

MARE ISLAND NAVAL SHIPYARD
VALLEJO, CALIFORNIA

An Evaluation of Reuse and Economic
Development Opportunities

January 16–21, 1994
An Advisory Services Panel Report

ULI—the Urban Land Institute
625 Indiana Avenue, N.W.
Washington, D.C. 20004

ABOUT ULI— THE URBAN LAND INSTITUTE

ULI—the Urban Land Institute is a nonprofit education and research organization that is supported and directed by its members. Its mission is to provide responsible leadership in the use of land to enhance the total environment.

ULI sponsors educational programs and forums to encourage an open, international exchange of ideas and experience; initiates research that anticipates emerging land use trends and issues; proposes creative solutions based on this research; provides advisory services; and publishes a wide variety of materials to disseminate information on land use and development.

Established in 1936, the Institute today has approximately 16,000 members and associates from 40 countries representing the entire spectrum of the land use and development disciplines. They comprise developers, builders, property owners, investors, appraisers, planners, attorneys, engineers, financiers, academicians, students, and librarians. ULI members contribute to higher standards of land use by sharing their knowledge and experience. The Institute has long been recognized as one of America's most respected and widely quoted sources of objective information on urban planning, growth, and development.

Much of the Institute's work is accomplished through its councils, which include:

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- Industrial and Office Park Development Councils
- International Council
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- Residential Development Councils
- Small-Scale Development Councils
- Urban Development/Mixed-Use Councils

This Advisory Services panel report is intended to further the objectives of the Institute and to make authoritative information generally available to those seeking knowledge in the field of urban land use.

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ACKNOWLEDGMENTS

Panel chair Meg Sowell (center) with Congressman George Miller (left) and Vallejo Mayor Anthony Intintoli (right).

Both personally and on behalf of the Urban Land Institute, the panel members and staff would like to thank Mayor Anthony Intintoli and the members of the Vallejo City Council for inviting ULI to undertake this important assignment. In addition, the panel wishes to thank the following for their support in the conduct of this panel:

- Walter Graham, City Manager; Alvaro da Silva, Director of Community Development; Craig Whittom, Senior Community Development Analyst; John Duane, Director of Public Works; Gary Leach, City Engineer; and Ann Merideth, Planning Manager;
- Congressman George Miller and his district staff director, Mary Lansing;
- Vicki Sweezy of the city manager's office and Marsha Linder of the Vallejo Community Development Department for providing administrative support before and during the panel's on-site visit;

- Personnel from the Mare Island Naval Shipyard, including Commander John Becker, Mare Island Closure Coordinator; Dennis Kelly, Base Transition Coordinator; Doug Ghiselin, Director of Occupational Safety, Health & Environmental Office; Dennis Farber, Planning and Review Division; Lt. Commander Robert Westburg, Staff Civil Engineer; Frank Sharkey, Human Resources Director; William Bivens, Assistant Naval Reactors Representative; Mike Malachwiej, Comptroller; and Sue Lemmon, Shipyard Historian; and
- The following employees at Mare Island Naval Shipyard, who gave up their Martin Luther King, Jr., holiday in order to provide the panel with an extensive tour of the base's industrial facilities: George Zehrunge, Inside Machine Shop Senior General Foreman; Bill Jones, Welding/Shipfitting Shop Superintendent; Earl Todd, Welding/Shipfitting Shop Foreman; John Meyer, Sheetmetal Shop General Foreman; Danny



Bartch, Pipe Shop General Foreman; Bob Frantz, Inside Pipe Shop General Foreman; Jack Dent, Physical Security Branch Head; and Mike Kounter, William Morris, and Rubin Gonzales, Security Specialists.

The panel is also grateful to the nearly 100 community and business leaders who participated in the interview process and provided a broad cross section of perspectives on the various issues, opportunities, and concerns before the community. Panel members hope that this report will be useful to the city of Vallejo as it studies, refines, and implements its reuse plans for Mare Island Naval Shipyard.

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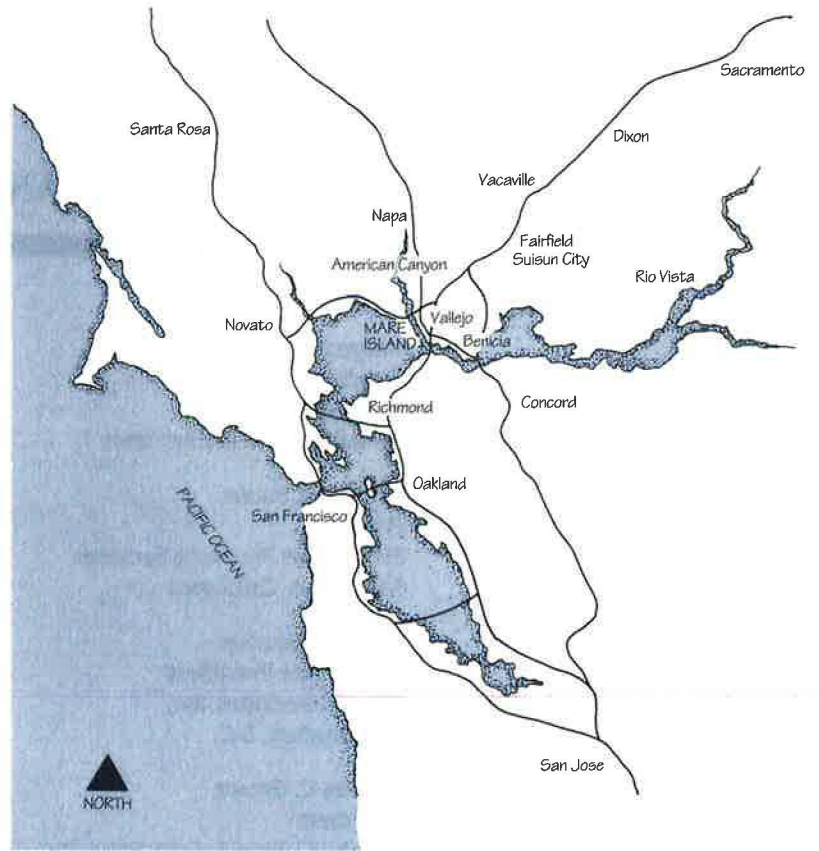
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FOREWORD: THE PANEL'S ASSIGNMENT

For 140 years, Mare Island Naval Shipyard has been operating in northern reaches of the San Francisco Bay. The first recorded description of Mare Island was made in 1775 by Don Jose de Canizores, who named it Isla Plana. In 1835, General Mariano Vallejo renamed it Isla de la Yegua, or Mare Island. The United States government purchased Mare Island for \$83,410 in 1852; this purchase included 956 acres of uplands and 310 acres of wetlands. In 1854, Admiral Farragut established on the island the first naval shipyard on the West Coast.

Mare Island is, in fact, a peninsula arising out of the Napa Marsh at the mouth of the Napa River. The island—approximately one mile wide and 3.5 miles long—is surrounded by the San Pablo Bay to the west, the Carquinez Strait to the south, and the Mare Island Strait to the east. Existing land uses and site characteristics are summarized in Figure 1.



REGIONAL VICINITY MAP

In July 1993, President Clinton accepted the recommendation of the Defense Base Closure and Realignment Commission, and Mare Island Naval Shipyard was scheduled for closure in spring 1996. This action sparked an aggressive and intense planning process—in anticipation of the tremendous economic and social impacts on the community and surrounding area that would result from Mare Island's closure—by the city of Vallejo to support reuse initiatives.

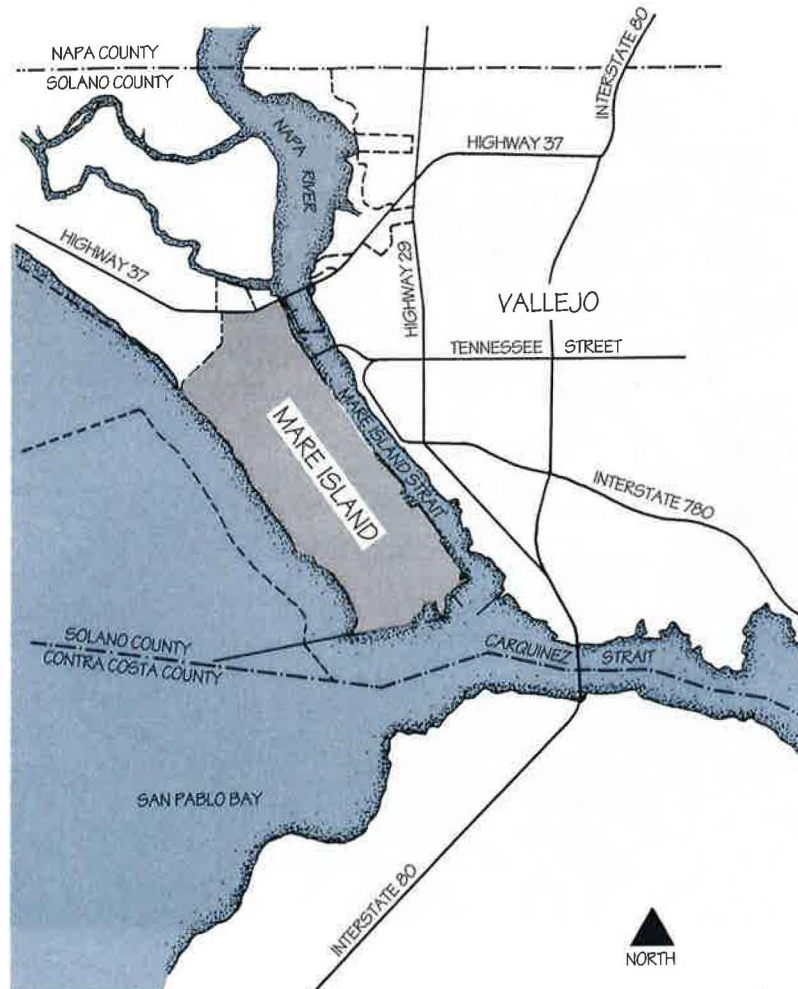
Mare Island Naval Shipyard is one of the largest operating naval facilities on the West Coast and a large part of the Vallejo economy. Since its opening, 513 ships have been built and approximately 2,000 have been repaired or overhauled. Employment in the shipyard peaked during World War II at 41,000 workers, with post-war employment averaging 10,000 employees. Currently, with approximately 5,400 employees, the shipyard annual payroll accounts for \$96 million in Vallejo and \$133 million in Solano and Napa Counties. An additional 4,500 employees work in tenant commands located on the shipyard.

Figure 1
MARE ISLAND: EXISTING SITE AND DEVELOPMENT
CHARACTERISTICS

Land Area:	5,460 acres total, including 1,650 acres of uplands and 3,810 acres of wetlands (comprises dredge spoil ponds, marshes, submerged lands)
Dimensions:	Approximately 3.5 miles long by 1 mile wide
Elevation:	From about sea level to 275 feet above sea level
Industrial/Warehouse Development:	10.5 million square feet total (960 buildings), including 9.8 million square feet (730 buildings) permanent and 0.7 million square feet (230 buildings) semipermanent, temporary, excess
Shipyards:	4 dry docks, 20 ship berths, 2 shipbuilding ways, 3 finger piers (industrial area has 1.5 miles of waterfront)
Residential:	1,083 units, including 483 on site, 600 off site (Roosevelt Terrace), and about 2,000 beds/dormitory units
Public Uses:	School, 2 daycare centers, medical clinic, 3 fire stations, golf course, 2 athletic fields, 3 swimming pools, 9 tennis courts, stables

The navy has already reduced the shipyard workforce once—from about 10,000 employees in 1989–1990 to current levels—in a humane and flexible manner. Major attention has been given to retraining, job clubs, job fairs, and cooperative education in conjunction with community colleges, universities, and local employment training agencies.

The reuse planning process began in August 1993, when the Mare Island Futures Work Group was established by the city of Vallejo. This group is made up of 50 people representing a wide cross section of the Vallejo community and the surrounding area, all with a deep interest in the future of Mare Island. The first task of the group was to develop the Conceptual Reuse Plan—a document that outlines the direction of reuse initiatives envisioned by the community. The Conceptual Reuse Plan was completed by the group in November 1993 and approved unanimously by the Vallejo City Council in December 1993. The next task of the group is to develop the Final Reuse Plan by June 1994.



LOCAL VICINITY MAP

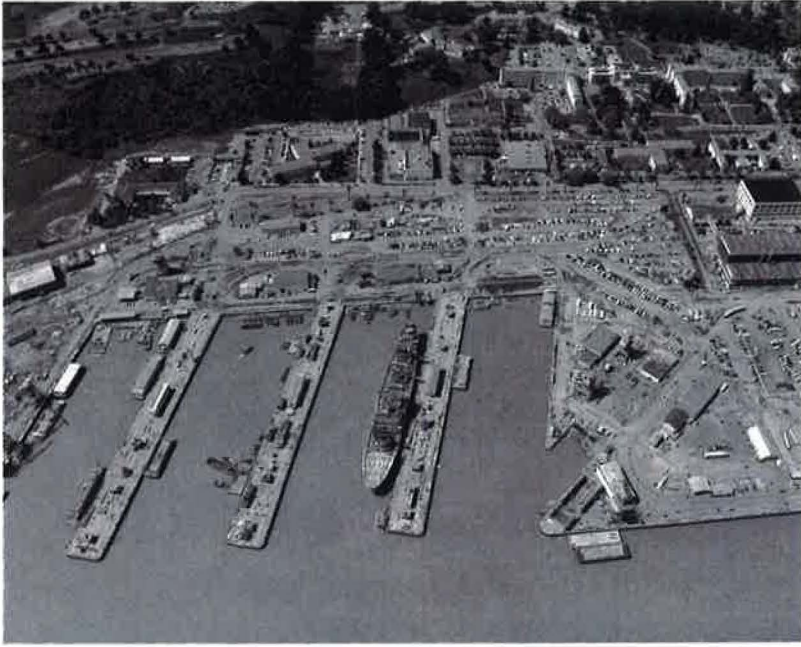
An initial planning grant of approximately \$600,000 from the Department of Defense's Office of Economic Adjustment will assist in the development of the Final Reuse Plan. The city will use these funds to review the Conceptual Reuse Plan in terms of market feasibility and land use and infrastructure capacity. The Final Reuse Plan will reflect the findings of these studies—as well as the recommendations of the ULI panel—and identify implementation strategies to meet the goals of the plan.

This ULI Advisory Services panel was conducted January 16–21, 1994, at the request and sponsorship of the city of Vallejo. The intensive five-day study involved conducting interviews with nearly 100 public officials, business leaders, real estate brokers, base employees, military personnel, and community residents. Additionally, the panel received a detailed briefing by city staff and base personnel, and was given an extensive tour of the Mare Island facility.

The primary charge to the panel was to evaluate reuse opportunities on Mare Island and determine whether the approved Conceptual Reuse Plan is responsive to these opportunities. The panel was also asked to independently identify redevelopment opportunities and constraints, and recommend strategies to retain a significant employee base on Mare Island. The city asked the panel to provide recommendations appropriate to both the short-term (next five years) and long-term (beyond five years) horizons.

Aerial view of Mare Island's shipyard industrial complex looking north.





The panel recommends that the finger piers located at the south end of the industrial area be redeveloped as a marina village with a mix of residential, retail, and boating facilities.

To help guide the panel in its assignment, the city prepared about 25 specific questions for consideration, including:

- What is the market reality of maintaining shipbuilding and repair activities over the long and short terms?
- What are the best immediate options for maintaining the employment base?
- Over the long term, what are the optimum land uses for both the vacant and already developed areas of the island?
- What are the key assets and liabilities of Mare Island with respect to private sector development and transition to civilian use?
- What are some realistic land and building disposition strategies and alternatives for long-term management and operation of the property?

ULI's Advisory Services program uses the experience and talents of the Institute's members to help resolve difficult issues and answer questions related to land use development, planning, and implementation. Since the program began in 1947, over 200 assignments have been completed, providing technical expertise to sponsoring communities, developers, and other organizations. Panel members are selected carefully to fit the unique issues associated with each assignment.

The Mare Island panel consisted of nine real estate professionals with expertise in market analysis, commercial and industrial development, urban planning and design, environmental engineering, real estate finance, and military base reuse analysis and implementation. All of the panel members donated their time and effort to the Institute for the completion of this study. The panel members hope that the recommendations contained in this report will shed light on the opportunities and issues presented to the city of Vallejo by the closure of Mare Island Naval Shipyard.

SUMMARY OF FINDINGS AND RECOMMENDATIONS

Mayor Anthony Intintoli (center) with panelists (left to right) Margaret Fitzgerald, Meg Sowell, Robert Gardner, and Alex Darragh.

The closure of Mare Island Naval Shipyard presents the city of Vallejo with a difficult challenge in the short term, but also an important long-range opportunity. The immediate challenge is to recruit private sector companies to the site who will reemploy as many of the existing 5,400 workers as possible. In the long term, however, the city stands to benefit from having increased control over the future of this important landholding. Mare Island truly is a unique property, with excellent potential for redevelopment and economic return.

At the outset, the panel would like to state that the transition process from military to civilian use will most likely take 25 or more years to be fully realized. This transition will require leadership and staff dedicated solely to the implementation of the adopted reuse plan. The panel's recommendations include a new organizational structure established to oversee this ongoing effort.



A major issue surrounding the reuse of Mare Island has been whether private sector shipbuilding and repair are viable activities for the future. The panel does not believe shipbuilding and repair should be pursued following the navy's departure. A wealth of evidence suggests that these industries and their associated employment levels are shrinking in the United States, and are not likely to rebound in the foreseeable future. Further, the panel believes there is no need for the city to undertake additional studies to verify this fact. Available monies and time should instead be focused on the recruitment of more viable industries.

Given the immediate need to maintain Mare Island's employment base, the panel has identified four tasks that it believes should be the city's first priorities:

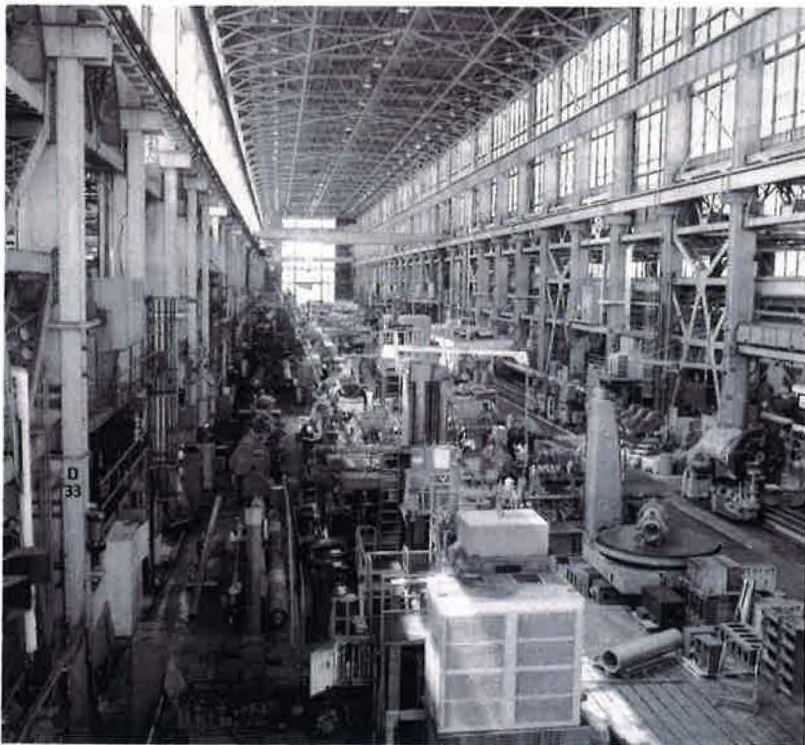
- 1) *Education Building Study.* During the panel's interviews, it became apparent that a real and immediate potential exists to convert some of the on-site buildings to educational uses; such as: a continuing education center, an upper-division degree completion program, a school-to-work transition center, and a vocational training center. The panel believes these types of uses would be ideally suited to Mare Island's long-term reuse. In order to move these potential uses forward, the panel recommends that the city undertake studies to determine the suitability of these buildings for such educational purposes. Specifically, the studies should determine the seismic integrity of buildings and their compliance with Americans with Disabilities Act requirements.

2) *Maintenance Cost Study.* There is considerable uncertainty about the cost of maintaining the facilities, equipment, and land on Mare Island once it is transferred to the city. In order to plan and budget for these costs, the city needs a much better understanding of what must be done to preserve the property and equipment for civilian purposes. The panel believes that the \$13 million caretaker cost—primarily for security and services (e.g., police and fire protection)—estimated in the navy's budget is substantially too high. The city should give early priority to determining an accurate estimate of security and maintenance costs for the land, facilities, and equipment.

3) *High-Intensity Marketing Campaign.* The city must immediately launch a marketing campaign to target and attract private investors to Mare Island. The panel believes that several of the shops on the shipyard have good potential to attract private companies; however, those companies need to be identified and pursued. This marketing effort should be conducted *concurrent* with planning studies and in cooperation with existing employee business proposals and potential employee-owned businesses.

4) *"Gray Water" Treatment Facility.* The existing "gray water" treatment plant at Mare Island raises the possibility of an important marketing edge over competing industrial parks. A functioning, community-wide water treatment system could assist in attracting small- to medium-sized businesses that independently would not be able to afford this type of wastewater treatment. This facility may be a critical asset, particularly in the reuse of shop buildings by industrial operations that use chemical processes in manufacturing, or that result in heavy metal content in wastewater. The panel recommends that funds be directed to studying the cost/benefit of repairing the existing water treatment facility on site, or constructing a new facility to attract certain kinds of targeted industries.

Many of Mare Island's industrial facilities, such as the Machine Shop shown here, have the potential to be marketed for civilian use. The panel outlined an aggressive marketing campaign to attract private companies.



Over the long term, the city will need to continue an aggressive marketing campaign to attract private companies to Mare Island. The panel has outlined both short- and long-term marketing strategies that it believes must be implemented. Important elements of these strategies include:

- Hire a marketing executive who would have responsibility for refining and implementing a marketing program.
- Target and pursue specific manufacturing industries that are forecasted to grow in the coming years (e.g., food-processing equipment, packaging machinery and equipment, air conditioning and equipment, and emerging technologies such as environmental control equipment).
- Target offshore companies that may be seeking new or expanded facilities in the United States. Opportunities to attract foreign-based companies may arise from growth in the Pacific Rim and from the North American Free Trade Agreement.

As previously mentioned, the panel recommends that a new organization be structured to oversee ongoing marketing, planning, and redevelopment efforts. The panel suggests the formation of a nonprofit 501(c)(3) corporation, tentatively tagged the Island Development Corporation (IDC). The IDC would be appointed by the mayor; include city officials, business leaders, and citizens on its board of directors; and retain a full-time staff devoted to the redevelopment of Mare Island. The IDC would be authorized to issue bonds, accept donations, issue construction contracts, and perform any task required to redevelop the shipyard.

The following panel report details a wide variety of recommendations for the short- and long-term conversion of Mare Island to private uses. The panel believes that the future of Mare Island is bright, but the path will not be without challenge. The panel was encouraged, however, by the strong leadership it witnessed at the local level, the cooperative spirit exhibited by navy personnel, and the skills and commitment of the existing employees of Mare Island. The panel believes that the leadership and focus of this community is exceptional and bodes well for the future economic recovery of the area.

DEVELOPMENT POTENTIAL

REGIONAL MARKET TRENDS

The markets for products manufactured by the industrial facilities at Mare Island will extend well beyond the San Francisco Bay Area. Thus, economic development success at Mare Island will be linked to both the economic expansion of the greater Bay Area and the specialized markets Mare Island can serve. An overview of Bay Area and Solano County economic trends provides the backdrop from which to assess both short- and long-term economic development opportunities at Mare Island.

BAY AREA

The Bay Area economy is approaching the end of its recent economic downturn. In part, the slowdown has been exacerbated by California's high-cost business environment and the regulatory controls designed to mitigate the adverse effects of rapid growth. Additionally, changing international conditions have brought about major cuts in military expenditures, which have disproportionately affected California. The combination of these factors has created a significant downturn and the likelihood for slower economic growth than during the 1980s.

The Association of Bay Area Governments (ABAG), in its recently published "Projections '94" report, forecasts that the Bay Area will not recover from the present economic slowdown until 1996. Recovery in this case is defined as a return to the job levels that existed in 1990, prior to the recession. The counties of Alameda, San Francisco, and Santa Clara may take until 1998 to attain the job levels recorded in 1990, according to the ABAG projection. The good news for Solano County, in which Vallejo and Mare Island are located, is that job recovery will be achieved considerably earlier—in 1995.

The economic conditions that lead to a sound economic upturn are becoming evident in the Bay Area. Banking consolidations have created larger institutions that are more efficient and competitive in international arenas. Trade liberalization should also enhance California's export and import prominence. The Bay Area's excellent universities promote the region as a research center and incubator of new products; biotechnology is a byproduct of the region's research and development edge. Future industries, unknown today, could be in their formative stages. Few regions in the country can match the



Warehouse Building 627, located on the north end of Mare Island, contains 220,000 square feet and can be easily converted for civilian use.

Figure 2
EMPLOYMENT IN THE BAY AREA, 1980–2000

Industry	1980	1990	1980–1990 Average Annual Change		2000	1990–2000 Average Annual Change	
			Total	Percent		Total	Percent
Agriculture	34,809	30,700	(411)	(-0.7)	28,420	(228)	(-0.9)
Mining	3,752	4,440	69	0.1	5,090	65	0.3
Construction	127,924	166,210	3,829	6.7	170,140	393	1.6
Manufacturing	499,520	503,930	441	0.8	509,630	570	2.3
High Technology ¹	242,950	268,520	2,557	4.5	269,920	140	0.6
Transportation/Communication/ Utilities	185,207	190,430	522	0.9	219,490	2,906	11.7
Wholesale Trade	115,060	191,750	7,669	13.4	207,860	1,611	6.5
Retail Trade	400,740	519,850	11,911	20.8	543,860	2,401	9.7
Finance/Insurance/Real Estate	214,384	231,280	1,690	3.0	230,790	(49)	(-0.2)
Services	710,885	1,013,020	30,214	52.8	1,205,090	19,207	77.3
Business Services ²	183,382	351,060	16,768	29.3	447,900	9,684	39.0
Government	245,495	258,820	1,333	2.3	238,620	(2,020)	(-8.1)
Total	2,537,776	3,110,430	57,266	100.0	3,358,990	24,856	100.0

¹Included in "Manufacturing."

²Included in "Services."

Source: ABAG, "Projection '94," Table 18.

Bay Area's leadership in new technological applications. Out of necessity, public policy toward economic growth is becoming more hospitable.

Bay Area job growth, which averaged 57,000 new jobs per year in the aggressive 1980s, is expected to show an average annual loss of 15,000 jobs during the first half of the 1990s, but rebound to 64,000 new jobs per year during the second half of the decade. High technology, which fueled the economic engine in the 1980s, is experiencing the competitive pressures of a maturing industry. The leading-edge biotechnology industry may take up some of the employment slack in high technology during the 1990s. Business services (advertising, computer programming, engineering services, etc.) are expected to account for nearly 40 percent of all new jobs during the 1990s. (See Figure 2.)

SOLANO COUNTY

Future economic development projections prepared by ABAG reveal that Solano County will benefit favorably from existing growth trends. The North Bay counties of Solano and Sonoma plus the East Bay county of Contra Costa are forecasted to attract 60 percent—or over 900,000 out of 1.5 million—of the new Bay Area residents projected during the 1990–2010 period. During the 1990s, Solano County's population is anticipated to increase from 340,000 to 455,000—an annual average increase of 11,000 new residents. (See Figure 3.)

Job growth is expected to be relatively flat during the first half of the 1990s. As the state and regional economies recover, job growth in Solano County is expected to jump to 4,300 jobs per year during the second half of this decade. By comparison, job growth in Solano County throughout the 1980s averaged 2,900 new jobs per year. (See Figure 4.)

Factors contributing to employment growth in Solano County include its Interstate 80 linkage between Sacramento to the northeast and the greater Bay Area to the southwest; less expensive housing vis-a-vis the East Bay; and a large inventory of readily developable industrial land. New manufacturing jobs in Solano County are projected to account for over one-fourth of all new jobs added during the 1990s. On the other hand, within the Bay Area, manufacturing jobs are expected to constitute only 2 percent of new jobs forecasted for the 1990s.

VALLEJO

Vallejo and Solano Counties are suburbanizing locations proximate to employment growth concentrations that emerged in the East Bay during the 1980s, most noticeably in the inland areas of Contra Costa and Alameda Counties. Contributing to Vallejo's strength is its crossroads location, which provides connecting freeway access to East Bay employment nodes. ABAG's "Projections '94" forecasts Vallejo's 1993 population of 116,000 to climb to 137,600 by the year 2000.

Figure 3
POPULATION GROWTH FOR SOLANO COUNTY, NAPA COUNTY, AND BAY AREA, 1980–2000

Area	1980	1990	1980–1990		2000	1990–2000	
			Average Annual Change			Average Annual Change	
			Total	Percent		Total	Percent
Solano County	235,203	340,421	10,522	12.5	454,700	11,428	13.4
Napa County	99,199	110,765	1,157	1.4	129,200	1,844	2.2
Other Bay Area	4,845,387	5,569,911	72,452	86.1	6,291,500	72,159	84.5
Total	5,179,789	6,021,097	84,131	100.0	6,875,400	85,430	100.0

Source: ABAG, "Projection '94."

Figure 4
EMPLOYMENT IN SOLANO COUNTY, 1980–2000

Industry	1980	1990	1980–1990		2000	1990–2000	
			Average Annual Change			Average Annual Change	
			Total	Percent		Total	Percent
Agriculture	3,143	3,020	(12)	(-0.4)	3,550	53	2.5
Construction	4,683	9,710	503	17.6	10,720	101	4.8
Manufacturing	6,700	8,210	151	5.3	13,920	571	27.0
High Technology ¹	690	800	11	0.4	1,500	70	3.3
Transportation/Communication/ Utilities	4,607	4,720	11	0.4	6,420	170	8.0
Wholesale Trade	1,328	2,900	157	5.5	5,080	218	10.3
Retail Trade	12,949	23,370	1,042	36.6	27,990	462	21.8
Finance/Insurance/Real Estate Services	3,536	3,460	(8)	(-0.3)	5,200	174	8.2
Business Services ²	2,630	4,740	211	7.4	6,520	178	8.4
Government	36,225	37,900	168	5.9	31,310	(659)	(-31.1)
Total	90,789	119,300	2,851	100.0	140,480	2,118	100.0

¹Included in "Manufacturing."

²Included in "Services."

Source: ABAG, "Projection '94," p. 283.

While Mare Island job losses will affect primarily Vallejo, the economic impact will be regional since Mare Island employees live throughout the region. In fact, according to studies prepared by the Solano Economic Development Corporation (SEDCORP), only about one-half of the economic impact would occur in Vallejo.

After the base closure, ABAG expects Vallejo to compete with Fairfield and Vacaville for new employment. Between 1995 and 2000, over 80 percent of projected employment in Solano County will locate in these three cities.

SITE-SPECIFIC DEVELOPMENT OPPORTUNITIES

The panel recognizes the importance of addressing the development and reuse potential of the physical assets existing at Mare Island. There is a wide range of *potential* uses and activities suitable for Mare Island, many of which were identified in the Conceptual Reuse Plan. The panel's conclusions and recommendations relative to potential use options are presented below. These recommendations are intended to build upon the Conceptual Reuse Plan and provide the foundation for subsequent land use plans and marketing strategies.

INDUSTRIAL

Vallejo is located in the Contra Costa/Greater East Bay industrial market (Grubb & Ellis), a large area stretching from Concord in central Contra Costa County to Stockton in the east and Napa and Solano Counties in the north. By year-end 1993, this market included about 58 million square feet of industrial space, of which 8 million, or 14 percent, was vacant. Given the economic slowdown, new industrial construction has been limited to build-to-suits, with virtually no speculative development. Solano County contains 13 million square feet of industrial space, of which 15 percent is vacant. Asking prices for improved land range from \$2 to \$4 per square foot.

Base transition coordinator Dennis Kelly, Mare Island navy personnel, and city of Vallejo staff, brief the panel about the facilities existing at Mare Island.

In recent years, the competitive advantages of the Greater East Bay market have become more apparent, as compared to the more established and much larger East Bay (120 million square feet) market between Berkeley and Union City. The relocation advantages include less expensive land, more reasonable taxes, affordable housing for workers, and an intrametropolitan location serving both Sacramento and the Bay Area.

Ample industrial land is available in Solano County (primarily in the Fairfield/Vacaville areas) to support future job expansions. Estimates indicate that between 4,000 and 5,000 acres of industrial land currently are entitled in the county. The buildout potential of this land supply is at least three to four times the already-built industrial space inventory. Apart from Mare Island, future industrial/business park development in Vallejo is proposed at the 109-acre Northgate Business Park (currently vacant and under litigation, with the infrastructure incomplete). Historically, Vallejo has had little light industrial development as compared to Fairfield and Vacaville.



Within this overall context, the panel believes industrial growth and development opportunities exist within Mare Island, Vallejo, and the surrounding area. Recent corporate facility locations in the area provide concrete evidence of the competitive business-operating environment in Solano and Napa Counties. Specific locational advantages include:

- A skilled, productive labor force rated highly by local employers;
- Available deep water, rail, and interstate transportation networks;
- Access to Oakland, San Francisco International, and Sacramento Airports;
- Abundant affordable housing for workers locally, as well as executive housing in the immediate vicinity and in Marin and Napa Counties;
- Proximity to University of California campuses at Davis and Berkeley; and
- Available industrial land and buildings at attractive costs relative to other locations within the metropolitan area.

In addition, the following specific locational attributes of Mare Island will shape future industrial development opportunities both positively and negatively:

- Electric power rates at Mare Island will be extremely favorable relative to market rates offered by Pacific Gas and Electric (PG&E). Enabling legislation has been passed in Congress that extends the navy's right to purchase power from the Western Area Power Authority (WAPA) to new companies locating on Mare Island. This power rate will be available for ten years after the navy leaves the base.
- Other utility requirements in terms of water, sewer, and natural gas are also available in significant quantities and at reliable service levels. The city of Vallejo has surplus water that it sells to neighboring communities. PG&E will provide natural gas to the navy in bulk; during the transition period, smaller users will be able to realize a cost advantage.

- The available buildings, equipment, and environs within Mare Island are particularly suited for heavy manufacturing, given its current use in shipbuilding and repair. Various factors such as ceiling heights, rail access, outside storage capability, available state-of-the-art equipment, and heavy duty cranes make Mare Island uniquely competitive within the market. Specific buildings/operations that have the greatest immediate reuse potential include the following:

- Structural Shop Complex (Buildings 382, 388-390);
- Blast and Paint Shop (Building 750);
- Machine Shop (Building 680);
- Sheet Metal Shop (Building 1310);
- Pipe and Copper Shop (Building 126); and
- Electronic and Electrical Shop (Building 866).

In addition, several warehouse buildings (627, 629, 751, and 759) at the north end of the island are in good condition. Their ceiling heights, bay size, quality, and configuration make them marketable in today's environment.

As California emerges from its recession, growing companies will increasingly look for available space in which to locate new operations because time frames have been compressed and capital investment decisions delayed.

- Rail service and facilities are available to Mare Island, but many rail-oriented industries prefer to locate on main rail lines with service by several carriers. The Northern California Railroad, a short-line railroad operating in Northern California, serves Mare Island via a spur line and provides connection six days per week to Southern Pacific.



The panel was given an extensive tour of Mare Island, including historic St. Peter's Chapel with its collection of stained glass windows by Tiffany.

- Mare Island is three miles from I-80, which is a greater distance than other competing sites in the area, and greater than most of the successful industrial parks in the United States. Transportation linkages to I-80 should be improved to the greatest extent possible; California Route 37 provides the best opportunity for direct access.
- The state tax and regulatory environment for business, while improved in recent years because of pressures brought on by the recession, presents some locational disadvantages relative to nearby states such as Utah, Nevada, and Arizona. Business operating costs in these states are as much as 50 to 75 percent below California. As a result, corporate investment in new facilities is being shifted from California to these and other states.

Panel members Stan Brown (center) and Robert Kenney (right) during one of the panel's many interview sessions.

From an economic base perspective, land for light industrial development at Mare Island increasingly will become an important asset for the city of Vallejo. However, indirect highway access and an already substantial inventory of land with more favorable locations in both Solano and Napa Counties suggest that market capture of countywide demand at Mare Island will be low in the short term. For the next several years, the panel is not optimistic that development of significant light industrial space at Mare Island will materialize.

In contrast, the heavy manufacturing capabilities associated with the shipbuilding facilities and equipment at Mare Island present a market opportunity with uncertain but promising dimensions. From the panel's perspective, the buildings' state-of-the-art equipment and the quality of demonstrated work product suggest that markets for these capabilities should be sought.

The shipyard traditionally has had an industrial wastewater collection/treatment system to process industrial waste prior to disposal through the Vallejo Sanitation and Flood Control District's wastewater treatment plant.



This type of special treatment facility may be a critical asset in the reuse of the shop buildings for industrial operations that use chemical processes in manufacturing, or that result in heavy metal content in wastewater. However, information provided to the panel indicates that the existing industrial waste collection and treatment system has degraded to the point that its removal may be required.

The presence of an industrial waste collection/treatment system could help the city attract new industries to Mare Island to use existing industrial facilities or construct new facilities. This might include small- to medium-size companies that are being forced to relocate to Mexico or elsewhere because they cannot comply with California's environmental standards and cannot afford the added cost of their own systems. Companies involved in a wide variety of manufacturing activities are thus affected, including foundries, food processors, photographic processors, semiconductor manufacturers, wastepaper recyclers, paint companies, and industries with special metal processes.

The panel recommends that a feasibility or cost/benefit study be conducted to examine the cost of replacing the existing industrial waste collection/treatment system and the potential demand from companies that would require such a system. Helpful information related to demand might be obtained from the California Environmental Protection Agency (Cal EPA), which keeps track of the types of industries found to be in noncompliance, as well as information on businesses that have relocated because of their inability to comply with wastewater discharge standards.

The panel believes that a window exists during which new industrial markets should be pursued aggressively. This window may be open for only a short time—perhaps 12 to 15 months—after which the skilled workers who are so important to future manufacturing may move on to other jobs in different locations. The marketing efforts that must get underway before this window closes are fully described in subsequent marketing and implementation sections of this report. In addition, the panel advocates the long-term pursuit of heavy manufacturing opportunities, believing that Mare Island enjoys a positive, competitive edge in attracting these companies.

SHIPYARD

The panel was asked to assess the market demand for shipyard-related uses, including shipyard repairs and construction, both nuclear and nonnuclear, government and private. The demand for shipyard repairs and construction in U.S. facilities presently is limited and is expected to remain depressed during the next three to five years. The combination of international competition for commercial ship construction and repair business and the decline in U.S. Navy contracts have resulted in reduced employment in shipyards throughout the United States, and intense competition for the remaining government contracts to build and repair ships.

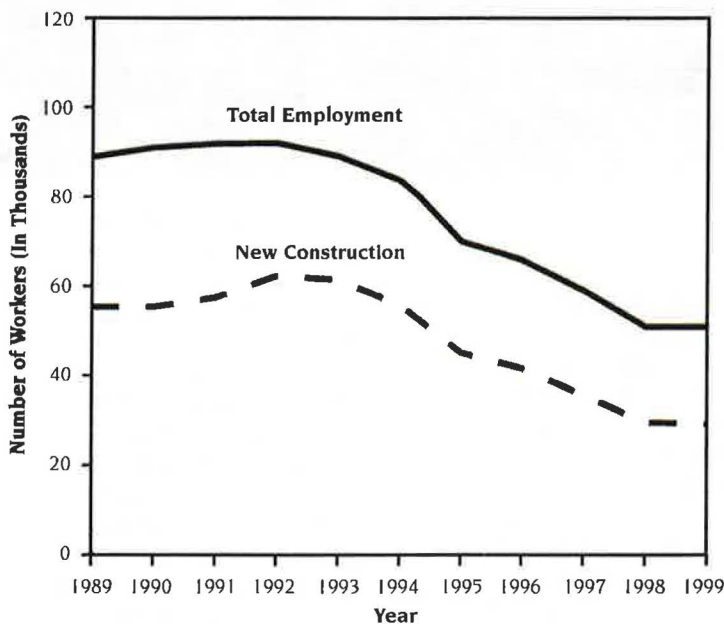
The United States presently ranks 28th in shipbuilding, far behind Asian and European countries. As a result, the number of major shipbuilding facilities in the United States has declined. Based on information assembled by the Shipbuilders Council of America, 22 private shipyards had government and private ship construction contracts during 1981; by 1991, the number had declined to 15. Only one major private ship construction yard, National Steel, remains on the West Coast. Employment in shipyards also has declined steadily since 1981. Figure 5 from U.S. *Industrial Outlook* indicates employment in shipbuilding and ship repair.

Commercial shipbuilding in the United States effectively ended during 1981, when government subsidies to the industry were terminated. During 1988, 1989, and 1990, no new merchant ships were under construction or on order at U.S. private shipyards; in 1991 and 1992, only three ships were under construction or on order. Foreign countries—most notably Japan and Korea—were able to construct ships at lower costs, in part as a result of ongoing government subsidies. Recent attempts to eliminate these subsidies through General Agreement on Tariffs and Trade (GATT) negotiations have not been successful; legislative reforms by Congress to enhance U.S. competitiveness have not been enacted, despite support from the Clinton administration.

As a result, more than 90 percent of U.S. shipbuilding activity is dependent on the U.S. government, primarily on navy contracts. As the size of the fleet has diminished and the average age of ships has decreased, competition for construction and repair contracts has increased. Also, larger shipyards previously uninterested in military ship repair contracts have begun to actively pursue them. Repair activity during the near term also will be constrained by the lower levels of maintenance and repairs required by a more modern fleet, and by lower levels of navy appropriations for ship repair.

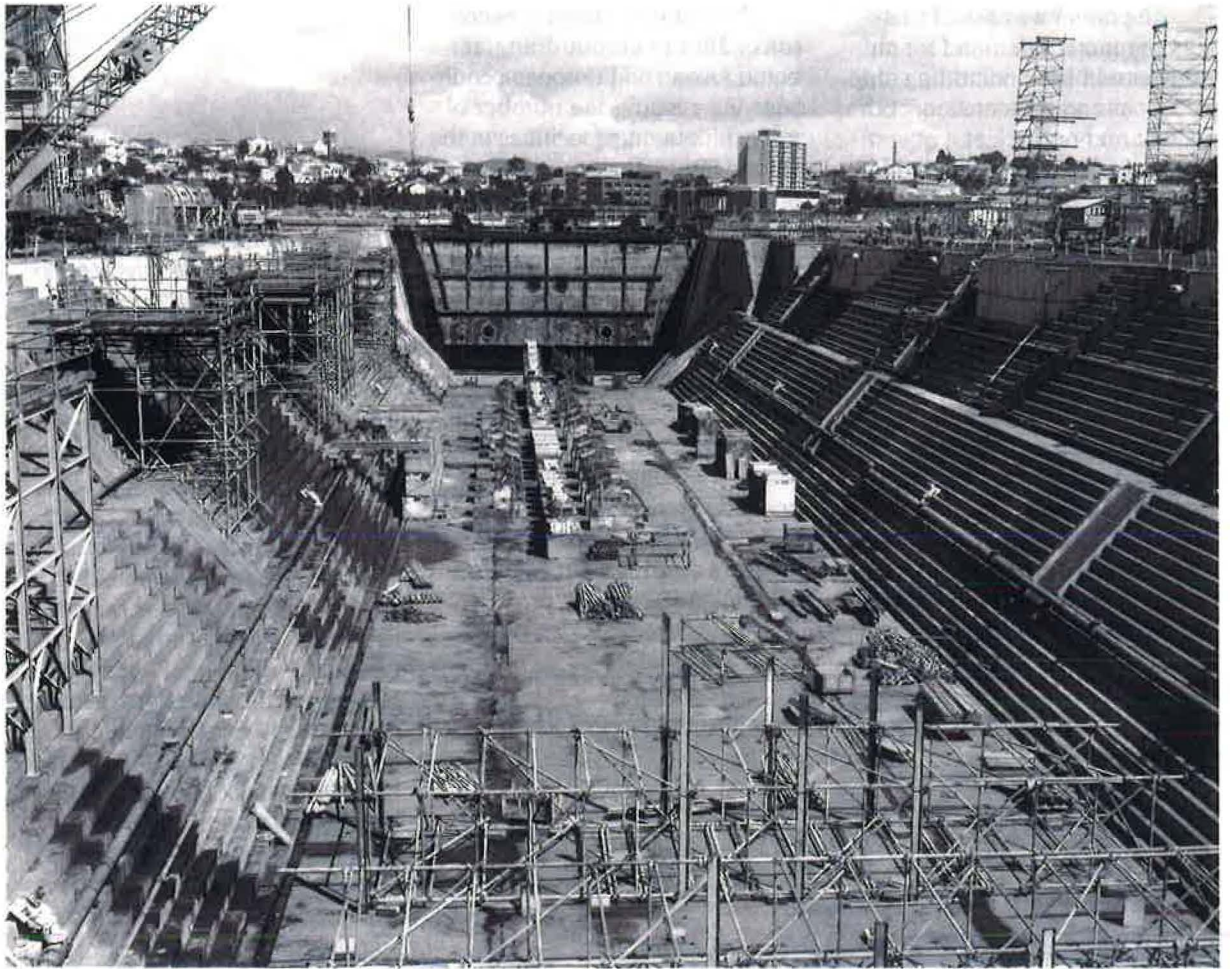
Based on the referenced trends, the panel does not believe that ship construction and repair are viable activities in Mare Island's future. Other, more promising industries should be pursued.

Figure 5
PROJECTED ACTIVE SHIPBUILDING BASE LABOR FOR 15 YARDS,
1989–1999



Note: Total employment reflects actual number of workers employed; other data refer to number of shipyard production workers expressed in eight-hour equivalent work units.
Source: U.S. Department of Transportation, Maritime Administration, as reported in U.S. *Industrial Outlook* 1993.

The panel recommends that Dry Dock #1, shown here under construction, be preserved as part of the shipyard historic district. The dock could serve as home to the Vallejo, which soon will be decommissioned.



OFFICE

Commercial office development in Solano County is not expected to be a growing land use activity in future years. Closer-in locations along the Interstate 580/680 corridor in Alameda and Contra Costa Counties that emerged during the 1980s are expected to dominate the market. Moreover, ABAG employment forecasts for Solano County show low employment levels in the finance/insurance/real estate (FIRE) sector and in business services (less than 400 jobs per year), the primary users of commercial office space. In light of the above, *the panel recommends no speculative commercial office development at Mare Island, although all possibilities to attract office space users to existing space, such as the present efforts to land a federal Defense Finance and Accounting Service (DFAS) center, should be pursued as aggressively as possible.*

RETAIL

Nationally, the recession has promoted the trend toward value retailing, as shoppers on shrinking household budgets pursue lower priced goods. In California, the financial crisis at the state level has diverted funds from local jurisdictions. Consequently, local governments have sought to maintain and augment their revenue base by attracting retail development and the sales taxes they can contribute. Suburban markets such as Solano County have become saturated by “big box,” off-price, and warehouse retailers.

Although Solano County has successfully attracted 2.4 million square feet of discount retail space, the concern is that the number of major tenants not represented in the region is rapidly shrinking. Also, the maturity of this

industry may be signaled by the merger of two major chains, Price Club and Costco. In light of these retailing trends and site circumstances—as well as the lack of good regional access—regional-serving retail uses are not recommended at Mare Island.

Local-serving retail will be important in the creation of a residential community. However, a substantial community must be present to provide the necessary local buying power. Retailing in conjunction with a marina at Mare Island should be considered. While small in size (less than 40,000 square feet), this marina-oriented retail center would most likely feature restaurants and stores supportive of a waterfront location and recreational boating.

HOSPITALITY/TOURISM

At the moment, no apparent market support exists for major hotels and motels at Mare Island. The absence of traditional demand generators such as office concentrations, major institutions, and resort facilities limits short-term demand.

While the panel does not recommend a major hotel, a bed-and-breakfast facility encompassing the Captain's Row area should be considered. These buildings provide a historic atmosphere conducive to the bed-and-breakfast patron. Captain's Row is ideally situated to capitalize on the distinguished heritage of Mare Island (St. Peter's Chapel and historic industrial buildings). Additional factors enhancing its potential viability are the presence of a golf course (the panel recommends an expansion to 18 holes) and proximity to regional attractions: Marine World Africa USA (one of California's top ten tourist attractions) and the Napa County wine country, reported to have attracted 4 to 5 million visitors in 1993.

The panel does not believe theme parks are a viable use for Mare Island. Disney's reconsideration of its Disneyland expansion in Anaheim suggests that even expansion of an established theme park facility raises questions of return on investment. Sports arenas are not recommended in that professional teams are usually required as a prerequisite for success; the Bay Area and Sacramento together have professional basketball and hockey representation, and franchises in other sports are unlikely.

HOUSING

Projected population growth in Vallejo by the year 2000 will require the development of between 6,000 and 7,000 housing units. At present, the city has about 3,000 to 4,000 residential units planned and approved for future development. Because of the recession and current conditions in the home-building industry, this supply looks substantial. From a longer term perspective, however, and given new growth forecasted by ABAG, the city clearly will require new housing construction.

Single-family housing near the expanded golf course, and single-family and/or multifamily upscale housing along the lower elevations of the hillsides in the southern portion of the island are recommended locations (Areas 1A, 5, 8, and 9 of the Conceptual Reuse Plan). On a gross acreage basis, densities should be in the low to medium range, depending on the terrain. Future residential development on Mare Island should be scheduled to occur after the year 2000, when environmental cleanup is complete and demand for new housing rebounds.

MARINA

The city's success in absorbing slips at the second phase of its marina development suggests that a marina should be located—as the market allows—at Mare Island. California's growing population and an improving economic outlook over the long term, is likely to increase demand for recreational boating facilities. Suggested locations include Piers 20 through 24.



Office Building 47 was built in 1870 and contains 26,940 square feet. Although demand for new office construction at Mare Island will be limited for the next several years, existing buildings such as this could be marketed effectively for private use.

ENVIRONMENTAL CONSIDERATIONS

HAZARDOUS WASTE CLEANUP

The navy is currently conducting Installation Restoration Program (IRP) activities at Mare Island. Although the shipyard is not currently designated as a Superfund site, the IRP is being conducted in accordance with Superfund guidelines as well as applicable local, state, and federal laws and regulations.

The Cal EPA is the lead regulatory agency responsible for the oversight of the IRP. Other regulatory agencies providing guidance and oversight include the federal EPA, the California Regional Water Quality Control Board (RWQCB), and the Solano County Health Department.

In September 1992, the Cal EPA (formerly known as the Department of Toxic Substances Control) entered into an agreement with the navy, referred to as the Federal Facilities Site Remediation Agreement, under appropriate California health and safety codes. The primary purposes of this agreement were to (1) ensure that the environmental impacts associated with past and present activities at Mare Island are thoroughly investigated, and (2) ensure that appropriate remedial actions are taken to protect the public health, welfare, and the environment.

Under the agreement, the U.S. Navy agrees to undertake, seek adequate funding for, fully implement, and report on the following tasks:

- Conduct a basewide remedial investigation (RI);
- Prepare feasibility studies (FS) for the site; and
- Conduct all applicable response actions at the site.

The IRP at Mare Island has been in effect since the early 1980s. Currently, 24 individual sites at the base have been identified, and approximately 130 additional individual sites are being considered. The 24 sites are located throughout the base and vary in size, type, level of contamination, and media affected. The 130 potential sites are currently being investigated as part of the RI process and evaluated for inclusion in the existing list of IRP sites.

SCHEDULE

The current schedule for IRP activities does not require a final remedial action plan until June 1996. If an accelerated schedule for cleanup activities is not implemented, it is conceivable that actual basewide remedial measures will not begin until some time after June 1996, with the risk that certain significant portions of the base may not be available to the city until approximately the year 2000. *The panel believes this proposed schedule is incompatible with the president's July 2, 1993, commitment to accelerated cleanup and early civilian reuse for affected communities. An accelerated and fully funded cleanup schedule is urgently needed from the navy.*

Panel member Margaret Fitzgerald interviews Dennis Kelley about the status of environmental cleanup activities at Mare Island.





Congressman George Miller addresses the panel and invited guests during a reception held early in the week.

FUNDING AND ESTIMATED COSTS

The current appropriated and requested funds for environmental compliance, site investigation, and site remediation total \$159.1 million, while the current estimate to complete cleanup activities is \$312 million—a shortage of \$152.9 million. The panel has been unable to identify any additional funding sources or rationales to request additional funds to fill this gap.

The current cleanup estimate of \$312 million is based on information available to date and does not reflect any additional costs associated with the remediation of sites that may be identified during the ongoing investigation. It is reasonable to assume that this estimate may increase substantially upon completion of the remedial investigation and subsequent feasibility studies. *Therefore, every possible effort should be made to expedite the appropriation of additional funds at appropriate levels.*

IMPLEMENTATION

The current schedule and plans for remediation activities at Mare Island are as defined in the Federal Facilities Site Remediation Agreement. However, the proposed Defense Base Closure and Realignment Commission (BRAC) Clean Up Plan will most likely expedite cleanup measures.

The BRAC Clean Up Plan is centered on expediting and improving the disposal and reuse of BRAC installations while protecting human health and the environment. The primary elements of the plan are to (1) identify techniques to accelerate environmental cleanup, and (2) integrate ongoing activities being conducted under multiple environmental programs into a comprehensive, expedited, and centralized effort.

In January 1994, the BRAC Environmental Technical Division was created at Mare Island. The primary responsibility of this group is to provide the engineering expertise necessary to prepare technical documents to support accelerated cleanup projects. Several removal and cleanup actions are under consideration, including:

- Demolition and removal of contaminated vats and equipment;
- Evacuation of sump and removal of PCB-contaminated soil; and
- Design and implementation of a base landfarm for treatment of petroleum-contaminated soils.

The Mare Island BRAC environmental coordinator is responsible for the preparation of the BRAC Clean Up Plan, which is scheduled to be completed by April 29, 1994. A base cleanup schedule identified in the plan will be based on proposed reuse options for the shipyard, and will prioritize cleanup activities accordingly.

Panelists Stan Brown and John Lynch during an interview session.



In conjunction with the accelerated removal and cleanup actions proposed under the BRAC Clean Up Plan, the identification of interim remedial measures (IRMs) is another important step in expediting cleanup activities at the shipyard. Sites that have been adequately characterized and for which sufficient data exists to proceed with remedial action may be candidates for immediate IRMs. In addition, treatability studies that collect data on potential remedial alternatives may result in an accelerated cleanup. Treatability studies may also reduce cost and performance uncertainties for treatment alternatives.

WETLANDS AND ENDANGERED SPECIES

Approximately 67 percent of Mare Island, or 3,810 acres, is submerged land, tidal wetland, and nontidal wetland that include dredge spoil ponds—all of which are defined as wetlands. In 1988, the navy and the U.S. Fish and Wildlife Service signed a memorandum of understanding to preserve all tidal wetlands on the west side of Mare Island, and those adjacent to Mare Island Strait north of the causeway. The memorandum calls for at least 230 acres of nontidal wetlands to be preserved on the west side of the island as permanent wetland habitat. It also requires the navy to support the creation of an overlay district west of the westernmost dredge spoil pond for the San Pablo Bay National Wildlife

Refuge. Given this agreement and current federal and state policy and regulations regarding wetlands and endangered species, urban development in these areas is unlikely. The panel believes that control for these lands should rest with the city of Vallejo.

Dredge spoil areas will continue to receive dredged materials from the quay side as long as the need exists to maintain depth for waterfront uses. When that requirement no longer exists, consideration should be given to committing the dredge spoil ponds to a wetlands mitigation program. This would require a remediation plan for the ponds to identify the appropriate planting activities to be undertaken. It also may involve offering the ponds to third parties to be used in mitigation trading. A developer of uplands property faced with a mitigation requirement would receive credits by agreeing to purchase a certain number of acres of the dredge spoil ponds and restore them to wetlands. In this manner, the areas would be returned to wetlands status quicker than might otherwise occur by natural forces, and the city would receive revenues from the developer in the form of a negotiated fee per acre.

PLANNING AND DESIGN

The panel agrees with the objective stated in the Conceptual Reuse Plan: that Mare Island should evolve into a mixed-use community with residential, industrial, retail, institutional, and recreational/open space land use components. Key elements of the plan are described below.

ACCESS AND TRANSPORTATION

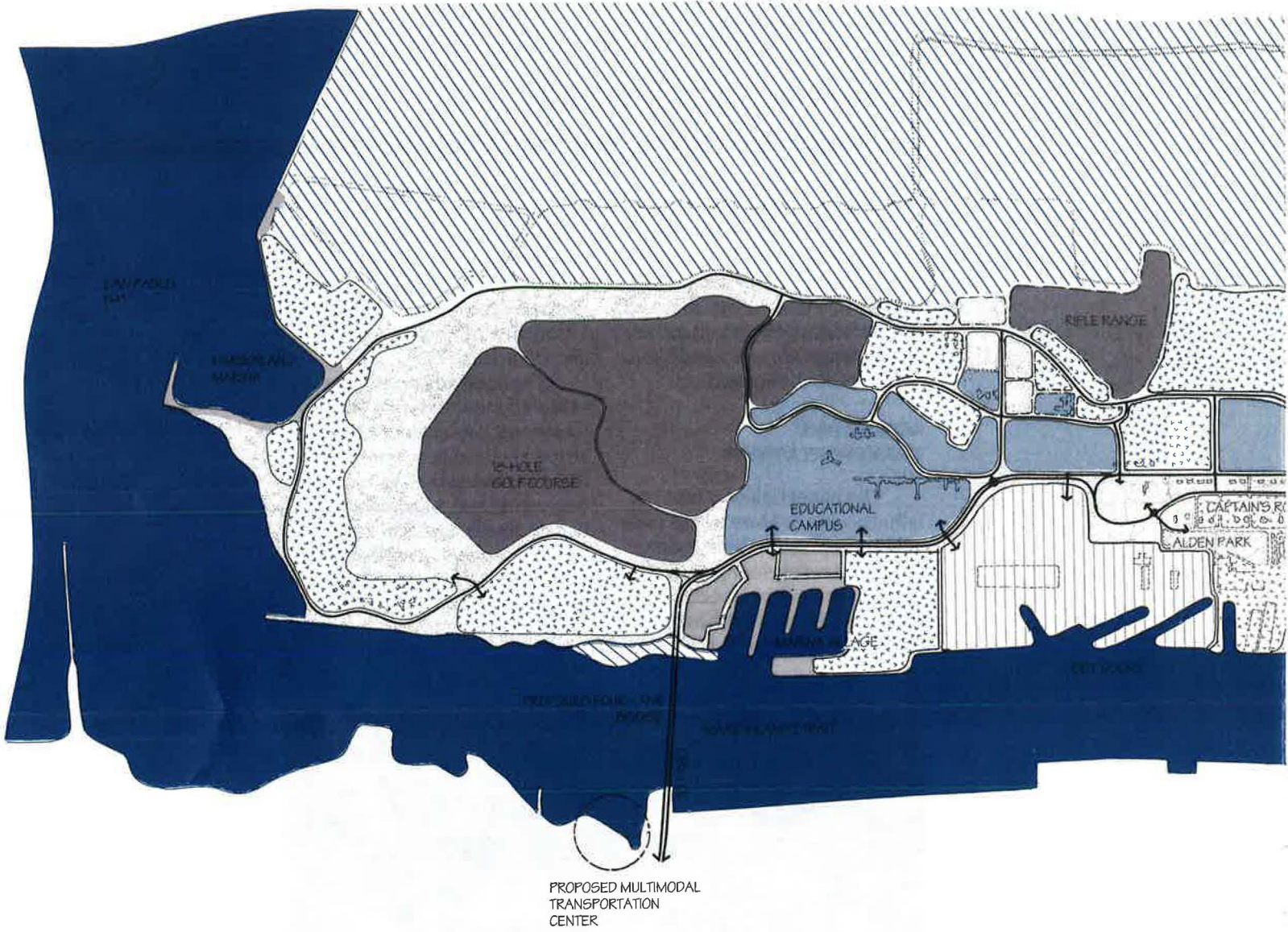
The panel believes that existing access to Mare Island presents a substantial limitation to long-term redevelopment. From a transportation perspective, the island essentially functions as a three-mile-long cul de sac. The

panel therefore urges the city to proceed with plans and seek funds for the construction of a new four-lane bridge across the Mare Island Strait. This bridge would greatly improve access to and from the island and, ultimately, to and from Interstate 780.

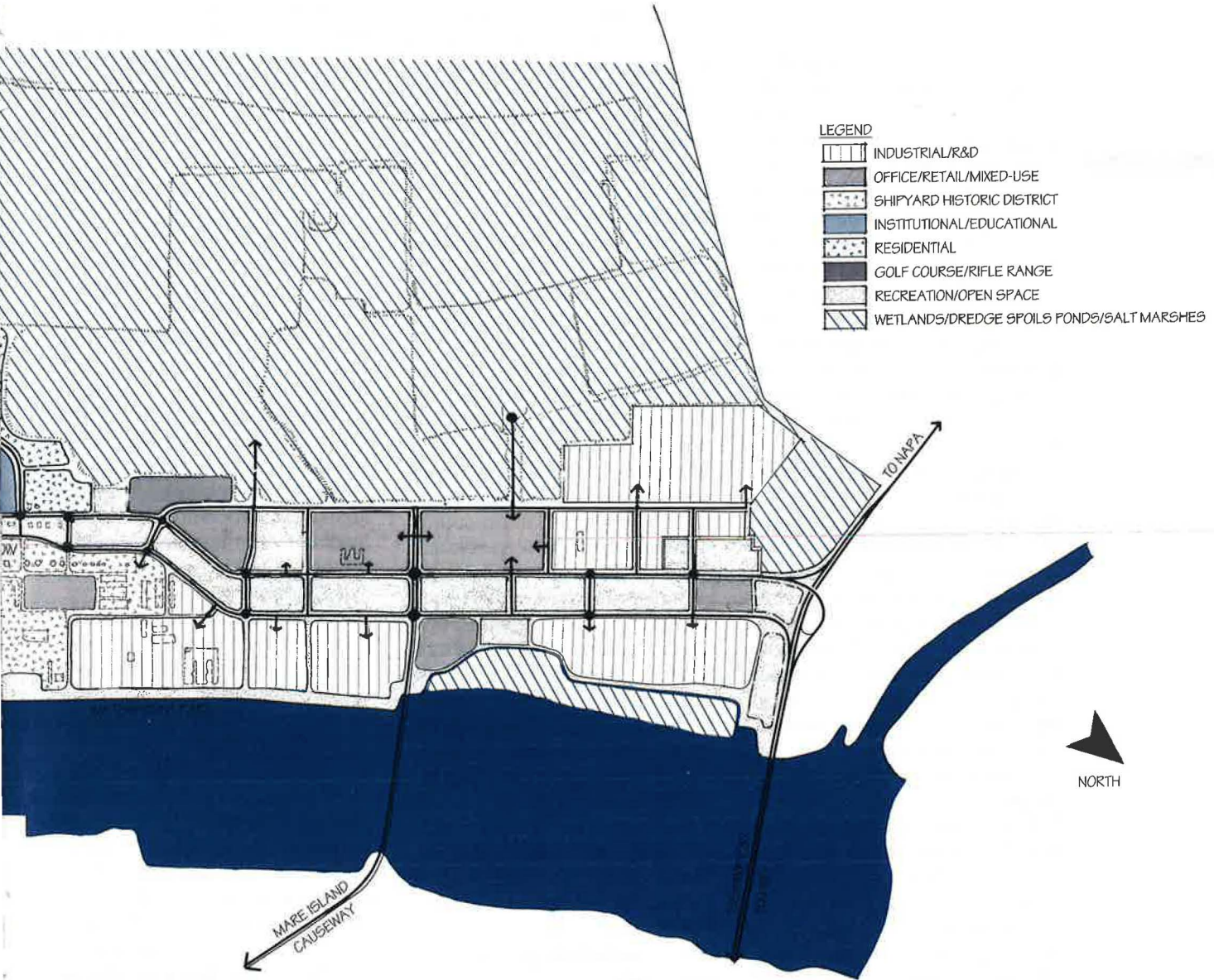
The panel also proposes the establishment of a multimodal transportation center at a location where the bridge connects with the east side of the channel. This hub would serve automobiles, buses, jitneys, and San Francisco ferry passengers. A park-and-ride lot should be considered as a component of this transportation center.



Panel member Don Bauer incorporates the panel's reuse ideas into the conceptual plan.



PROPOSED LAND USE PLAN



The panel understands that it may be some time before funds are secured to build the proposed bridge. Until then, the panel believes that access to the southern end of the island can be substantially improved by operating a ferry across the channel. Interim ferry service would increase the attractiveness of the island to private sector developers and employers.

Barge service may also be available to Mare Island from an existing deep water port located across from the entrance to Mare Island Strait. This port facility—owned by an oil company—does not require dredging and is capable of receiving cargo from large ships. The cargo could be transported easily and quickly by barge to Mare Island. The city may want to explore this option if future industrial users require deep water port capabilities, and if continued dredging of the Mare Island Strait adjacent to the shipyard proves financially infeasible.

The panel also stresses that the programmed improvements to California Route 37 between Mare Island and Interstate 80 are essential to both short- and long-term reuse opportunities. The lack of freeway access to Mare Island, particularly good connection to the I-80 corridor, significantly limits reuse options. The city of Vallejo must continue its diligent efforts to secure state funds for the completion of this link.

For both short- and long-term reuse, the roadway system on and around the island must be substantially improved. First priority should be given to creating a north-south corridor that would extend from California Route 37 to the core of the existing industrial shipyard. The corridor would terminate in the vicinity of Alden Park. The panel proposes a dual, one-way loop roadway system, with each direction of the roadway separated by a 300-foot landscaped median that would be available for active recreational uses as well as passive open space. Nonhistorical and unmarketable buildings should be removed. Also, the landscaped corridor would provide space for below-ground infrastructure and substantially reduce the need to undertake costly relocation of existing infrastructure systems.

This proposed north-south transportation and recreational spine builds upon Mare Island's existing roadway and infrastructure systems. Major east-west cross streets should be spaced so as to minimize the number of traffic signals. The resulting grid system creates a number of parcels ranging in size from about five to 20 acres, which could be marketed to both small and large commercial, research and development, and industrial users. East-west cross streets should be well landscaped and provide for easy pedestrian traffic to Mare Island Strait and a future waterfront park and promenade.

INDUSTRIAL USES

The panel recommends that the northern portion of the island retain its existing industrial/warehouse character. Some older warehouses may need to be demolished. The present low-density nature of this portion of the island leaves considerable flexibility for new industrial development.

The panel recommends that the existing shipbuilding area of Mare Island (the controlled industrial area, or CIA) be marketed to specific private sector companies via an intense and immediate marketing effort. However, the panel believes that not all of the buildings within this intensely developed area are likely to find private sector users. Therefore, demolition of older, obsolete buildings will most likely be necessary. The land area cleared by demolition can be used to accommodate needed roadway improvements, outdoor storage areas, and parking.

The panel also recommends that a portion of the existing shipyard be preserved within a shipyard historic district. This district would commemorate the naval shipbuilding history of Mare Island and be linked conveniently to the proposed Captain's Row bed-and-breakfast facility, Alden Park botanical gardens, and St. Peter's Chapel. The proposed historic district would provide an excellent location for a maritime museum. The panel also believes that the city should negotiate with the navy to have the *Vallejo*, which is slated for decommission, anchored within the historic district.



The panel supports the proposal to lease much of the existing housing on Mare Island, such as these duplex units, to personnel from Travis Air Force Base.

The panel recommends a detailed feasibility study of a modified Roosevelt Terrace, reducing the density of units by at least one-third and rehabilitating the remaining units—possibly creating a single unit from every two of the smallest units. The cleared area should be redesigned for private backyards, community open space, and off-street parking. The remaining units should be sold to a private developer or nonprofit entity for rehabilitation as predominantly market-rate housing, with 10 percent of the units reserved for transitional housing (in cooperation with McKinney Act providers).

If modification of Roosevelt Terrace is found to be infeasible, or if it is not feasible to address seismic noncompliance, the entire site should be cleared and offered for new, lower-density residential development, subject to the 10-percent reservation for McKinney Act units.

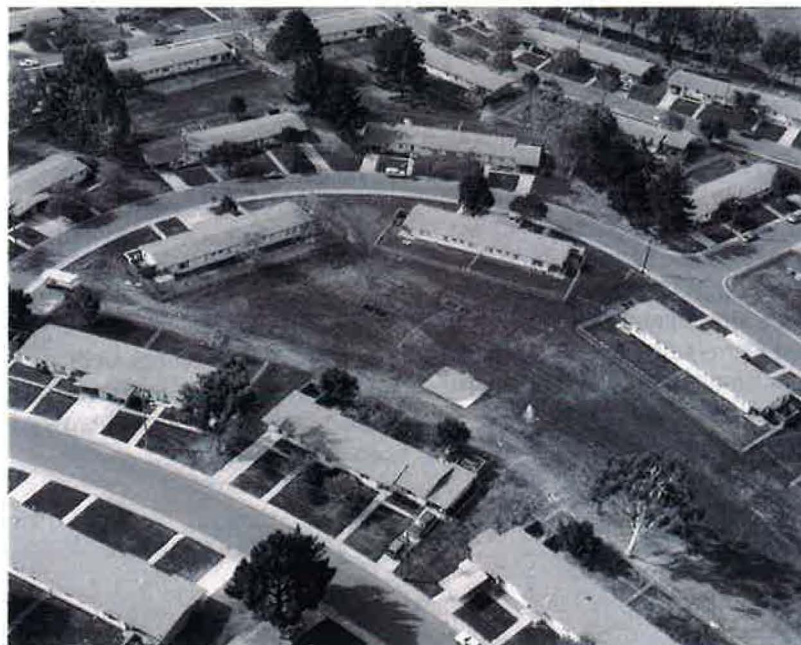
EXISTING COMMERCIAL USES

The existing commissary and nearby commercial uses can be retained for the foreseeable future and used by the residents being transferred from Travis AFB to the existing housing on Mare Island. Over time, additional retail facilities will need to be developed to support civilian employment and new housing construction. There is ample opportunity to accommodate retail development as needed on presently undeveloped or underdeveloped parcels.

The 600 existing units at Roosevelt Terrace, built during World War II, have been well maintained by the navy. Notwithstanding that maintenance, it is the panel's opinion that the generally small size of the units and lack of up-to-date amenities, together with their density on the site, make them unacceptable as decent housing for the future. Also, the panel inquired, but was unable to ascertain, if the existing construction meets current seismic requirements; the city should immediately follow up on this matter.

EXISTING RESIDENTIAL USES

Addressing the future of surplus military housing is often one of the most difficult base closure issues. For Mare Island, the panel believes the preliminary request from Travis Air Force Base offers an acceptable reuse. It is the panel's understanding that the air force would lease the units on a permanent basis and be responsible for all maintenance. It should be noted that the proposed street improvements in the reuse plan would result in the loss of a few family housing units; also, the historic houses would not be included in the air force lease.



The large single-family houses located along Captain's Row should be preserved and incorporated into the shipyard historic district. These houses have market potential as a bed and breakfast facility.



NEW RESIDENTIAL OPPORTUNITIES

Within Areas 5 and 8 and portions of Area 9 of the Conceptual Reuse Plan, the panel believes that a special opportunity exists for the design of new, high-quality housing in conjunction with open space and recreational uses. In Area 5, it is proposed that the existing nine-hole golf course be improved and expanded to a full 18-hole facility; the areas bordering this golf course offer excellent potential sites for new single-family housing.

Regarding Areas 8 and 9, the predominant use of the hill located at the south end of the island should be as a public park to take advantage of the exceptional views of Mare Island Strait, Carquinez Strait, and San Pablo Bay. However, the panel believes that, while reserving the top of the hill for park use and preserving the ridge line, the slopes below can be developed sensitively for single-family and/or multifamily upscale housing.

With respect to both of these new housing opportunities, detailed design should be accompanied by marketability studies and geological investigations of the suitability and costs associated with soil conditions. The panel acknowledges that the market for new housing is currently weak, but considers sensitively designed housing development a feasible and appropriate use over the long term.

EDUCATIONAL USES

Through its interview process, the panel met with representatives of the Vallejo City Unified School District, Solano Community College, California Maritime Academy, Sonoma State University, Napa Valley College Board, Diablo Valley College District, and University of California, Davis. Members of these institutions had already met to coordinate their efforts for the education and retraining of civilian employees of Mare Island Naval Shipyard. Subsequently, the group began to discuss the possibility of using the various educational facilities of Mare Island, particularly the present Combat Systems Technical Command School (located in Area 4 of the Conceptual Reuse Plan). The concept, still preliminary at this time, that has evolved from these discussions consists of the following elements:

- A *continuing education center* involving five California State University (CSU) campuses (Sonoma, Hayward, Sacramento, San Francisco, and the Maritime Academy), Solano and Napa Community Colleges, U.C. Davis extension, and possibly private colleges;
- A *two-year + two-year upper-division degree completion program* as a collaborative CSU program, using distance-learning technologies as well as classes taught on site;
- A *school-to-work transition center* (with two-year + two-year + two-year capability), a one-stop career center offering school-to-work programs, worker retraining, and career counseling; and
- A *high-tech research/vocational center* bringing together research and industrial institutions (CSU engineering programs, U.C. Davis, U.C. Berkeley, Lawrence Laboratories, etc.) for research and vocational training focused on subjects such as hazardous waste cleanup and business incubator activities.

By using "off-the shelf" materials, the continuing education center could begin almost immediately; the other elements would require a one- to two-year lead time. "Education assisting economic development" would be the pervasive theme of the campus, which would emphasize the proximity of the industrial complex as part of the educational offerings. Among Solano Community College, the Napa Valley College Board, the Maritime Academy, and U.C. Davis, it is estimated that several thousand students would be interested in attending classes and training programs at this very accessible location. In addition, the Vallejo City Unified School District estimates a need to serve 500 to 1,000 students.

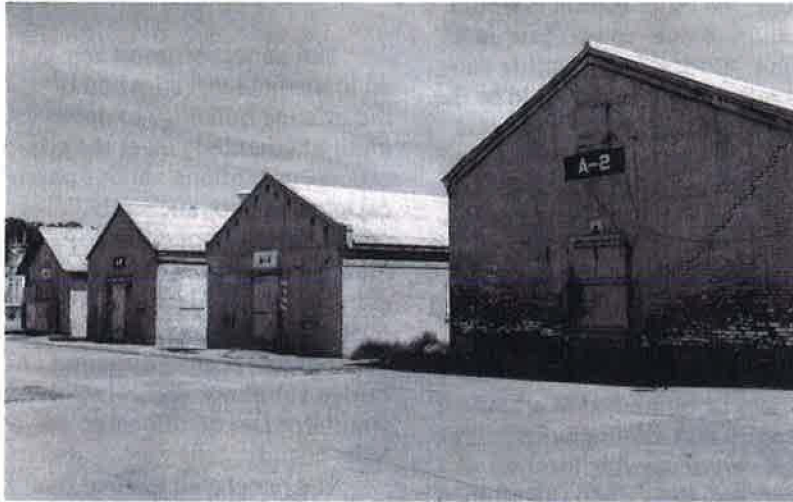
While the panel understands that this matter will require community discussion and agreement by the various approving bodies, it applauds the initiative taken by these educational institutions and finds their preliminary concept to be compatible with the Conceptual Reuse Plan, and an appropriate long-term activity. The panel encourages the educational institutions to create a single entity—perhaps a 501(c)(3) nonprofit corporation—to carry out the detailed planning and implementation of the concept.

Funding from various sources should be explored, including the Department of Defense (DOD) and especially the Advanced Projects Research Administration (APRA) program. A joint venture of the educational institutions in combination with private businesses would be particularly appropriate for APRA funding. The Maritime Academy should also pursue funding from the Maritime Administration of the federal Department of Transportation.

The panel recommends an immediate investigation of the existing buildings to determine whether they meet the educational institutions' various physical requirements, such as building codes, seismic specifications, Americans with Disabilities Act standards, etc. Also, the Maritime Academy should determine whether its recently acquired bridge simulator and oil spill simulator can be relocated on Mare Island.

The panel also learned that the Vallejo City Unified School District is planning to develop a new vocational high school. Although a site has been acquired for the school, the panel recommends that consideration be given to locating the high school in, or close to, the educational campus, possibly using existing buildings on the island. If it is deemed suitable for school use, the Rodman Center recreational complex—with its existing auditorium, swimming pool, and gymnasium facilities—could serve the needs of the vocational school. Inclusion of the high school in the education complex could provide unique opportunities for students to become involved in special training programs, including work experience in the nearby industrial complex.

Older buildings, such as these located in the weapons annex at the south end of Mare Island, should be demolished to clear the land for redevelopment. The panel believes residential uses are more appropriate for this particular location.



OPEN SPACE AND RECREATION

The panel believes that open space and recreational uses should be key elements in the reuse plan for Mare Island, and proposes a wide variety of such uses:

- Retention and expansion of the existing tidelands and wetlands located on the west side of the island;
- Preservation and enhancement of the hill on the southern end of the island as the central feature of a major public park;
- Improvement and expansion of the existing golf course to a full 18-hole facility;
- Maintenance of the rifle range, at least in the short term—perhaps leased to a private operator;
- Retention of the existing stables, to be leased and operated by a private interest as an equestrian center;
- Creation of a waterfront park with a promenade along the Mare Island Strait for the benefit of visitors, residents, and employees of industrial businesses, and to connect directly to the historic district park (including various industrial buildings, Alden Park, and Captain's Row) and the educational campus; and
- Creation of considerable space for soccer, baseball, and football fields, as well as other recreational uses in the landscaped, north-south transportation spine.

The panel also believes that, over time, demand for a municipal or private marina at Mare Island will exist. A good location for future marina development would be the existing piers along the Mare Island Strait toward the island's southern end. The panel envisions the marina as the centerpiece to a "marina village," comprising specialty retail uses and new housing. Another location for a recreational marina exists at the southern tip of the island. This southernmost site also offers an excellent location for a fishing pier and related commercial uses.

The panel also suggests that substantial landscaping requirements be enforced on all rehabilitated properties and new development. When fully completed, the island should present a park-like image.

MARKETING STRATEGIES

To address the need to create jobs and capitalize on the economic development opportunities at Mare Island, the panel recommends that a comprehensive marketing program be initiated. The focus of this program should be to capitalize on immediate opportunities to create non-defense-related economic activity in the next six to 18 months, while building a foundation for the longer-term development of Mare Island:

The ultimate buildout of Mare Island—whether for industrial, commercial, or residential uses—depends on the economic growth and vitality of the Vallejo and Solano County economies.

Given current and forecasted sluggish conditions, the city must be aggressive in establishing an economic development marketing program that is funded and programmed for the long term. Communities within California can no longer rest on the underlying strength of the state's economy, they must join the hundreds of other cities, counties, and states vying for business investment from large and small companies alike.

In the current competitive environment for new investment, *professionally managed, well-financed, and targeted marketing efforts have the best opportunity to succeed.* In the case of Mare Island and Vallejo, time pressures caused by the



The Pipe and Copper Shop (Building 126) was built in 1985 and contains 130,000 square feet.

HIGH-INTENSITY MARKETING PROGRAM FOR SPECIFIC FACILITIES

An intensive and focused marketing campaign should be mounted immediately—in cooperation with the shipyard workforce—to attract major private sector interest nationally and internationally. The panel believes that the facilities most marketable to the private sector are the:

pending phaseout and closure of the ship repair facilities reinforce this general theme. The four-part marketing program outlined below addresses immediate needs while building an organizational base for the long term:

- Initiate a high-intensity marketing program for specific facilities.
- Establish a dedicated marketing function for redevelopment.
- Pursue long-term industrial development opportunities.
- Prepare and implement a long-term marketing plan.

- Pipe and Copper Shop (Building 126);
- Electronics and Electrical Shop (Building 866);
- Sheet Metal Shop (Building 1310);
- Structural Shop Complex (Buildings 382, 388-390);
- Blast and Paint Facility (Building 750); and
- Machine Shop (Building 680).

The city of Vallejo should immediately seek appropriate federal and state funds of \$30,000 to \$50,000 to retain expert consultant support for each of noted facilities. These funds would be used to: (1) identify specific national and international prospects for the shop facilities, and (2) test-market the select industrial facilities and workforce skills to specific private sector firms in these markets.

The high-intensity industrial marketing program will require the economic development corporation to perform intense “marketing while planning.” This concurrent marketing and planning effort has proven to be key to successful base conversions at Chase Field Naval Air Station in Beeville, Texas; Pease Air Force Base in Portsmouth, New Hampshire; and England Air Force Base in Alexandria, Louisiana.

The industrial marketing firms retained by the city should work in cooperation with shop employees interested in private employment. The objective should be to form employee-owned corporations, such as employee-owned stock ownership (ESOP) corporations. Joint ventures between the new corporations and prospective private firms—or direct new employment by the shop staff—will depend on specific contract opportunities.

The 105,600-square-foot Sheet Metal Shop (Building 1310) was built in 1972 and is equipped with state-of-the-art machinery.





Panel members Meg Sowell and Stan Brown hammer out the panel's recommendations for an aggressive marketing campaign.

The panel stresses that time will be of the essence. To be successful, the potential new civilian shop employment opportunities must be identified by September 1995. At this time, the navy will be required to begin relocating production equipment from the yard. In general, the navy can retain personal property and equipment that is not otherwise needed by the relocating naval mission or that is not unique to the military. Obviously, the equipment retention process involves considerable cooperation between the city and the navy, based on the adopted local reuse plan.

The high-intensity marketing approach would also call for the "hot turnover" (i.e., continued operation by the navy until the facilities are turned over to a new civilian company) of navy production facilities as the shipyard phases down. This approach is being explored now at the Charleston Naval Shipyard. Moreover, there are two important precedents for this "hot turnover" concept: the transfer of the naval ordnance plant in York, Pennsylvania, on a competitive contract basis to AMF, Inc., in 1963; and the transfer of the aircraft engine overhaul facility at Brookley Air Force Base, through the city of Mobile, Alabama, to Continental Motors in 1969. In both cases, over 75 percent of the affected workers were immediately reemployed by the new private sector firm.

The community colleges and out-placement center will have to provide thorough counseling and business marketing planning advice throughout the marketing phase. These efforts would be financed under Jobs Training Partnership Act resources transferred from the DOD to the Department of Labor.

In addition, all inquiries for building space or facility reuse on Mare Island should be pursued aggressively. Several proposals have been presented, and additional opportunities were revealed recently. Existing inquiries have been documented but follow-up has reportedly been passive, largely because of limited personnel resources and the navy's uncertainty about leasing procedures. Dedicated staff time must be devoted to this task within the base reuse team. The shipyard's ability to produce high-quality videos will also be immensely helpful in displaying the skilled labor and facilities available for civilian use.

The Electronics and Electrical Shop (Building 866) was built in 1955 and contains 387,000 square feet.

DEDICATED MARKETING FUNCTION FOR REDEVELOPMENT

Mare Island represents the single largest economic development asset within the city of Vallejo. Initially, a professional economic development marketing executive should be hired with the responsibility to design and implement the marketing strategy. Specific activities performed by this executive would include:

- Business outreach and prospecting;
- Creation and maintenance of marketing materials;
- Development of a business referral and support network among city, county, and state agencies; and
- Establishment and maintenance of cooperative working relationships among county and city economic development agencies in Napa and Solano Counties.

This individual should be employed within the overall public-private development corporation responsible for Mare Island, as described later in this report. His or her office should be located on Mare Island and include a presentation room with maps, aerial photographs, and land use plans. Business prospects should be able to meet in this space in complete confidence. The marketing professional should have at least eight to 10 years of experience, with a specific track record for locating businesses in existing industrial facilities. A designation of certified industrial/economic developer from the American Economic Development Council would be desirable.



LONG-TERM INDUSTRIAL DEVELOPMENT OPPORTUNITIES

To develop manufacturing and other jobs to replace those being lost at Mare Island Naval Shipyard, it is critical to build upon Mare Island's competitive advantages to target business development opportunities. General marketing, business outreach, and business development programs are most successful if they are targeted to specific industries and companies that exhibit the following characteristics:

- Overall growth in terms of output and/or employment;
- Expansion into new geographic markets, new products, and/or production technologies;
- Sufficient size in terms of number of companies, financial resources, and multiple location manufacturing plants; and
- A strong correlation between industry operating requirements and the locational attributes of a given area.

Indeed, Mare Island offers significant advantages to prospective businesses and employers. The island and proposed development plan have the varied land and facilities to meet the production, training, environment, and distribution needs of manufacturers and other employers, as well as to provide housing and recreational opportunities for employees.

In the panel's experience, market analysis and research designed to identify specific target industries is an effective marketing tool for a development such as Mare Island and a community such as Vallejo. Thus, the panel recommends that an economic development marketing study be commissioned to identify specific target industries for job creation. Based on the panel's knowledge of other shipyard reuse plans, it is possible to outline the specific actions required to target potential industrial development opportunities at Mare Island:

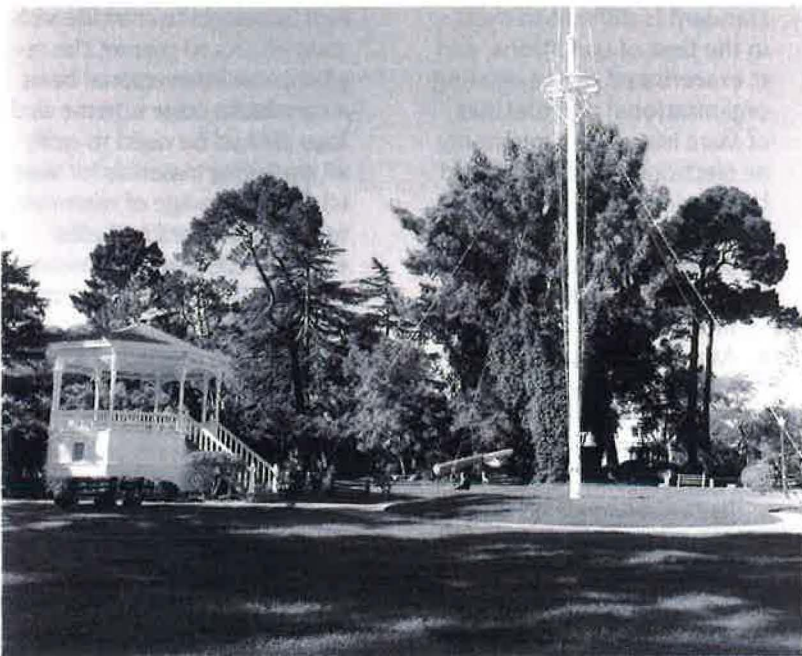
- 1) *Identify Industries Seeking New or Expanded Facilities in the United States.* For example, companies in Pacific Rim countries—especially Korea and Taiwan—are beginning to follow the pattern set by Japanese automakers of locating plants in North America. The passage of the North American Free Trade Agreement (NAFTA) will have a positive impact, causing additional companies to seek locations in the United States or Mexico. To date, the Seattle region has been the prime beneficiary of this trend; the Los Angeles region is also expected to benefit. Targeted marketing of Mare Island to major industrial companies in these countries is recommended.

2) *Reuse Industrial Buildings for Specific Manufacturing Operations.* Based on the types of facilities that exist on Mare Island, companies in the following industries might be interested in using the facilities for manufacturing:

- *Food-Processing Equipment.* The significant amount of food production in nearby areas of California and the fish-processing activity on the West Coast are expected to grow; NAFTA should be a positive factor as well.
- *Packaging Machinery and Equipment.* With the demand generated by global markets, this industry also is expected to experience growth. German manufacturers with engineering technology have traditionally dominated the industry, but labor costs and productivity in the United States are now very competitive. Moreover, a company pioneering a new packaging process could be attracted to the California location because the industry is highly responsive to new technology (especially environmentally sensitive technology).
- *Air Conditioning and Refrigeration Equipment.* This industry is expected to continue to expand because of general economic growth and more stringent environmental regulations. NAFTA and market liberalization in Latin America should also spur export activity in this industry, which has an existing trade surplus.
- *Transit Rail Cars.* At present, there is only one U.S. manufacturer of rail cars. "Buy America" regulations mandate that 65 percent of the total value of each car must be procured from U.S. companies, and that the final assembly of cars must occur in the United States. Increased emphasis on mass transit in California could result in interest by a foreign manufacturer (for example, ABB of Sweden, Bombardier of Canada, or Kawasaki of Japan) in using facilities at Mare Island for the manufacture of new transit cars. Also, a U.S. foreign company might become interested in refurbishing transit cars.

- *Emerging Technologies.* Not all large-scale manufacturing has to relate to existing technologies. Environmental control equipment and renewable energy electrical equipment, for example, require the manufacturing of large, sophisticated machinery that could make use of the machinery and technology at Mare Island. Some examples include de-inking machinery for paper recycling; solar and wind energy-generating equipment; equipment for small-scale hydroelectric plants; air and water pollution-control equipment; and solid waste disposal equipment. Specific industry classifications do not exist for these industries, but growth has been estimated at 20 to 30 percent annually in the past three to five years; growth expectations are similarly robust for domestic and foreign markets. Opportunities may also exist for serving the telecommunications industry in building the so-called information superhighway.

- 3) *Identify Supplier Linkages with Rapidly Growing Industries in the Bay Area.* Opportunities may exist to provide manufactured and machined components to growing technology, medical, and recreational companies. Mare Island's existing capabilities with high-tolerance machining and metal working, and experience with a broad range of materials, could serve growing light manufacturing industries—many of which have a significant presence in California and the Pacific region. Examples of the fastest growing manufacturing industries in 1993 are listed in Figure 6.



Alden Park with its gazebo and botanical gardens should be preserved and tied into the shipyard historic district.

- 4) *Establish a Small Business Incubator.* The most rapidly growing employment sector in the United States is small business. The existing building and planned vocational/technical schools on Mare Island create the essential elements for a small business incubator. Additional support should be available to entrepreneurs in terms of business counseling, financial assistance, and administrative services.

LONG-TERM MARKETING PLAN

To support the general build-out of Mare Island, a growing local and regional economy is essential. The critical elements of a successful economic development market plan include:

- 1) *Regional Focus.* Mare Island is a regional facility. Surrounding communities will be affected by the closure of the shipyard. Regional cooperation, and possibly funding, should be a goal and component of the plan.
- 2) *Continuity.* It will take at least two to three years to establish a presence for Mare Island and Vallejo in regional, national, and international corporate real estate markets. Because corporate facility locations are made infrequently and sporadically, this initial market presence must be maintained and expanded over the long term.

Figure 6
FASTEST GROWING MANUFACTURING INDUSTRIES IN THE UNITED STATES, 1988-1993

Industry	Standard Industrial Classification	Compound Annual Growth Rate, 1988-1993 (Percent)
Semiconductors	3674	9.5
Household Fixtures/Materials	3088, 3253, 3639 3633, 3635	6.0
Motorcycles and Bicycles	3751	3.4
Pharmaceutical Preparations	2834	2.7
Surgical and Medical Instruments	3841, 3842	8.5
Refrigeration and Heating Equipment	3585	N/A
Electromedical and X-Ray Equipment	3844, 3845	7.5
Analytical Instruments	3826	4.7

Source: U.S. Industrial Outlook, 1993.

- 3) *Community and Real Estate Inventory.* The marketing professional described previously should be able to respond to potential prospects within a 24- to 48-hour period. This standard is difficult to meet in the best of conditions, and is exacerbated by the existing organizational complexities of Mare Island. At a minimum, an electronic database should be developed to include such issues as:
 - Labor market conditions (availability, skills, wage rates, existing employers);
 - Available sites and buildings (size, price, zoning and development controls, age, ceiling heights, floor load, etc.);
 - Utility services and rates;
 - Transportation facilities;
 - Community attributes (schools, churches, available housing and pricing, shopping, recreational facilities); and
 - State and local business taxes.
- 4) *Coordinated Marketing Materials.* Presentations to prospects must include both general materials and company-specific proposals. All information should be translated into foreign languages to coincide with state efforts to market the region on an international basis. A consistent color scheme and logo should be used to unify all marketing materials for Mare Island. The range of materials to be considered includes:
 - Video (perhaps in conjunction with surrounding communities);
 - A general four-color brochure addressing the site selection attributes of Mare Island and Vallejo within the context of Solano County and the larger Bay Area;
 - Individual fact sheets that summarize the specific advantages of Mare Island and Vallejo for each target industry;

- A computerized project proposal form that is sufficiently flexible to present the locational opportunities of Mare Island to a wide range of prospects; and
- Trade show displays and exhibits highlighting the Mare Island development and specific attributes for target industries.

5) *Aggressive Business Outreach.* Based on the industries being targeted, the marketing director should solicit new business investment directly from foreign and domestic corporations. A solicitation program might include:

- Selective advertising in metropolitan area real estate and business journals to convey Vallejo's business climate and quality of life, as well as identify investment and development opportunities on Mare Island;
- A public relations campaign to highlight new business investment and expansions in Mare Island and Vallejo;
- A direct mail and calling program to businesses and executives in the industries being targeted;
- Participation in corporate real estate and industry-specific trade shows;



Panelist Don Bauer reviews land use options with other members of the panel during a late-night work session.

- Participation in state foreign and domestic industry recruitment trips; and
- Networking with allied economic development organizations and representatives in the San Francisco Bay Area such as real estate brokers; foreign banks and consulates; utilities and railroads; state domestic and foreign marketing representatives; and corporate real estate and site selection consultants.

As other development opportunities emerge beyond the immediate priority of job creation, the marketing director can help realize other goals of the reuse plan. Each of the proposed areas of development—historical/tourism, golf course, residential, marina, etc.—will require the interest and involvement of the public and private sectors. Targeting and attracting the interest of qualified firms for such projects requires a different marketing approach than the one outlined above for industry, but some materials and activities (such as brochures, advertising, and public relations) can be shared.

The Marine barracks and office complex should be incorporated into the education campus proposed by the panel.



IMPLEMENTATION

The redevelopment and revitalization of Mare Island is a long-term program destined to take 20 to 30 years. In addition to developing new uses and creating jobs, the city of Vallejo faces the great challenge of generating sufficient short-term revenue to defray the cost of maintenance and upkeep until development on the island is well established.

ORGANIZATION FOR DEVELOPMENT

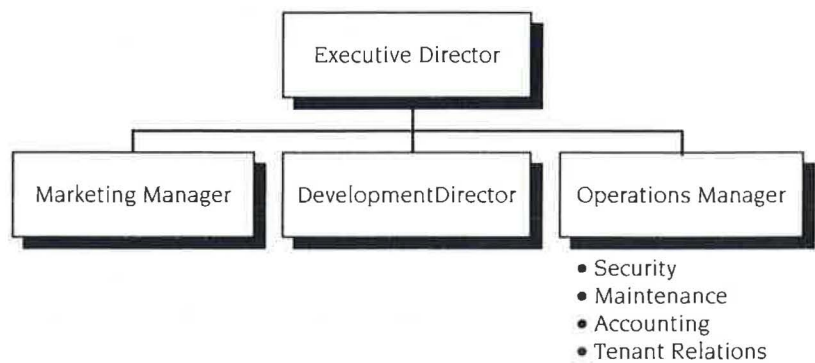
The task of revitalizing Mare Island is so large and complex that a single-purpose independent organization should be established by the mayor to devote full-time efforts to the management, marketing, and rebuilding of the shipyard. The governing board of this not-for-profit organization—the aforementioned Island Development Corporation (IDC)—would be appointed by the mayor and would include: business leaders; local citizens; and city officials, including the city manager and director of community development. The corporation would be authorized to issue bonds, accept donations, issue construction contracts, and perform any task required to redevelop the shipyard.

The IDC staff should consist of at least an executive director, a development director, an operations manager, and a marketing manager, as shown in Figure 7. Funds for their salaries could be derived from grants and operating revenues. For example, Office of Economic Adjustment grant funds should be used to pay the salaries of the executive director and marketing manager along with the promotion/advertising costs.

There are several examples of successful 501 (c)(3) public-private partnerships in the reuse and management of former military bases. For instance, the Beeville–Bee County Economic Development Corporation has just purchased the 400 family housing units at Chase Field Naval Air Station (Texas) from the navy. Since the 1991 base closure announcement, the corporation has attracted 2,000 new jobs to the Chase Field properties on an interim-use basis.

Other examples of effective public-private sector partnerships include the Chippewa County Economic Development Corporation, with 2,100 new jobs at the former Kincheloe Air Force Base

Figure 7
ISLAND DEVELOPMENT CORPORATION ORGANIZATIONAL CHART





Office Building H-1 was built in 1889 and is considered one of many historic structures existing on Mare Island.

Maintenance and/or abandonment of various elements of the utility system requires further study and should be undertaken immediately as planned with the Office of Economic Adjustment (OEA) grant funds. PG&E may take over the on-site electrical and gas services after further study with the navy. Water and sewer services on the base may continue to be provided by the city and local sewer district, but the on-base portions of the system must be analyzed and maintained by their entities. Assuming that steam is not needed for ship repair, the power plant should be abandoned so that the navy is responsible for its cleanup and demolition costs. Other utilities will be minimally maintained until more definitive uses are determined.

(Michigan); the Baltimore Economic Development Corporation reuse of Fort Holabird, with 1,800 jobs; the Westover Metropolitan Development Corporation reuse of the former Westover AFB (Massachusetts), with 2,900 new jobs; and the Boston Economic Development and Industrial Corporation reuse of the South Boston Naval Annex, with 3,600 new jobs.

The nonprofit corporation management approach also has the capacity to respond quickly to market pressures. The corporation should have a large measure of financial independence from the city, and should not be reflected in the annual city budget process. Investment and redevelopment decisions can thus be made by the IDC within the rapid time frame needed to secure early, effective reuse of the property.

NEAR-TERM MAINTENANCE AND PROPERTY MANAGEMENT

Upon accepting care, custody, and control of the Mare Island property prior to transfer of ownership from the navy, the IDC will need to provide security, maintain the grounds and utility system; and demolish unsightly and unnecessary structures. The panel believes that the annual operating costs would be substantially less than the \$13 million estimated by the navy. Some of these costs can be passed on to the navy (e.g., for those lands not yet cleaned up), and to other tenants such as the air force. Funds can also be obtained from the sale of scrap and other unnecessary equipment left behind by the navy, as well as from the sale of some of the residential properties on the base in accordance with the reuse plan.

NEAR-TERM RENTAL USES

As previously discussed, the air force desires to rent from the city, upon acquisition, one warehouse and approximately 460 family housing units, paying its share of the costs of maintenance and operation. Other short-term tenants—warehousing, educational, and retail (including a gas station and convenience store as the on-site population increases)—should be sought. The golf course and/or the rifle range could be leased on a short-term basis to operators who would pay rent to the IDC. It is possible that the existing theater and health club could be opened to generate revenue.

The modern dispensary and dental clinic can be transferred easily to civilian use.



The relocation of the Vallejo Naval and Historical Museum from downtown Vallejo to Mare Island would be another significant addition to the revitalization program. Also, the Army-Navy Exchange, with its 700 employees, could be located in several of the warehouses on Mare Island; the exchange is currently located in Oakland and is due for displacement.

The marketing and brokerage of these relatively short-term leases should be handled by a separate marketing firm so that those responsible for long-term industrial and commercial development on the shipyard are not distracted from their primary function.

ACQUISITION STRATEGY

The new community adjustment provisions in the 1994 Defense Authorization Bill will most likely offer greater flexibility to Vallejo in acquiring and reusing the former shipyard property. The new DOD implementation regulations have yet to be issued; thus, the existing property acquisition strategy is based on a "least local cost" objective, while minimizing future burden on the navy.

INTERIM-USE LEASES

New job creation at the former shipyard will depend, in the early stages, on attracting new prospects to the former navy buildings on an interim-use lease basis. As prospects are identified, the navy can lease specific buildings and the surrounding land to the city or to the IDC, pending final transfer of the property. Following the precedents set at Chase Field and Davisville (Rhode Island), the navy will allow the IDC to retain the lease proceeds and maintain the property under a protection and maintenance agreement.

As a result of the 1994 bill, the lease rates for consideration may be for less than fair market value. It is imperative, however, that the IDC secure rents sufficient to cover its base maintenance and operating costs.

It will also be imperative for the navy to identify specific buildings that can be made available for interim use early in the closure process, particularly in advance of the major reduction in force expected during the next fiscal year. New employers and startup companies should be able to locate at the shipyard early in the phasedown process.



CARE AND CUSTODY

The navy will be responsible for maintaining the shipyard property following closure until such time as the land is clean and available for disposal—most likely a period of 18 months to two years. The navy will probably negotiate a program for phased property disposal to the community during this period, perhaps contracting with the city and the IDC to perform these care and custody services, subject to navy standards. This will give the IDC the opportunity to control and manage the property. Moreover, it will be easier to market the property while it is under the IDC's control.

PERMANENT PROPERTY ACQUISITION

Under the new provisions of Section 2903 of the 1994 Defense Authorization Bill, the secretary of defense may transfer base closure property to public agencies (such as the IDC) for economic development and job creation purposes for less than fair market value or for "consideration," such as assuming early maintenance responsibility for the property. Section 2903 property transfers for less than fair market value must be documented by the DOD. Any future sales proceeds by the local public agencies must be shared—60 percent (community) and 40 percent (DOD)—*after* adjusting out all pro rata infrastructure improvement costs.

Several of the communities affected by base closures have insisted that the community "carrying costs" for the property must be netted out of the sales proceeds distribution formula. These community costs include the net operating-maintenance deficits for the base; pro rata planning, marketing, and management costs; real estate brokerage fees; and other "soft" community development expenses. It is likely that the final DOD regulations will reflect this adjustment for community operating costs. Also, because most military bases are currently unzoned enclaves in local land use master plans, a major proportion of the value created at the former military bases will be attributable to final city zoning and development entitlements.

The city of Vallejo and the IDC will enjoy greater flexibility in working with private sector clients under the 1994 Defense Authorization Bill; commitments can be made to private clients without the lengthy reporting to Congress previously required. In view of the new flexibility in Section 2903 for base closure properties, however, it is important that any proposed transfers to federal agencies be controlled as a lease from the IDC to the federal agency.

When the federal agency's use is completed, the property will then revert to the city. Care should be given to secure full reimbursement of direct IDC costs in making leases to federal agencies, as well as to private sector clients.

As the property is cleaned and available, the IDC should assume title on a phased basis for the entire property with two notable exceptions:

- 1) *Education.* The campus should be transferred to the educational consortium under a public benefit conveyance for educational purposes. The consortium will earn full title to the property from the U.S. Department of Education over 30 years.
- 2) *Housing for the Homeless.* Under the McKinney Act, priority consideration must be given to the reuse of surplus property for housing the homeless. The city has already been working with McKinney Act providers to identify their needs.

The IDC should also accept the historic properties from the navy, subject to deed restrictions that the facades and structures be preserved as a permanent history of the shipyard and as an amenity for the entire site. The IDC would also operate all park and recreation activities, as well as open space for the benefit of the city.

Based on the community reuse plan, the operating and production equipment in the shipyard can be retained in place, in cooperation with the navy, to provide fully functional facilities for early civilian reuse. Equipment will be retained in place until six months before the final closure (September 1995), and until the navy and the city can agree upon which equipment to retain. The city should consider retaining equipment essential for vocational training purposes and for operating and maintaining the property

FINANCING

The challenge of funding new uses for Mare Island is further complicated by the probable need to fund significant infrastructure improvements, as well as the long-term maintenance of a major facility. Buildings will need to be demolished, utilities modified and improved, roadways constructed, and open space enhanced.

The redevelopment of Mare Island will have to be funded primarily by internally generated funds, as funding from external sources (e.g., state and federal grants and loans) is extremely limited. Tax increment financing (TIF) is a likely source. Also, the city could borrow against future Community Development Block Grant (CDBG) funds under the HUD 108 program. The sale of property to developers for residential or industrial use will be another major source of funds.

Despite the limited availability of grants, the following resources might be available:

- *Tax Increment Financing.* California allows public redevelopment agencies to bond public improvements based on the incremental tax benefit from a new development. In the case of the shipyard, there is no current local tax assessment or zoning on the property; thus the incremental tax stimulus should be significant.
- *Transportation and Road Improvements.* There is strong competition annually for limited California Department of Transportation (CALTRANS) road construction resources. Priority attention should be given over the next year to completing the dual lanes on California Route 37 between the Napa River bridge and Interstate 80.
- *Economic Development Administration.* As a result of the major demand for EDA public works and economic adjustment resources nationwide (\$120 million), the DOD transferred \$130 million in defense funds to the Department of Commerce between 1991 and 1993. The 1994 EDA budget includes \$80 million for defense conversion; the 1995 appropriation request has been increased to \$140 million. Moreover, pressures for additional DOD transfers to Commerce during the 1995 congressional budget process are likely. The city should apply for its most pressing public improvement requirements—such as upgrading the base entrance on California Route 37—as soon as the final base reuse plan is completed.

One of several historic buildings—this one used for offices and blueprinting—located within Mare Island's Controlled Industrial Area.





- *Community Development Block Grants.* Under Section 108 of the HUD CDBG program, a community can borrow against its future CDBG allocations to finance specific individual improvements that would provide long-term benefit to the city. HUD is also developing a new program similar to the former UDAG program for "gap financing."
- *Small Business Development Financing.* Long-term fixed asset financing will be needed for existing firms that plan to expand to the shipyard facilities. The Small Business Administration Section 504 program offers attractive financing for 40 percent of a small business expansion at the government rate of borrowing. Area banks must finance 50 percent of the new expansion.

- *DOD Community Planning Assistance.* Vallejo has been assured by the DOD that it will receive a minimum of \$3.5 million for planning assistance and initial staffing.
- *Department of Labor Training Assistance.* In addition to the resources available to the state of California through Title III of the Jobs Training Partnership Act, the DOD has been authorized to transfer \$200 million in supplemental training resources. The Solano County Private Industry Council's application for \$8 million has been financed under this program. Moreover, the national demand for this program is not as intensive as for other capital improvements.

Finally, during the 1994 DOD authorization and appropriation process, Congress approved transition reinvestment project funding and dual-use technology programs (together totaling \$624 million), and a shipbuilding procurement research and development initiative (\$197 million), that could be useful in the reuse process—particularly by the proposed employee-owned corporation initiatives at the site.

CONCLUSION

The panel presented its findings at a public meeting held in the Vallejo city hall.

The ULI panel has addressed a complicated set of issues within a short period of time. The panel's specific recommendations should be viewed as flexible, subject to change as market conditions evolve and new opportunities arise. The city of Vallejo must be poised and ready to capture these opportunities.

In the near term, the challenge at Mare Island will be to maintain as many jobs as possible. To accomplish this, the panel believes it imperative to immediately initiate the marketing strategy outlined in this report. Competition for economic growth will be fierce for at least the next several years, especially in California, which is in the midst of an economic downturn. City leaders—together with Mare Island employees—must work to make Mare Island attractive to potential employers. The marketing efforts suggested by the panel cannot be limited to the region, but must extend to international markets for maximum success.



Over the long term, the panel believes the conversion of Mare Island to civilian use will be a positive, though initially painful, change. The city is being handed a valuable asset and an opportunity to diversify its economic and employment base. Mare Island also offers the city control over recreational, waterfront, environmental, and educational facilities of regional significance.

At a final note, the panel must acknowledge the strong leadership evident in all parties involved in the conversion of Mare Island. The panel witnessed high levels of mutual trust and cooperation, as well as an encouraging congruence of goals among those responsible for overseeing Mare Island's reuse. With this continued quality of leadership and "can-do" attitude, the panel believes the future of Mare Island will be bright.

ABOUT THE PANEL

MARGARET B. SOWELL **PANEL CHAIR**

Philadelphia, Pennsylvania

Sowell is a director of real estate advisory services for Coopers & Lybrand. She specializes in economic and market analysis and assisting with public/private development projects. Her recent projects have included preparation of a diversification plan for the Philadelphia Naval Shipyard, scheduled for closure in 1996, and an economic development study for Fort Dix in Burlington County, New Jersey. Prior to joining Coopers & Lybrand, Sowell was president of Real Estate Strategies, Inc., a real estate consulting firm; principal and national director of public/private real estate at Laventhal & Horwath; and vice president at Leon N. Weiner & Associates, Inc. Sowell served as national director for HUD's UDAG program from 1981 to 1984. She is a member of the Urban Land Institute.

DONALD R. BAUER

Santa Ana, California

With over 25 years' experience in urban and regional planning, Bauer is an expert in strategic planning, economics, and design for new communities, as well as large-scale development programs nationwide. His work emphasizes quality of life, environmental integrity, and the long-term economic value and return of new development. Bauer's experience includes the direction of the Ventana Canyon project, an award-winning 1,042-acre resort community in Tucson; The Woodlands, a planned community near Houston; and the Kaiser Permanente hospital complexes in Honolulu and San Francisco. He has also worked in Indonesia, Nigeria, and Saudi Arabia. Bauer studied sculpture and architecture at the University of Oregon and at the University of Florence, Italy. He is a member of the American Planning Association, the Orange County (California) Community Development Council, and the Urban Land Institute.

M.J. (JAY) BRODIE

WASHINGTON, D.C.

Brodie is member of the board of directors, director of the Washington office, and director of the planning and urban design group of RTKL, an international architecture and planning firm. Formerly executive director of the Pennsylvania Avenue Development Corporation (PADC) and the commissioner of the Baltimore Department of Housing and Community Development, Brodie has a strong design orientation and extensive experience in implementing urban revitalization projects, with an emphasis on community involvement and forging public/private partnerships. He holds a bachelor's degree in architecture from the University of Virginia and a master's from Rice University. He is a fellow of the American Institute of Architects and a member of the American Institute of Certified Planners and the Urban Land Institute.

STANLEY C. BROWN
Fort Lauderdale, Florida

Brown is an expert in commercial real estate specializing in office and industrial properties. As president of Stanley C. Brown Associates, Inc., he has developed 15 buildings and commercial/industrial parks with a potential buildout of 2.5 million square feet. Through an affiliate, SBA Consulting, Brown provides real estate development and counseling services to tenants and investors. He has been involved in the development and finance of real estate for over 20 years and holds a master's degree from the Massachusetts Institute of Technology. His professional affiliations include the Urban Land Institute, the National Association of Industrial and Office Parks, and the International Council of Shopping Centers.

ALEXANDER J. DARRAGH
Skokie, Illinois

Darragh is director of investment research, consulting, and investor communication activities for The Balcor Company. He has overall responsibility for quality control, department policies and procedures, underwriting standards for internal and third-party markets, and financial analysis. Prior to joining The Balcor Company, he spent ten years in real estate and economic development consulting with several firms, including PHH Fantus and Laventhal & Horwath. Darragh's areas of expertise include real estate finance and investment analysis, market and feasibility analysis, regional economic development, and strategic planning. Darragh holds master's degrees from Queen's University and Northwestern University. He has served in a leadership capacity on the American Economic Development Council and has been designated a Counselor of Real Estate (CRE) by the American Society of Real Estate Counselors.

MARGARET M. FITZGERALD
Walnut Creek, California

Fitzgerald is the engineering section manager at Roy F. Weston, Inc., an environmental consulting firm. She is an expert in hazardous waste site assessments and remediation system design, and has considerable experience in the preparation of feasibility studies and hazardous waste site closures. Recently, Fitzgerald has provided technical oversight for the development of feasibility studies for the Pease Air Force Base in Concord, New Hampshire. She served as the hazardous waste minimization program manager at Mare Island Naval Shipyard prior to joining Weston. Fitzgerald holds a bachelor's degree in chemical engineering from the University of Iowa.

ROBERT GARDNER
Los Angeles, California

Gardner is senior vice president and director of consulting operations at the Los Angeles office of Robert Charles Lesser & Company, a real estate services firm. In this capacity, he heads all commercial and litigation support assignments dealing with market evaluation, market positioning, economic base assessment, financial feasibility, and fiscal implications of major new developments. Gardner is particularly involved in highest- and best-use engagements where market trends are given residual land value expressions. He has served as the project director on prominent market and financial assignments where critical issues related to market timing, market depth, achievable economic return rates, and lease terms. Gardner also serves as an expert witness on real estate economic issues. He has served on the board of directors of the National Association of Industrial and Office Parks/L.A. chapter. He holds a bachelor's degree in economics from UCLA and a master's degree in city and regional planning from the University of California at Berkeley.

ROBERT T. KENNEY
Boston, Massachusetts

Kenney is president of Kenney Development Company (KDC), Inc., a development and consulting firm specializing in complex urban projects. KDC has rehabilitated nine historic buildings and consulted in over 30 cities. Kenney directed the Boston Redevelopment Authority in the 1970s, during which time Boston's waterfront and the Faneuil Hall Marketplace were redeveloped, and the conversion of the Charlestown Naval Shipyard to peacetime use commenced. Kenney also worked as director of Boston's Public Facility Commission, which supervised the planning and construction of more than 100 projects, including libraries, schools, and a hospital. He holds a bachelor's degree in business administration from Boston College and an MBA from Harvard University. Kenney is a member of the Urban Land Institute.

JOHN LYNCH
Alexandria, Virginia

Lynch is a principal with Plant Adjustment Associates, a consulting practice assisting communities with industrial plant cutbacks and military base closures. He is currently working with ten communities affected by the 1991 base closures. Prior to his retirement from civil service in 1989, he served as associate director of the Economic Adjustment Office of the Secretary of Defense. Lynch recently completed his 15th and final year as commissioner and vice chairman of the Fairfax County (Virginia) Economic Development Authority.