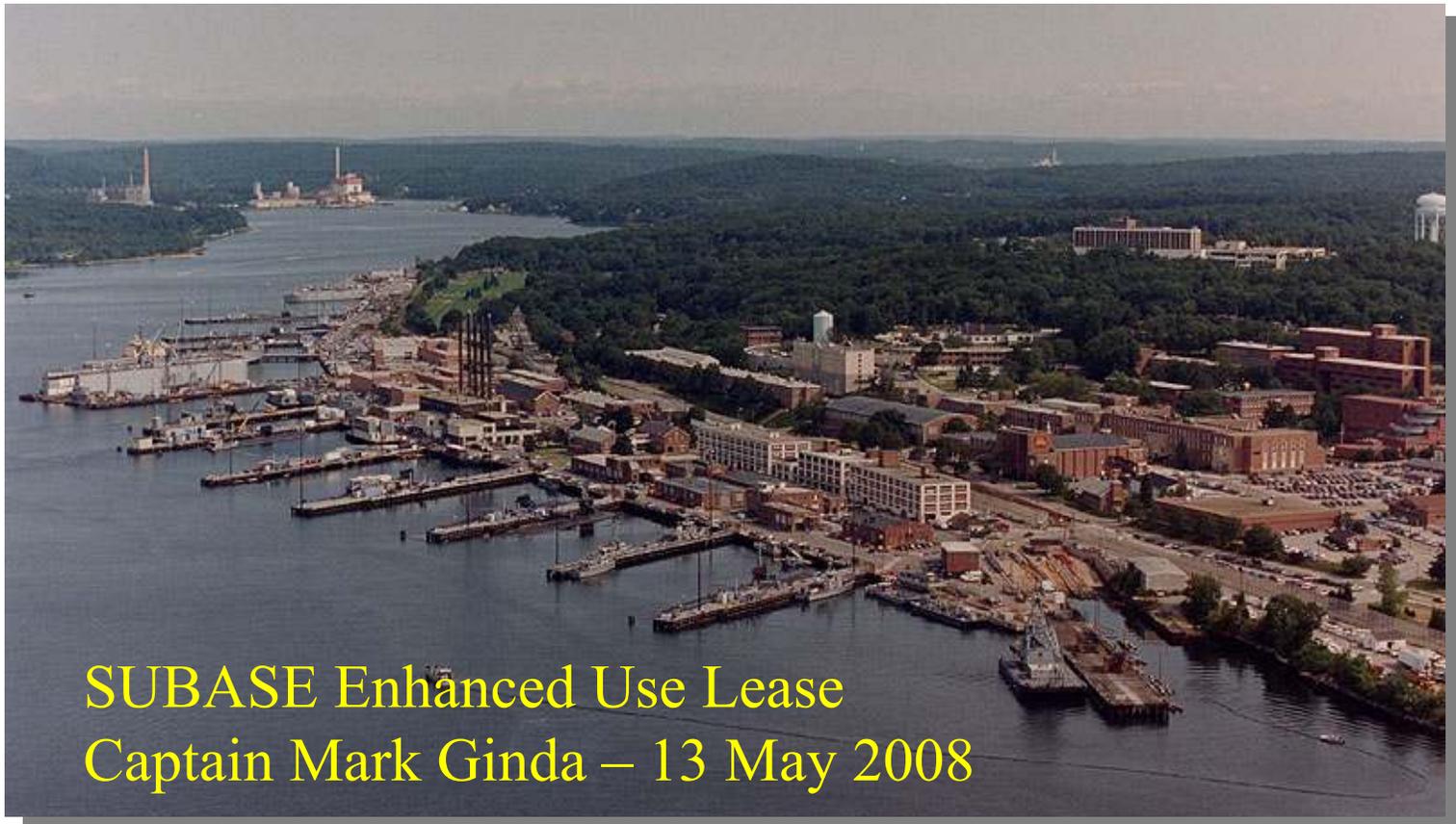
Naval Submarine Base New London





# Naval Submarine Base New London

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SUBASE Enhanced Use Lease  
Captain Mark Ginda – 13 May 2008



***“Submarine Capital of the  
World”***



# Team New London

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- **Operational Waterfront**
  - 17 attack submarines
  - Admiral and Staff (CSG2)
  - 3 Sub Squadrons + support
- **Maintenance / Ordnance**
  - Drydock / Two shipyards
  - Weapons Compound
- **Submarine “University”**
  - Sub School / SLC
- **Support Commands**
  - Facility / Supply Commands
  - Medical / Dental
  - Personnel Support



- **More...**
  - Higher Headquarters dets
  - Undersea medicine/research
  - Reserves / Legal
  - Many others!



**Home to 1/3 of Attack Submarine Force**



# SUBASE New London's Mission

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We provide the facilities, deliver the services and create the environment for the Fleet, Fighter and Family to:



- deploy combat-ready submarines and their crews,
- and train professional submariners

To ensure and enhance our Nation's security



**2006 Regionalization – A Win for SUBASE!**



# ...And the Numbers

- **Land and facilities**

- 687+ acres on Base
- 530+ acres off Base
- 36 acre Fife Recreation Park
- 160 buildings of 240 structures
- 1500+ PPV Housing Units
  - Navy Lodge
- 8 barracks
  - GI&S + Groton Chalet



- **Personnel**

- 70+ tenants
- 7500+ active/reserve military personnel
  - 650 drilling reservists
- 12,000 family members
- 12,000 retirees
- 1,000 Civilian employees
- 1,000 Contractors
- + 15,000 additional USA/USAF/USCG/USMC personnel annually



**Second Largest Employer in SE Connecticut**



# Continued Investment in SUBASE

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- Construction
  - Pier 6 (P-463; \$30.7M)
  - Escape Trainer (P-462; \$13.6M)
  - Crane Facility (P-476; \$4.0M)
  - Waterfront Port Operations (P-402; \$11.9M)
  - Submarine Learning Center (P-478; \$9.3M)
  - Pier 31 (P-464; \$46.1M - PB09)
  - SAC/SYC Expansion (NAF; \$3M - FY09)
  - Commissary / Exchange (\$23M - FY10)
  - Gates 3 & 5 (P-471; \$5.15M - complete)
  - Tomahawk Magazine (P-430; \$3.61M - complete)
- Demolition
  - FY08 (Pier 1; \$3.1M – solicitation development)
  - FY07 (404KSF; \$12.5M - award in progress)
  - FY06 (76KSF; \$1.9M - complete)





# Naval Submarine Base New London

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Questions?





# Town of Groton Economic Development

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Mark Oefinger  
Town Manager  
Town of Groton

Denny Hicks  
Director of Strategic  
Planning  
Eastern Connecticut  
Chamber of Commerce





# Regional Overview

- Southeastern Connecticut includes 21 municipalities within New London County
- Region is part of defense industry cluster, with Groton as the focus
  - United States Naval Submarine Base New London
  - Electric Boat's submarine manufacturing facilities
- Other defense-related activities include Coast Guard Research and Development facility and Coast Guard Academy



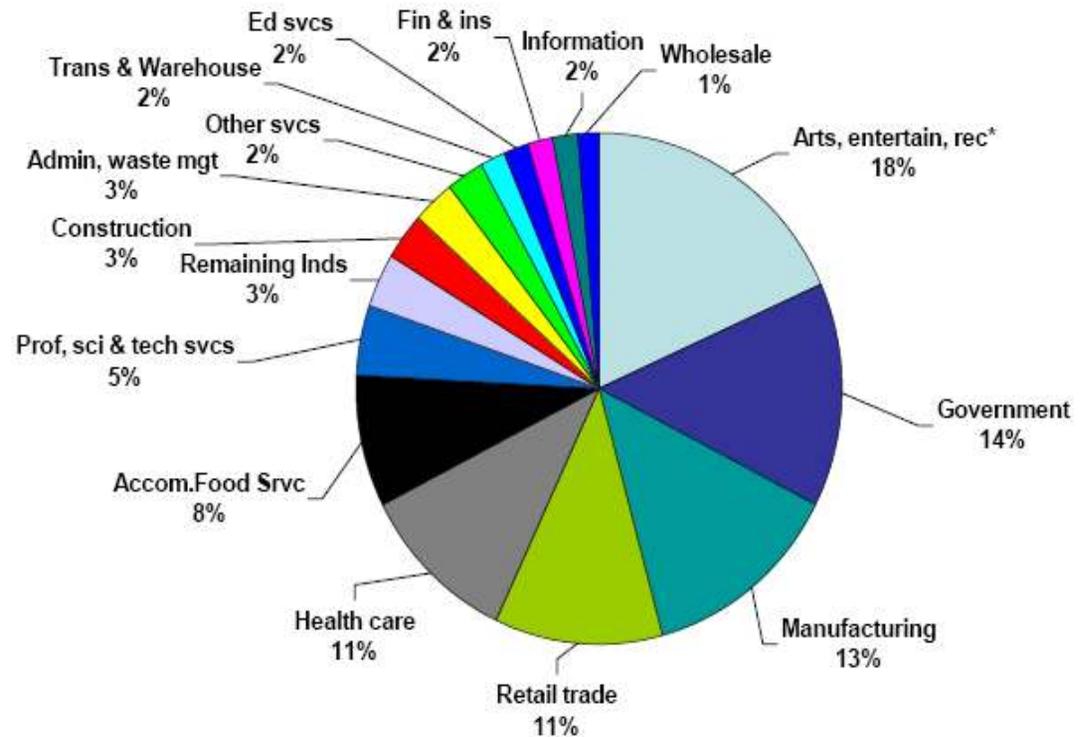


# Employment by Industry

- Nearly half of New London County employment in:
  - ❑ Entertainment (18%)
  - ❑ Government (14%)
  - ❑ Manufacturing (13%)



Employment Distribution  
New London County Labor Market Area (LMA) 2002



\* Arts, entertainment and recreation employment adjusted to account for casinos.

Source: U.S. Bureau of Labor Statistics and CERC.



# Major Employers

- Of five largest employers, two are casinos (Foxwoods Casino Resorts is largest), one is the Navy Submarine Base, one is a defense contractor, and one is a pharmaceutical firm

New London County		
Name of Employer	Nature of Business	Number of Employees
Foxwoods Casino Resorts	Gambling/Entertainment	11,000
U.S. Navy Submarine Base	Military Base	10,550
Mohegan Sun Casino	Gambling/Entertainment	10,000
Electric Boat Corporation	Submarines	7,979
Pfizer, Inc.	Pharmaceuticals	5,260
Town of Groton	Municipality	945
AVCRAD	Helicopter Repair	400
Wyman-Gordon Company	Manufacturer	275
City of Groton	Municipality	218
Pequot Medical Center	Hospital	145
Doncasters Precision Castings	Manufacturer	128
Proto Power Corporation	Engineering/Design	120
Anteon Corporation	Engineering/Technology	93
Source: Planning & Development Services, June 2006		





# Employment Growth

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- Groton remains the major employment center for the region, with approximately 1.65 jobs per local housing unit and about 1.55 jobs per local worker. Most workers in Groton live outside of Groton.
- Over the last decade the economy has undergone major restructuring due to defense downsizing
- Groton's employment has grown 14% over the last 12 years and is ranked 13th out of 169 Connecticut communities in total amount of employment.
- Among the industries expected to increase hiring are retail, education, transportation and utilities.
- Manufacturing, construction, financial services, and government are expected to remain flat.





# Population

- New London County is projected to continuing growing by 2% every 5 years
- The Towns of Groton, Norwich and New London together account for nearly 40 percent of the population

Population Growth New London County				
	2000	2005	Proj. 2010	% Change
1 Norwich	36,117	36,693	37,348	2%
2 Groton	39,907	40,599	41,142	2%
3 New London	25,671	27,404	28,832	7%
4 Waterford	19,152	20,249	21,276	6%
5 Stonington	17,906	18,298	18,741	2%
6 Montville	18,546	19,211	19,756	4%
7 Ledyard	14,687	15,178	15,776	3%
8 East Lyme	18,118	18,610	18,934	3%
Other 13 LMA Cities	68,984	71,083	73,358	3%

Data provided by Connecticut Economic Resource Center, Inc.





# Income

- In 2001 New London County's per capita income was \$33,112 and its median annual household income was \$50,646
- Over the past 10 years, the County's per capita income grew by 45% and is projected to increase by 14% between 2005 and 2010



Regional Overview		
	Year	New London County
Population	2000	259,088
Households	2000	99,864
Median Household Income	2000	50,646
Per Capita Income	2001	33,112
Employment	2002	127,729
Gross Regional Product	2002	9.6 billion

Source: U.S. Census, CT DOL, Economy.com





# Cost of Living

- Groton's cost of living is above the national average but below many other Southeastern Connecticut towns



Cost of Living Index	
United States	99.52%
<b>Connecticut</b>	
Groton, CT	118.3%
New London, CT	110.3%
Waterford, CT	120.6%
Mystic, CT	133.7%
Stonington, CT	152.0%
<b>Regional</b>	
Concord, NH	111.1%
Montpelier, VT	108.9%
Providence, RI	116%
Boston, MA	313%
Manhattan, NY	303.2%
Source: Yahoo real estate	



# State & Local Taxes

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- **Corporation Business Tax and Credits** A corporation doing business in the state is subject to the Corporation Business Tax. Most corporations must pay corporate business taxes, although some are exempt.
- **Business Income Tax** The State of Connecticut offers many Corporation Business Tax credits, which a corporation may take advantage of to reduce its liability to the state.
- **Sales and Use Taxes** Connecticut levies sales and use taxes on the gross receipts of retailers from the sale of tangible personal property at retail, from the rental or leasing of tangible personal property, and on the gross receipts from the rendering of certain business services.
- **Personal Income Tax** A tax is imposed on the Connecticut taxable income of individuals, trusts, and estates. The highest marginal income tax rate for individuals is 5%.





# Utilities

- Yankee Gas Company provides natural gas to Navy Base, Pfizer, Electric Boat, and the corridors of Routes 12 and 1
- The City of Groton Utilities Department and Connecticut Light and Power cover electric utilities for the Town of Groton
- The Town of Groton has adequate water resources/capacity
- SBC is the dominant phone provider in the region and both SBC and Comcast offer broadband and DSL internet access
- Groton has two sewer systems – for City and Town of Groton. The Naval Base is serviced by the Town of Groton



Groton Utility Providers	
Utility	Provider
Electric	Groton Utilities, Connecticut Light & Power Company
Natural Gas	Connecticut Natural Gas
Water	Groton Utilities
Sewer Treatment	Town of Groton
Solid Waste Disposal	Town of Groton
Telecommunications	Comcast Cable
	Qwest Communications
	Thames Valley Communications (Division of Groton Utilities)



# The EUL Opportunity: Site Characteristics



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Joe Simmons,  
Public Works Department  
Naval Subbase New London





# Site Location

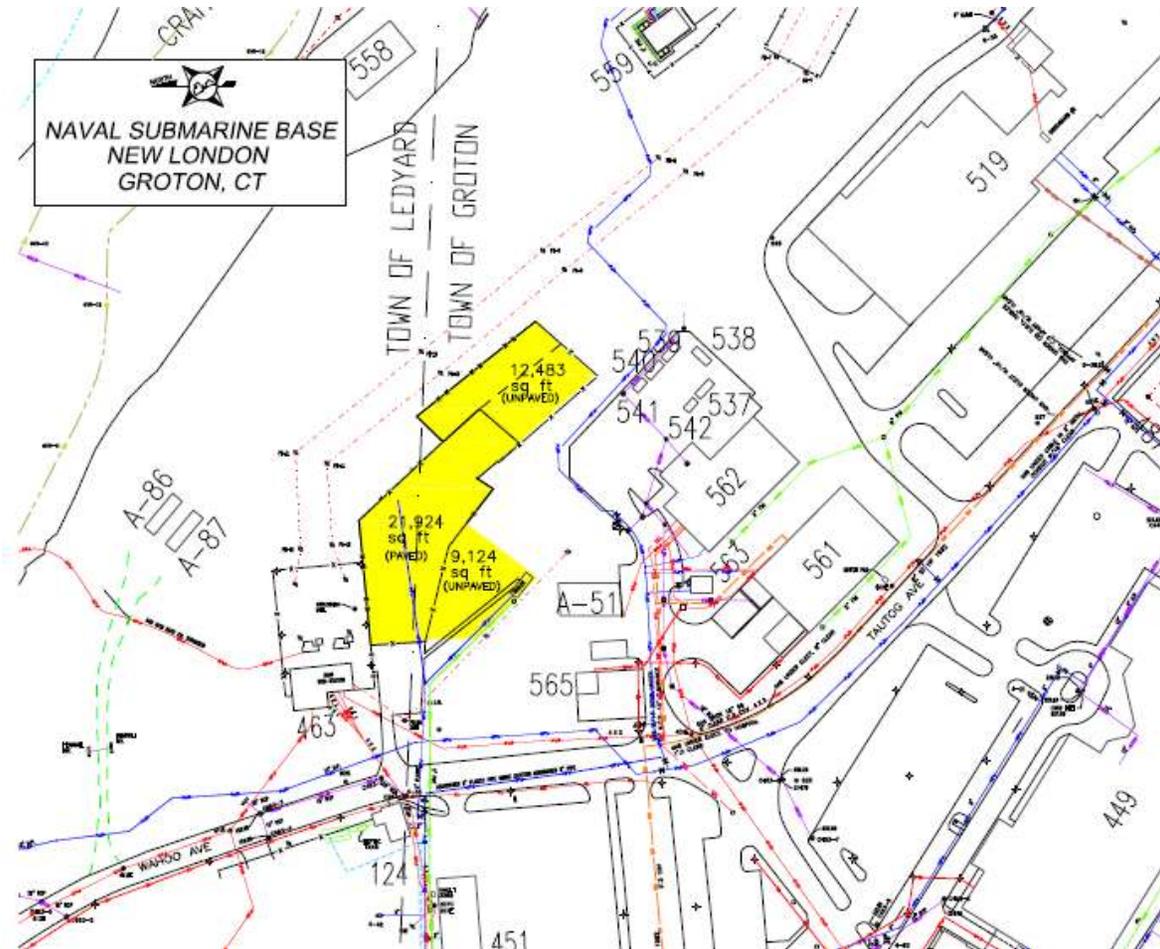
- On interior of SUBASE
- Near Wahoo Road





# Site Description

- Irregular in shape
- Mostly cleared
- Mostly level except for one side
- Partially paved
- Partially fenced





# Site Views





# Site Views

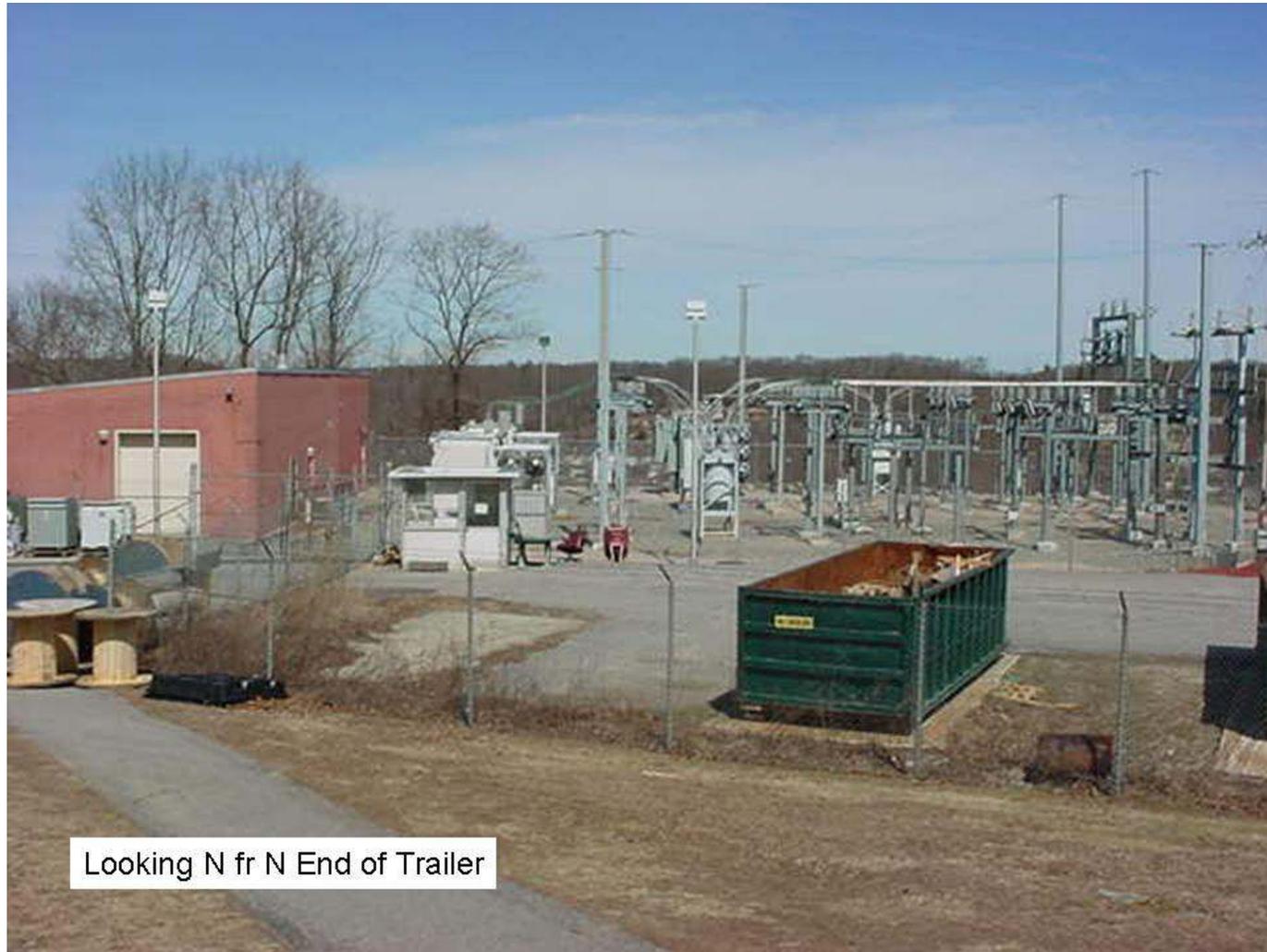
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# Site Views

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Looking N fr N End of Trailer



# Site Views



Looking NE fr N End of Trailer



# Site Views

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Looking E fr N End of Trailer



# Site Views

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Looking SE fr E Side of Trailer



# Site Views

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Looking E fr btw Trailer & Haz Waste Transfer Fac.



# Site Views

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Looking N fr SE End of Compound



# Site Views

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Looking N Along E Side of Compound



# Site Views

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Looking N fr SW End of Compound



# Site Views

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Conc Slabs at A85 Site



# Site Views



Looking E Inside Compound



# Southeastern Connecticut Energy Market



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Art Holland

Pace Global Energy Services

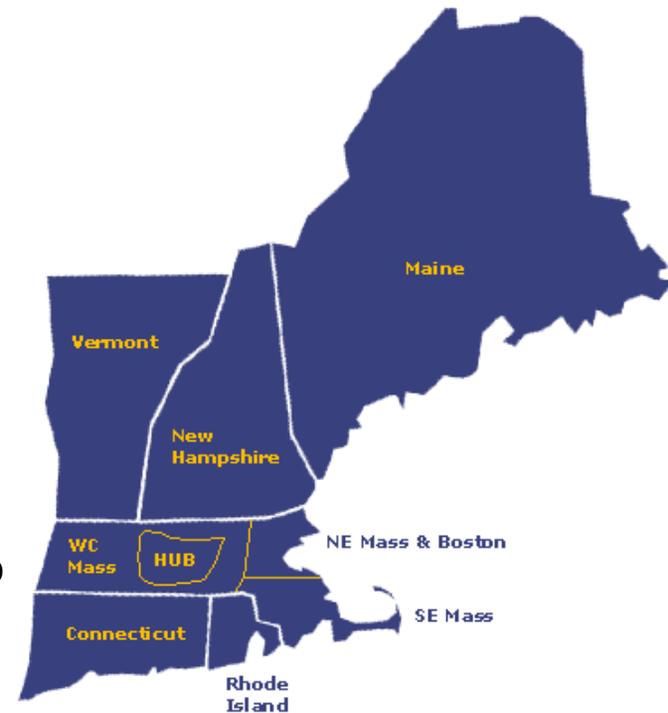




# New England Electric Power Market

## NEW ENGLAND HAS A COMPETITIVE POWER MARKET

- CT is part of the New England Power Pool, which is administered by ISO New England (ISO-NE)
- ISO-NE maintains a competitive power market throughout region
- Power prices within region are based on supply, demand, and supplier bidding behavior
- If power cannot flow to a load zone, higher-priced generation supplies that zone and prices rise locally
- Lower cost coal-fired, nuclear, and hydro power plants provide most regional baseload power
- Large gas turbine plants also supply baseload power, but smaller units are available to serve load during times of peak power demand



Map of New England Load Zones





# Connecticut Electric Power Status

## CONNECTICUT POWER DEMAND EXPECTED TO GROW

- Avg. peak demand '05-'07: 7,070 MW
- Expected to grow at 1.0% annually over next 10 years (Pace)
- ISO-NE peak demand expected to grow at 1.25% annually over that time (ISO-NE)

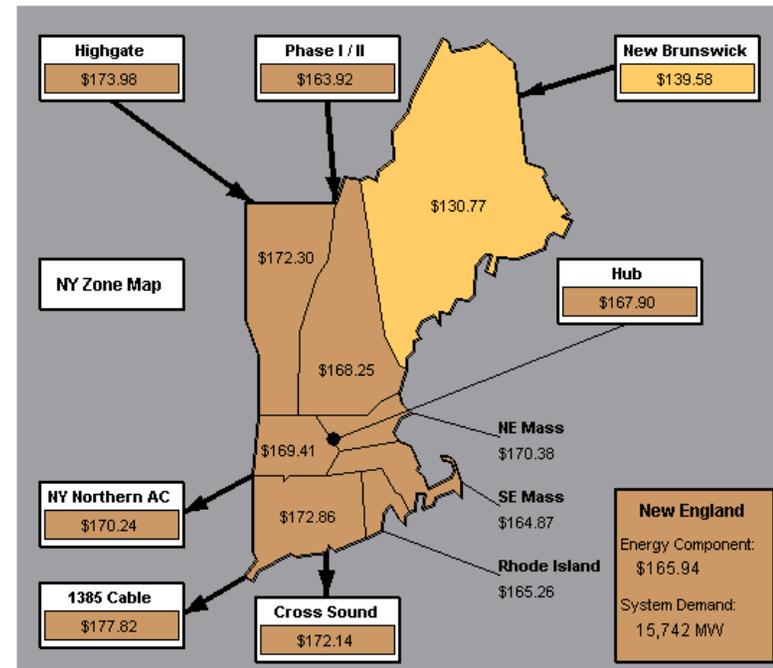


## GENERATION CAPACITY FAVORS GAS-FIRED DEVELOPMENT

- 7,712 MW installed capacity
- Capacity aging, many baseload power plants 30 – 40 years old
- Almost 2/3 of generators use natural gas or oil as the primary fuel, both of which are subject to price volatility



REAL TIME MARKET - ZONAL LMP - Dollars per MWH  
Valid As Of: 2008-05-08 09:45



New England Power Grid Congestion

Source: ISO-NE



# Local Electric Transmission Profile

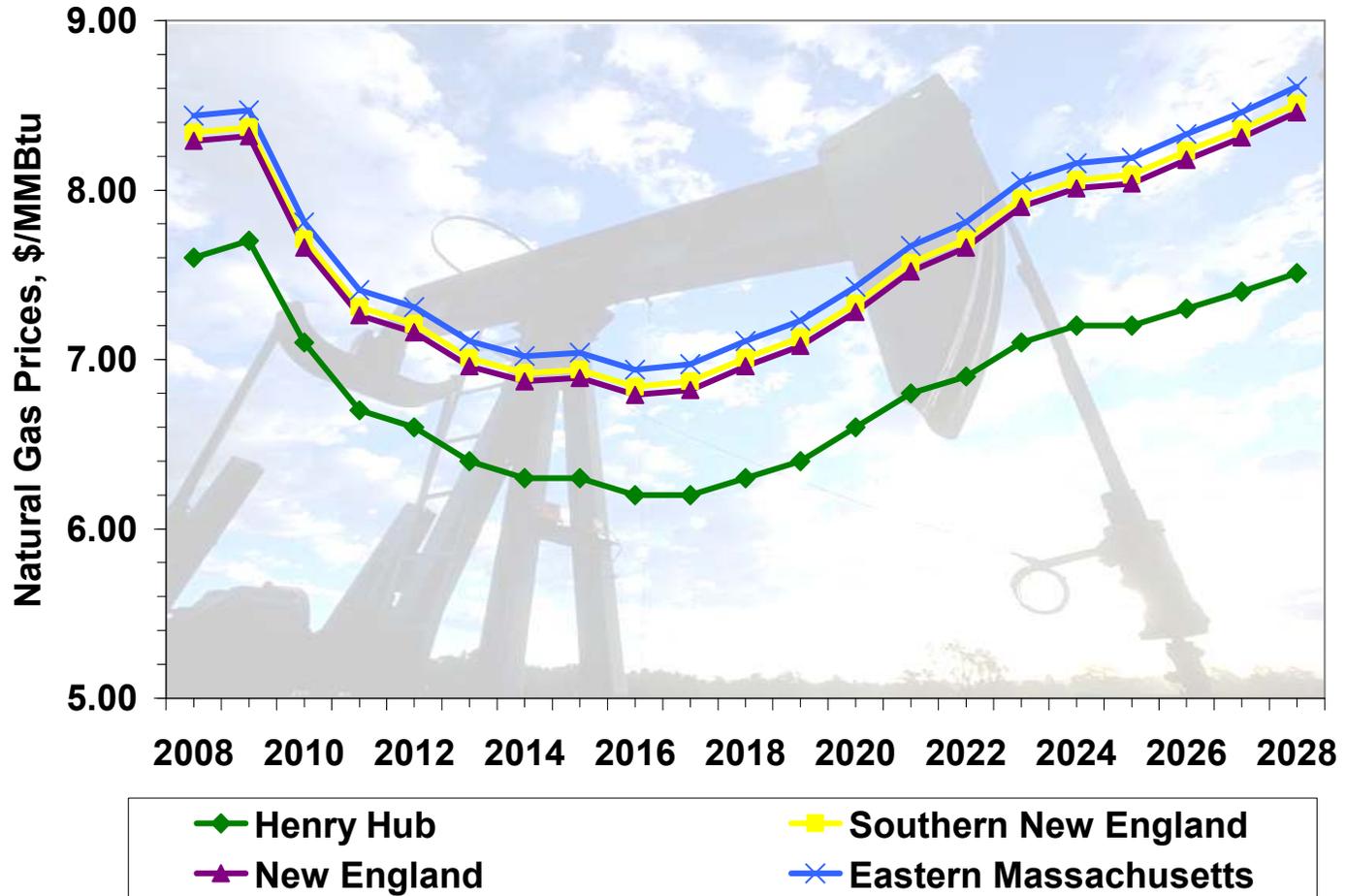
## ESTABLISHED TRANSMISSION INFRASTRUCTURE EXISTS NEAR EUL SITE

- High voltage transmission lines connect Millstone Nuclear Station to regional power grid
- Additional high voltage transmission lines run from New London area to central Connecticut
- Primary distribution lines pass near project site





# Forecasted Regional Natural Gas Prices

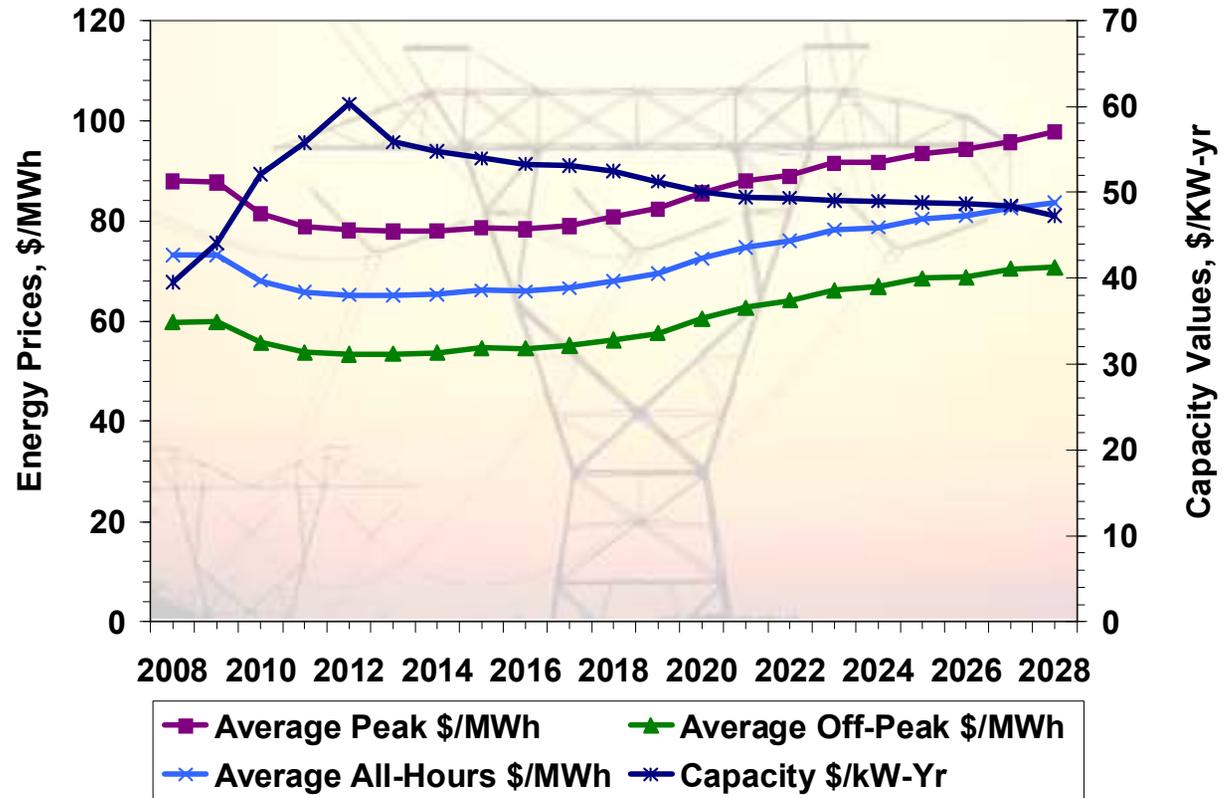


Source: Pace Global



# Forecasted Regional Power Prices

- Plant dispatches during peak demand when prices are highest (less than 5% of year)
- Plant receives capacity payments available in New England



Source: Pace Global



# Feasibility

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- Site is small for most generation options except for small peaking (Aero GT) units of under 100 MW
- Gas-fired facilities are not land intensive
- Gas pipeline and electric transmission lines near site allow for access to fuel
- Site area is in non-attainment status for multiple pollutants, necessitating additional permitting requirements for fossil fuel based power development





# Navy Enhanced Use Lease Program Overview



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Alan Zusman  
Deputy Director,  
Asset Management  
NAVFAC





# CONUS Navy Regions





# EUL Authority

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**Enhanced Use Leasing (EUL) allows installations to leverage the private sector's expertise and financial resources to build and/or redevelop existing, non-excess land, buildings, and other real estate assets. EUL Authorities under 10 USC 2667 are summarized as follows:**

- Consideration may be in-kind services equal to no less than the Fair Market Value (FMV) of the property, or cash.
- Leasing of property must promote the national defense or be in the public interest.
- Leases limited to 5 years, unless Secretary determines otherwise.
- In-kind consideration can be applied to any installation within the Service, not just the installation where the property is leased.
- Cash payments must be deposited in a special Treasury account and may be divided 50/50 between the installation and the Service.





# Goal: In-Kind Consideration Alternative To Cash Revenue

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- **Services include:**

- Maintenance, protection, alteration, repair, improvement, or restoration of property or facilities
- Construction or acquisition of new facilities
- Lease of facilities
- Utilities services





# Navy Programmatic Approach

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- CNO, Navy Shore Investment Strategic Guidance
  - **“Aggressively utilize alternative investments such as Public Private Ventures and Enhanced Use Leasing to leverage Navy resources and underutilized infrastructure.”**



- Commander, Navy Installations Command (CNIC) FY 08 Business Plan Guidance
  - **“CNIC, Regions, and Installations will leverage excess capacity and underutilized land to resource the operation, sustainment and modernization of installation facilities and will consider real estate outleases where possible.”**





# EUL TEAM

## Roles and Responsibilities

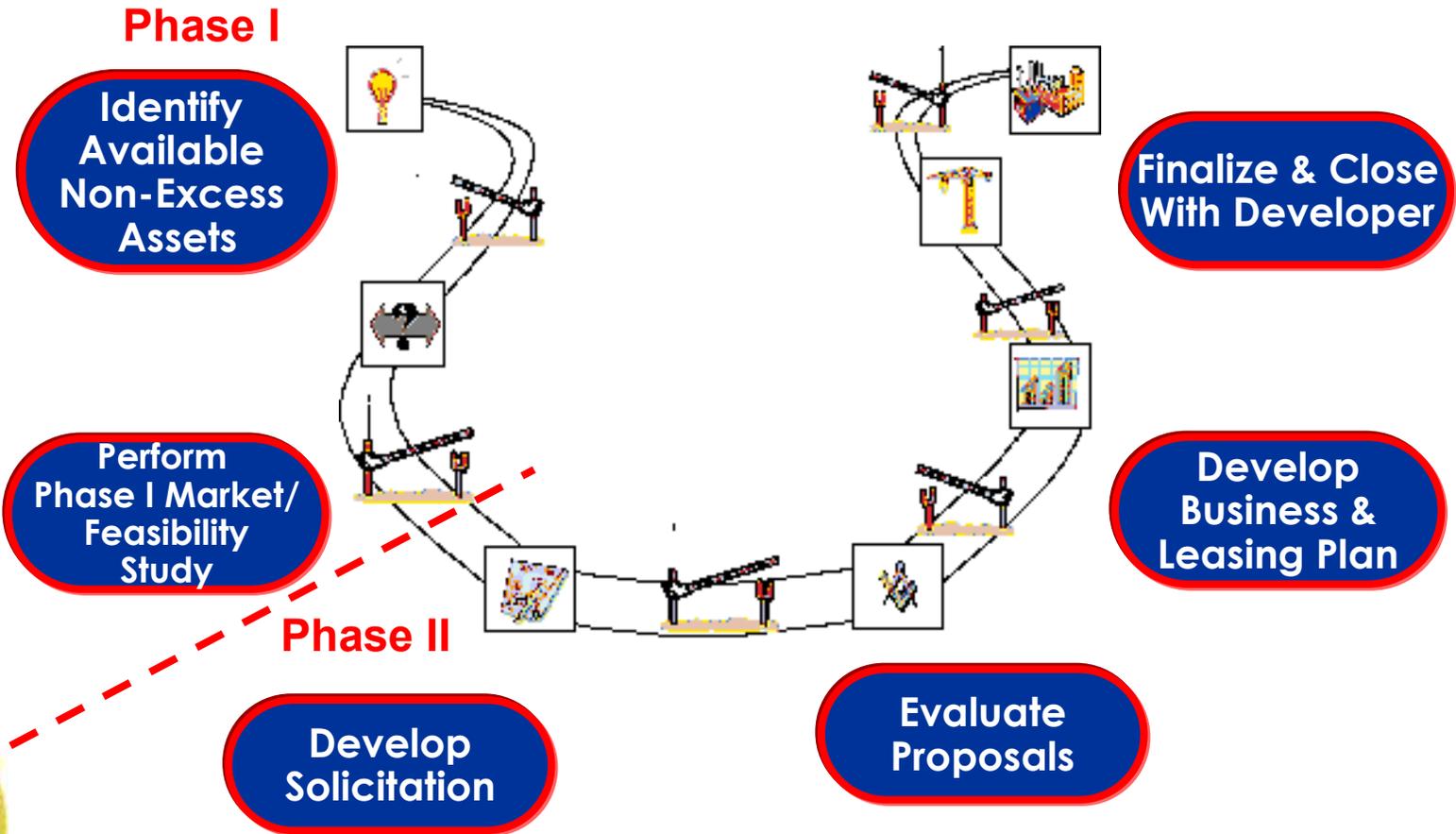
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- **CNIC/NAVFAC HQ Asset Management**
  - Oversees development of Integrated Priority List (IPL) and Phase I market feasibility studies
- **Navy Region**
  - Regions nominate EUL candidate projects
- **Facilities Engineering Command (FEC)**
  - Manages Phase I Market and Feasibility Studies
  - Real Estate Contracting Officer (RECO) oversees Phase II activities including: IF, marketing, proposal evaluation, business and lease plan negotiation, and transaction closing
- **Alvarez & Marsal (consultant)**





# EUL Process





# Current Phase II EULs

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- Naval Station Hawaii, PH, Hawaii (3 sites)
  - Bldg. 55 Ford Island
  - NAVFAC HI Public Works Compound, 58.5 acres, 267,950 SF
  - NAVSTA Pearl Harbor, Pearl City Peninsula, 95 acres, 262,375 SF
- NAS Patuxent River, MD
  - Solomon's Island Annex, 11 acres
- NAS Oceana, Virginia Beach, VA
  - 20 acres near commissary
- NAB, Little Creek, VA
  - 8 acres near old gate 4
- NS Newport, RI
  - Tank Farm 5, 55 acres





# Navy EUL POC

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- Website
  - [www.navyeul.com](http://www.navyeul.com)
  - (Has inquiry area)
- Points of Contact
  - **NAVFAC HQ program management and support to CNIC**
    - Alan Zusman, 202-685-9181**
    - Larry Chernikoff, Program Manager, 202-685-9186**
    - Steve Matteo, Realty Specialist, 202-685-9426**
  - **Projects in solicitation: See Website's program inquiry area.**
  - **All Phase 2 actions are under the supervision of the NAVFAC Facilities Engineering Commands Real Estate Contracting Officers**





# Navy Enhanced Use Lease Solicitation Process

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Amanda Pack

RECO

NAVFAC, Mid-Atlantic





# Purpose and Limitations

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The draft Request For Qualifications (RFQ) previously released by the Government and this Industry Forum are for informational purposes only. Anything stated in the draft RFQ, or any information, written or otherwise, provided to attendees either during this Forum, by posting on the Navy's EUL website, or by other means, is subject to revision or amendment by the Government, as it shall deem necessary, and does not commit the Government to contract for services, or to pay any costs incurred by attendees of this Forum, or by other parties, related to the draft RFQ or this Forum. Although the Government anticipates subsequent release of a Request For Qualifications, the Government is not committing to release of an RFQ or to contract for such services.





# Overview

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- Selection Strategy
- EUL Process
- Evaluation Factors
- Evaluation Ratings and Criteria
- Overview of the Evaluation Process
- Useful Lessons Learned





# Selection Strategy

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- Two-Phased Best-Value Process



- Phase I: Open to all Offerors
- Phase II: Exclusive negotiations with Successful Offeror





# Phase I

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- Submittal and evaluation of technical proposals and development concepts
- Select the Offeror whose proposal:
  - Provides the best overall value to the Navy and
  - Is determined to be most advantageous to the Navy
- At the conclusion of Phase I, Navy will select an Offeror for a period of exclusive negotiations





## Phase II

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- Period of exclusive negotiations with the selected Offeror covering:
  - Technical and Financial Proposals including the Offeror's development, financing, and operations/management/maintenance plans
  - Draft Business and Leasing Plan
    - Detailed design plan
    - Price proposal with specific consideration to be paid to the Navy
  - Lease and associated agreements to implement the final Business Plan





# EUL Process





# Overview of Evaluation Criteria

<b>Factor</b>	<b>Description</b>
1. Relevant Experience/Past Performance	<ul style="list-style-type: none"><li>• Experience with Comparable Projects</li><li>• Objective Assessment of Prior Performance</li></ul>
2. Financial Strength	<ul style="list-style-type: none"><li>• Financial Capabilities</li><li>• Strategy to Secure Financing</li></ul>
3. Maintenance/Management Capacity	<ul style="list-style-type: none"><li>• Capacity and Approach to Address Requirements</li><li>• Demonstrated Experience</li></ul>
4. Development Plan	<ul style="list-style-type: none"><li>• Proposed Development Concept and Vision</li><li>• Compatibility with Navy mission</li></ul>
5. Capabilities/Qualifications to Develop Business & Leasing Plan	<ul style="list-style-type: none"><li>• Staffing Plan</li><li>• Key Personnel</li><li>• Organizational Approach</li></ul>





# Overview of Evaluation Criteria



<b>Rating</b>	<b>Description</b>
<b>Exceptional (E)</b>	Demonstrates thorough and detailed understanding of requirements. Technical approach and capabilities significantly exceed performance and capability standards. Offers one or more strengths. Strengths significantly outweigh weaknesses, if any. Represents high probability of success with very low degree of proposal and performance risk.
<b>Good (G)</b>	Demonstrates a good understanding of requirements. Technical approach and capabilities exceed performance and capability standards. Offers one or more strengths. Strengths outweigh weaknesses, if any. Represents a strong probability of success with overall low degree of proposal and performance risk.
<b>Satisfactory (S)</b>	Demonstrates acceptable understanding of requirements. Technical approach and capabilities meet performance and capability standards. Offers no strengths, or, if there are any strengths, these strengths are offset by weaknesses. Represents reasonable probability of success with overall moderate degree of proposal and performance risk.
<b>Marginal (M)</b>	Demonstrates limited understanding of requirements. Technical approach and capabilities are questionable as to whether or not they meet performance and capability standards necessary for acceptable contract performance. Contains weaknesses and offers no strengths, or, if there are any strengths, these strengths are outweighed by weaknesses. Represents low probability of success with overall high degree of proposal and performance risk. Might be made satisfactory with additional information and without major revision of the proposal.
<b>Poor (P)</b>	Demonstrates lack of understanding of requirements. Technical approach and capabilities do not meet performance and capability standards necessary for acceptable contract performance. Contains major errors, omissions, significant weaknesses and/or deficiencies. Represents very low probability of success with extremely high degree of proposal and performance risk. Proposal/factor could be made satisfactory only with major revision of the proposal.



# Evaluation Process Overview

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- Offerors must meet due date, submittal, and page limitation requirements identified in the RFQ
- Navy will check financial and project references
  - Dun & Bradstreet (include number or current report in submission)
  - Current name and contact points for references
- Source Selection Evaluation Board (SSEB) will review and evaluate proposals





# Evaluation Process Overview

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- Offerors may be required to make an Oral Presentation
  - Plan/prepare in advance as schedule notice may be short
- Substantive written or oral discussions with Offerors are not anticipated, but Navy reserves the right to hold such discussions
  - If discussions are held, Navy will establish a competitive range
  - All Offerors in the competitive range will participate in discussions
  - Upon the conclusion of substantive discussions, all Offerors in competitive range will have an opportunity to revise their proposals
- Selection Notification
  - Memorandum of Agreement with selected Offeror
  - Debriefs available to all other Offerors





# Anticipated Timeline

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- **Comments on Draft RFQ:** 25 May 2008
- **Solicitation:** June – July 2008
- **Selection:** Summer 2008
- **Lease Negotiation:** Fall 2008 – Winter 2009
- **Signing:** Winter 2009





# Useful Lessons Learned

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- Include all required information and requested data asked for in the RFQ.
- Review submittal for compliance with all requirements.
- Page limits are a limit not a goal.
- Be specific when describing past performance and experiences (i.e. clear descriptions of projects completed).
- Acceptable to include company brochures and websites as background, however no guarantee they will be evaluated.
- Draft RFQ and final version downloadable from web at [http://www.navyeu1.com/projects/new\\_london\\_energy/docs.php](http://www.navyeu1.com/projects/new_london_energy/docs.php)



# NSBNL Energy EUL Contact

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NAVFAC Mid-Atlantic – Amanda Pack

PH: (757) 444-0835

Email: [amanda.pack@navy.mil](mailto:amanda.pack@navy.mil)



Project website:

[http://www.navyeul.com/projects/new\\_london\\_energy](http://www.navyeul.com/projects/new_london_energy)





# Questions & Answers

