



**ANALYSES OF THE 2005  
RECOMMENDATIONS  
OF THE DEPARTMENT OF DEFENSE  
IN REGARD TO BASE CLOSURE AND  
REALIGNMENT  
IN ALEXANDRIA, VIRGINIA**

**BY THE  
CITY OF ALEXANDRIA, VIRGINIA**

**JULY 6, 2005**

**INTRODUCTION AND SUMMARY**

The City of Alexandria, Virginia is one of the most negatively impacted communities in the United States as a result of the proposed Base Closure and Realignment (BRAC) proposals from the Department of Defense. The projected direct and indirect impact on the City is the loss of some 7,200 private sector and Department of Defense jobs. This equates to about 7% of all employment in the City of Alexandria, and would leave 8% of the City's office space vacant, making the total City office vacancy rate over 20%.

With a long history of supporting the military, whether it be the organizing base for major military campaigns in the French and Indian War, a major transportation and supply hub for the Union Army in the Civil War, or the place that General George Washington and General Robert E. Lee called home, the City of Alexandria has been and can continue to be an able host for major administrative and headquarters activities of the Department of Defense. With a highly educated population; an in-place varied housing stock; a private sector with substantial military knowledge, experience and technological capabilities; a transportation infrastructure that is already in place; and a quality of life which independent surveys rank high; Alexandria should remain the location of the 22 current Defense Department office activities which are currently located in the City and which are impacted by BRAC recommendations.

The following analyses provide the rationale and basis which the Base Closure and Realignment Commission (the "Commission") should seriously consider in its deliberations of whether to accept, reject or modify the Department of Defense Recommendations.

The City of Alexandria's recommendations to the Commission are listed at the end of this report (Section VIII).

**THE KEY ISSUES ALEXANDRIA’S ANALYSIS RAISES IN THIS REPORT INCLUDE:**

- I. THE AMENDED DEFENSE BASE CLOSURE AND REALIGNMENT ACT SPECIFIED BRAC SELECTION CRITERIA DO NOT INCLUDE, AS A MILITARY VALUE CONSIDERATION, THE MOVING FROM LEASED SPACE AS AN APPROVED CRITERIA.**
- II. THE “MILITARY VALUE SCORING PLAN” USED IN THE WASHINGTON D.C. AREA FOR MAJOR ADMINISTRATIVE AND HEADQUARTERS ACTIVITIES WAS DEEPLY FLAWED AND BIASED.**
- III. THE COSTING OF FACTORS USED IN THE COBRA MODEL RESULTED IN A COST AND SAVINGS BIAS AGAINST NON-MILITARY BASE OFFICE BUILDINGS.**
- IV. THE DoD MINIMUM ANTI-TERRORISM STANDARDS FOR NEW AND EXISTING BUILDINGS (UFC 4-010-01 8) ARE OVERLY PRESCRIPTIVE AND NOT PERFORMANCE BASED.**
- V. MATERIAL EXTERNAL COSTS TO THE DEPARTMENT OF DEFENSE ARE NOT REFLECTED IN THE COBRA ANALYSES.**
- VI. THE DEFINITION OF COMMUNITY IN THE DETERMINATION OF ECONOMIC IMPACT IS OVERLY BROAD.**
- VII. THE RISK OF ORGANIZATIONAL DISRUPTION OF SOME OF THE ACTIVITIES THAT ARE BEING MOVED FROM LEASED SPACE TO MILITARY INSTALLATIONS MAY OUTWEIGH THE ESTIMATED COST SAVINGS.**

**I. THE AMENDED DEFENSE BASE CLOSURE AND REALIGNMENT ACT SPECIFIED BRAC SELECTION CRITERIA DO NOT INCLUDE, AS A MILITARY VALUE CONSIDERATION, THE MOVING FROM LEASED SPACE AS AN APPROVED CRITERIA.**

The Defense Base Closure and Realignment Act of 1990 (Public Law 101-510) as amended does not authorize the consideration of the realignment of military activities from leased space to behind-the-fence military installations as a selection criteria. Clearly, one of the main foci of the analysis and recommendations from the Department of Defense (DoD) in Northern Virginia was to move military activities from leased space to existing military bases for economic reasons and not for true Military Value or BRAC Final Selection Criteria reasons. Indeed, the July 1, 2005 GAO report on the 2005 BRAC proposals (GAO-05-785) noted that “transformational options” such as the minimization of leased space were never formally approved as a part of the BRAC process. As discussed later in this analysis, it is clear that while some of the text of the DoD’s rationale is couched in Military Value terms, the Military Value Scoring Plan for Major Administrative and Headquarters Activities, which was used to model proposed moves in the Washington, D.C. area (including Northern Virginia) is deeply flawed and strongly biased against leased facilities, so that it was impossible, or nearly impossible, for leased space to have a score higher than a military base. In fact it appears that the various DoD decision scoring criteria have made it impossible for even the best leased space to have been selected as a preferred location.

The DoD BRAC methodology used also did not look at other logical alternatives. The fact that many of the proposed realignments merely move activities from leased space in Northern Virginia to behind-the-fence on-base locations in Northern Virginia underscores the lack of a real Military Value gain from the proposed move. If the purpose of the moves from office space to military bases was driven by purely cost

considerations, then it appears the downside in Military Value terms of moving these activities out of the office buildings they are currently in actually defeats the BRAC purpose of making locational changes which are to improve Military Value.

If the DoD wishes to transition from leased space to DoD-owned space, either on military installations or off-base within communities, then it should use the established DoD and federal budget and appropriation processes, and not inappropriately use the BRAC process as a back-door method of achieving its move from leased office space. This would allow DoD to undertake, on a location-by-location basis, a more detailed and specific analysis which could take into consideration all relevant factors in order to determine whether or not to move a DoD Command or Activity from leased to owned space.

## **II. THE “MILITARY VALUE SCORING PLAN” USED IN THE WASHINGTON D.C. AREA FOR MAJOR ADMINISTRATIVE AND HEADQUARTERS ACTIVITIES WAS DEEPLY FLAWED AND BIASED.**

For most of the DoD administrative offices in the Washington, D.C. area, most of which are in Northern Virginia (with about 1.2 million square feet of those administrative offices located in Alexandria), unjustified components of the Military Value Scoring Plan made it nearly impossible for leased space to compete with military base locations. The scoring resulted in military bases automatically getting high scores and leased office buildings getting very low scores. For example out of the national rankings of 334 bases and leased locations, Ft. Belvoir ranked 57, Aberdeen Proving Ground ranked 128 while many private office building locations in Alexandria were ranked much lower because of the biased scoring methodology (e.g., 4501 Ford Avenue in Alexandria ranked 319).

The “Assumptions” text for this analysis states: “All leased locations and

temporary locations are ranked as less desirable than owned space,” “the concentration of a large quantity of activities in the DC area is viewed as negative,” and “higher military value scores indicate more suitable locations.” With these assumptions, any mathematical model that was used to determine Military Value produced foregone conclusions. While some of the scoring methodology does deal with clear military needs, the preponderance of the scoring weights largely uses criteria which have little to do with the “Military Value Criteria” established under the federal Defense Base Closure and Realignment Act of 1990.

Some specific examples (but not the entire list of similar structural scoring biases) of how the scoring methodology was established to be biased include:

- A. **“Ownership/Type of Space”** was an attribute which was given a 30.3% weight. DoD- owned space achieved a perfect “1.0” score for this important Attribute while leased space scored a “0.” Such a large weighting of something not directly related to real Military Value indicates that this scoring model used for the Washington, D.C. area appears to have been constructed with predetermined outcomes. The language in this metric states: “Locations in leased space are viewed as having a very high need for realignment” and “existing leased space is generally more expensive in the long run.” We have not been able to find in any of the submissions to the Commission a clear analysis that supports that conclusion. Given that the cost of new construction in today’s dollars will result in buildings whose cost basis is higher than buildings which are already in place (even if those buildings are renovated to meet higher security standards), this statement is a generality which may not hold true. In particular, the office buildings and private sector buildings in Alexandria have an overall lower cost basis than rents in many of the other DoD leased office buildings in the Washington, D.C. area. Existing DoD leases in Alexandria average about \$25 per square foot, with some leases as low as \$17

per square foot.

- B. **“Activities”** (i.e, non-military installation locations) were often assigned a Military Value score equal to the “worst military installation” even if the Metric or Attribute of that activity of the office building may have scored higher than a military installation. For example, the Metric of “Continuity of Operations,” which seeks to determine how often weather-related disasters have struck in a location over the last 40 years, gives all off-base office locations a score equal to the worst military base score, even if the off-base locations had fewer disasters than a military base location. Since many of Alexandria’s job losses come from moving office activities to nearby Ft. Belvoir, having a negative scoring differential for this metric seems illogical and biased against non-military base office buildings.
  
- C. **“Compliance with DoD Minimum Anti-terrorist Standards for Buildings”** is a metric that held a 10.1% weight. In this measurement military installations received an automatic “1.0” score, while most office locations scored “0” despite the degree of compliance of any Alexandria leased space.
  
- D. **“Buildable Land”** was another Attribute (with a 3.4% weight) which was used and resulted in a scoring bias against office buildings. Here military installations were scored on land availability and off-base office buildings were “assigned a score equal to the worst military installation.” This is a flawed measure in that one of the reasons to lease is that a tenant’s needs change over time and other locations can be leased to meet those needs. The City of Alexandria has many locations where there is significant buildable land already zoned for new office construction, and some of this buildable land is directly adjacent to the DoD offices which are proposed to be moved. It would appear that if DoD wished to expand in those locations, it could easily do

so.

### **III. THE COSTING OF FACTORS USED IN THE COBRA MODEL RESULTED IN A COST AND SAVINGS BIAS AGAINST NON-MILITARY BASE OFFICE BUILDINGS.**

The fiscal data used in the COBRA model in regard to office lease costs appears to overstate in some circumstances the cost of leasing, and understate the costs of DoD vacating the leased space. In some of the moves from leased space to military installation recommendations, the cost savings appear overstated.

The COBRA cost model is binary - i.e., comparing only the existing leased space with existing military installations. In reality, very few real estate decisions are binary, and the best decisions are only reached after reviewing many, many options. The fact that the BRAC process does not allow such analyses of other private sector lease options (although it logically allows all existing military base options to be considered) means that many potentially better options for locating administrative and headquarters functions were never looked at. Understandably, the BRAC process does not have the luxury of getting to that level of detail in the development of DoD recommendations. This fact underscores the sound argument made in Section I above that the consideration of whether to continue to lease and where is a study process which should not be part of the BRAC process.

The DoD analysis is myopic in that there are other alternatives which should have been, or could be considered, such as the leasing of other office space which meets, or can far better meet, the stated Military Value criteria. New construction and financing by the private sector of a build-to-suit office building which is then long-term leased (such as the new 2.5 million square foot U.S. Patent and Trademark Office complex in Alexandria built and leased by the private sector to GSA on behalf of the Department of Commerce) is one logical scenario which was not

developed in the COBRA analyses.

Rehabilitation to meet new DoD Anti-terrorism building standards is also another scenario which was not reviewed as an option in the COBRA models. For example, in Alexandria the former Army Materiel Command building property has been purchased by a major developer who plans to develop and expand the building into a 1.0 million square foot complex, which can fully meet all twenty-two of the DoD Minimum Anti-terrorism standards, including required standoff distances, parking, and progressive collapse avoidance standards. The estimated rent cost of this building (including the cost of meeting the DoD security standards) would be mid-\$30s per square foot per year. That cost includes security standards and is far less than what is assumed in the COBRA model data. Nearly all of the 1.2 million square feet of office uses which are proposed for realignment out of the City of Alexandria could fit into this building complex, or into planned Hoffman Town Center buildings (adjacent to the current location of a number of Army Commands and DoD offices proposed for realignment to on-base locations). Private sector financing and not federal appropriations would be used to finance the construction of these new facilities.

The COBRA data for a large number of office moves in Northern Virginia appears to use an assumed rental rate of \$37.29 per square foot as the “lease cost avoidance” estimate. A cost to meet the new security standards was then added to that assumed rental rate. It appears that this \$37.29 was obtained by using Washington D.C. area-wide estimates rather than locality specific estimates. In Alexandria’s case the average cost per square foot of existing DoD office space is about \$25 per square foot, which is about one-third less than this regional average. As a result of using the regional average cost of \$37.29, the lease cost avoidance (and hence the savings) is overstated by about 33%.

The COBRA cost model does appear to include the financial responsibility for the continued lease payments after the DoD activity

moves from a building. The July 1 GAO report also noted that “DoD’s cost and savings estimates.... do not fully reflect all expected costs or savings that may accrue to the federal government” (p.44). For example, there are office space leases for DoD activities in the City of Alexandria which have lease end dates in 2012, 2014 and 2015, but planned move-out dates in the BRAC analysis many years before that. We have been told by GSA experts that in most cases the GSA lease with the office building owner has no escape clause for the federal government, which is represented by GSA. However, DoD may only have to pay a minor 2% penalty and give a 120-day vacation notice to GSA, leaving GSA responsible for the remainder of the lease costs.

Although the DoD’s move to its own on-base space may result in a projected savings, GSA, and therefore the federal taxpayer, would be required to pay for the office space through the end of the lease. These stranded lease costs, while external to DoD, are not external to the federal budget and therefore represent costs which should be counted in the COBRA cost calculations. As GSA apparently feels that they will not be able to backfill all of this office space that DoD proposes to vacate, our GSA sources have indicated that GSA has already begun internal discussions about going to Congress to request additional appropriations to cover these leases when DoD vacates the impacted office space. If that occurs, then it would be clear that DoD’s savings are not real and that they did not count all substantial costs into their calculations. If so, that runs counter to a BRAC requirement to count all of the direct costs of the proposed realignments and closures.

The non-consideration of the stranded lease costs, for which GSA would be liable, would appear to violate Section 2913(d) of the Defense Base Closure and Realignment Act of 1990. This section requires DoD to:

“Take into account the effect of the proposed closure or realignment on the costs of any other activity of the Department or Defense or any other Federal agency that may be required to

assume responsibility for activities at the military installations.”

The proposed move of the Army Testing and Evaluation Command (ATEC) yields an example of this lack of consideration of the stranded lease costs. The COBRA analysis reflects rent savings starting in 2007, but ATEC’s current lease runs to 2015. This results in about \$2.5 million per year in stranded lease costs, or some \$20 million in stranded costs through the end of the lease period in assumed savings which will not accrue to the federal government.

A non-quantifiable but critical factor, which the COBRA model does not take into consideration, is the fact that with a lease, DoD can decide periodically, as the needs of a particular activity change, to move to a new location, or to expand or shrink the amount of space leased. That flexibility is lost when DoD builds its own office space, as those costs of DoD construction then become sunk costs. If changing DoD mission requires it to move from existing DoD real estate assets on military installations (which is one of the primary reasons why the BRAC process exists), then the DoD prior investment in real estate assets, which is a sunk cost, becomes a stranded cost as the remaining value of that real estate asset may have to be abandoned or underutilized. If that happens in the distant future with some of the proposed moves from office to base locations, then some of the 20-year stated total savings will never be realized. This is not the case with leased office space, as DoD would have flexibility to periodically expand or contract the leased space, as well as the location of the DoD activity.

The COBRA model does not reflect the indirect but future real cost to DoD of moves by the defense contractor community which are not now on military bases and which will not be on those bases in the future. By forcing these contractors to move, DoD will be incurring additional contracting costs, which will erode to an unknown degree the estimated savings, as calculated in the COBRA model and as claimed by DoD.

Finally it is likely that the cost of Military Construction used in the COBRA model calculations does not reflect construction costs in today's dollars. Over the last year - particularly in the last nine months - construction costs have skyrocketed (increasing total building construction costs about 20%) especially in regards to the costs of building materials (steel, concrete, HVAC equipment, etc.) and labor. As a result the Military Construction costs in DoD's BRAC calculation are most likely underestimated and therefore the estimated savings from these administrative and headquarters moves from existing leased office space (where lease costs are known) are overestimated.

#### **IV. THE DoD MINIMUM ANTI-TERRORISM STANDARDS FOR NEW AND EXISTING BUILDINGS (UFC 4-010-01 8) ARE OVERLY PRESCRIPTIVE AND NOT PERFORMANCE BASED.**

The new DoD minimum anti-terrorism building standards establish very specific minimum requirements such as an 82-foot setback standard, progressive collapse avoidance, protective glazing, mail room ventilation, and parking controls. When these standards are applied they eliminate urban settings, such as major parts of Alexandria, from being considered for DoD offices.

These new standards are so stringent that there are very few buildings which could currently meet them. They are far more stringent than the Interagency Security Committee (ISC) Security Standards for New Federal Office Buildings, as well as the Urban Design and Security Objectives and Policies for the Washington, D.C. area of the National Capital Planning Commission. What the building industry has stated is that, if the new DoD standards were made performance based (similar to how some building construction fire life safety codes are based), then there would be more buildings in urban settings which could comply with the regulations. These DoD prescriptive standards, if they were changed to performance based standards, could then take advantage of

constantly evolving technology which can provide safer environments at less cost and inefficiency. In addition, many have criticized these standards for being in excess of what it would take to reasonably protect DoD employees from likely threats.

## **V. MATERIAL EXTERNAL COSTS TO THE DEPARTMENT OF DEFENSE ARE NOT REFLECTED IN THE COBRA ANALYSES.**

As discussed in Section III of this report, GSA would be left responsible for the stranded lease costs for large blocks of the 1.2 million square feet of DoD space in Alexandria, as well as large blocks of space and therefore stranded lease costs in Arlington and Fairfax Counties. Current lease termination dates in Alexandria go out as far as 2015 (Army Test and Evaluation Command), with other blocks of space having ending dates of 2010, 2012 and 2014.

Other external costs which DoD has not accounted for (or fully accounted for) in the COBRA model, or any other part of their analyses, include significant public off-base transportation infrastructure costs in order to accommodate the additional traffic and transit demand which the added on-base personnel would cause. In the case of the City of Alexandria (and Arlington County), there is already in place significant multi-modal public transportation infrastructure which can handle the transportation demands of DoD employees and contractors. In Alexandria's case, the majority of the current DoD leased space is adjacent or within walking distance of Metrorail stations. This would also be the case for any new office buildings which could be constructed in or near the Hoffman Town Center (Eisenhower Metrorail, and AMTRAK and Virginia Railway Express rail stations), as well as the site of the former Army Materiel Command (Van Dorn Metrorail station). These sites are also adjacent to, and have access to, both I-95 and I-395, and are well served by the City's arterial street system.

While vital for commuting by DoD employees, this rail and road infrastructure also provides efficient access during the work day to and from the Pentagon and other federal offices in the Washington, D.C. area. Many of the proposed base locations, outside of Alexandria (or Arlington), do not have such efficient access. As such there will be inefficiencies created by dispersing DoD administrative and headquarters offices outside of the inner jurisdictions of Northern Virginia.

**VI. THE DEFINITION OF COMMUNITY IN THE DETERMINATION OF ECONOMIC IMPACT IS OVERLY BROAD.**

One of the Final Selection Criteria which the Defense Base Closure and Realignment Act requires to be considered is “the economic impact on the communities in the vicinity of military installations.” However, the analysis conducted by DoD uses the methodology of looking at the economic impact of DoD and private sector job losses using what is labeled as the “economic region of influence.” This means that instead of the more logical Alexandria-Arlington area, where most of the Northern Virginia’s 39,000 DoD job losses would occur, the Standard Metropolitan Statistical Area (SMSA) of the entire Washington DC area (which includes Maryland and West Virginia) was utilized. As a result, a net job loss of 1.4%, which appears minor, is the conclusion of the DoD analysis. In fact, the Alexandria and Arlington employment losses would be substantially greater. In Alexandria’s case, the loss of 7,200 jobs equates to an 8% loss of employment in the City.

**VII. THE RISK OF ORGANIZATIONAL DISRUPTION OF SOME OF THE ACTIVITIES THAT ARE BEING MOVED FROM LEASED SPACE TO MILITARY INSTALLATIONS MAY OUTWEIGH THE ESTIMATED COST SAVINGS.**

One factor that is not taken into consideration is the loss of organizational effectiveness and efficiency (and therefore a loss in Military Value) in the disruption of well-functioning military organizations by moving those organizations to locations a significant distance from their current location. In particular, proposed moves of offices currently in Alexandria to Fort Knox, Kentucky (Army Human Resources Command); Aberdeen, Maryland (Army Test and Evaluation Command); and Scott Air Force Base, Illinois (Army Surface Deployment and Distribution Command) will result in significant losses in organizational continuity and effectiveness, as a significant number of personnel will choose for various reasons not to make the move to these out-of-state locations. Alexandria is currently surveying DoD employees who would be impacted by the proposed moves, and it appears, based on early survey results, that a significant number of these employees will choose not to move from the Northern Virginia area, and will not follow their DoD Commands to proposed out-of-state locations.

In particular, the feedback received by the City indicates that it may be in the Information Technology area that many current DoD employees will choose not to move out-of-state along with their commands. This is because of the Northern Virginia area's great depth of high technology job opportunities and large Information Technology labor base (which is not in place in the three out-of-state locations where the current three Alexandria commands cited in the prior paragraph are slated to move). Given the modern military's high dependence on information technology, it seems counterintuitive to move technology-related commands away from one of the largest and strongest technology areas of the country.

In addition, while some of the private sector technology firms will move along with the commands, the private sector technology base in the receiving locations cannot match the size, depth and quality of the high technology sector in Alexandria (which has approximately 360 technology firms employing 13,000 persons), and throughout Northern

Virginia.

## **VIII. RECOMMENDATIONS TO THE COMMISSION**

The analyses set out in this report by the City of Alexandria focus primarily on the biased and faulty analysis of the economics of moving DoD Commands and Activities from leased space to DoD owned space (some of which does not currently exist and would need to be constructed). This report also concludes that little Military Value if any appears to be gained in moving from leased space to owned space. As a result, there is not a clear and convincing argument for the Commission to approve the leased space recommendations in Virginia - including those leases in some 1.2 million square feet of office space in the City of Alexandria. Without a clear and convincing argument, these recommendations, which will require up-front federal appropriations of

hundreds of hundreds of millions of dollars, should not be approved

**Specifically, the City of Alexandria recommends that:**

- 1. Recognizing that the Secretary of Defense does not need the BRAC process to consider relocating Commands and Activities from their current leased space to other locations, the Commission should set aside and not approve the DoD recommendations to move Commands and Activities from leased space in Northern Virginia; and**
- 2. The Commission recommend in its final report to the President that DoD, in the upcoming year(s), undertake a specific, unbundled, detailed analysis of the economic merits, real costs and real potential savings of moving specific Commands and Activities currently based in Northern Virginia from specific leased space to either DoD owned locations, or to other leased space.**

July 6, 2005  
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