INHERITING MILITARY BASE PROPERTY:  
A PUBLIC/PRIVATE APPROACH TO REUSE IMPLEMENTATION  
CASE STUDY OF MATHER AIR FORCE BASE

by
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Submitted to the Department of Architecture  
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Master of Science in Real Estate Development  
Massachusetts Institute of Technology  
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ABSTRACT

Military base reuse presents one of the most complex and demanding challenges to local
governments in recent years. The federal disposition process often places the local reuse
authority, usually a municipal government, in the position of landowner/master developer,
with inadequate expertise and financial resources.

To meet this responsibility, local government must overcome these obstacles. One strategy is to
join forces with the private real estate development profession. This thesis examines a
public/private partnership formed to accomplish reuse implementation at the former Mather
Air Force Base in Sacramento, California.

In examining the role the private sector has played, several observations come to light. First,
the partnership is successful. The private sector brings market sensibilities and a marketing
orientation to issues, decisions, and actions. It’s sense of urgency driven by profit motive
increases the County’s effectiveness.

Second, concerns about maintenance of public interest goals and conflict of interest arise. It is
important to develop mechanisms to align private sector activities with public sector goals,
establish evaluation standards and a monitoring process, and ensure public oversight.

Finally, success may depend heavily on the integrity, values, and degree of community
commitment of the private sector partner.

This public/private approach may serve as a model for other communities seeking to place
former military property into productive civilian use.

Thesis Supervisor: Karl F. Seidman
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I would like to thank Karl Seidman for his guidance, clear-headedness, and undying patience throughout this thesis process, and note his deep knowledge of and commitment to the base conversion effort.

Finally, I would like to thank my parents, Frank and Jean Kinzie, and friends Larry Bernstein and Greg Taylor, for their ongoing encouragement and support.
CHAPTER ONE:
INTRODUCTION

The end of the Cold War brought a fundamental change in the international military climate. This shift is restructuring the economies of the world, forcing a decreased reliance on economic productivity provided by the military. To some extent, it is also physically restructuring our cities, as abandoned military base property is re-integrated into the fabric of our communities.

The closure of military bases raises fundamental practical problems. What will replace the lost employment? Who will pay for the costs of transition and necessary environmental clean-up? Who will determine the future shape and utilization of the substantial assets that are left behind? How will resources of the public and private sectors be brought to bear to accomplish reuse of these lands, buildings, utilities, and equipment?

The economic development potential presented by military base closures provides an opportunity to revitalize and diversify regional economies. The physical development potential presents a rare regional planning and development opportunity because base properties usually consist of large tracts of relatively undeveloped land, often in or at the edge of urban areas. A closed military base can be a community's single greatest asset in planning for its future. The transition of this property to new uses, however, is a difficult and uncertain process which varies greatly with each site. Reusing military bases is like urban redevelopment, made more complex by the need to clean-up toxic contamination, demolish severely out-of-code buildings, and upgrade, replace or add basic infrastructure such as roads, water, and sewer.

In the United States, California has been affected more than any other state by the recent military base closures of 1988, 1991, 1993, and 1995. In these four rounds of closures, 25 major California bases have been slated for closure and four for realignment, resulting in a loss of 186,000 jobs: 65,900 military, 35,600 civilian, and 85,000 indirect. This represents a $9.6 billion loss for the state's economy.1 Total land available for transfer is 75,221 acres.

Also, since Proposition 13, California's 1978 property tax cutting initiative, local governments have received reduced property tax revenues, their primary source of income. Because of this,

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they have creatively forged public/private partnerships or deals to accomplish new
development perhaps to a greater extent than any other state. Local California governments,
as most local governments nation-wide, face growing demands and diminishing resources. They
have become very entrepreneurial, using every public and private resource available to them.
California's approaches to base reuse reflect the state's considerable experience with
conversion of excess military property as well as with creative structuring of public-private
partnerships and thus may provide valuable insight to others faced with this challenge.

Urban areas are developed by an elaborate blend of public and private forces. Although much
development occurs within the context of traditionally distinct roles and responsibilities of
local governments and private developers, increasingly boundaries are blurred as each party
participates to a greater extent in what the other does. Government has become involved in
private development activities through direct subsidies, tax subsidies, land acquisitions and
dispositions, strategic provision of capital infrastructure and facilities, coordinated economic
development planning, and intensive regulatory reviews. Local governments sometimes become
financial partners, sharing in a private sector project's cash flow. At the same time, private
developers have increasingly assumed a more public role, agreeing to provide needed public
infrastructure and facilities, community amenities, and municipal services previously financed
and delivered by local government.

The increasing intermingling of public and private roles and responsibilities requires a broader,
more holistic perspective and an expanded set of skills in both the public and private sectors.
For example, the public sector must understand the financial realities of private real estate
development and deal structures in order to negotiate effective public-private partnerships or
impose reasonable regulatory burdens. Private developers must understand a broader spectrum
of public goals and gain the navigational skills appropriate to an environment in which
government regulation and public claims on private profit may be expected to continue. Both
parties must understand how this development equation reassigns entrepreneurial risk and
public interest oversight.

Challenges of Military Base Reuse
Inheriting the military assets presents tremendous opportunity for economic development,
public benefit, and private sector profit. However, the gift comes with numerous strings
attached.
infrastructure with community systems is very high, especially because systems were often not built to local standards.

- Non-code-compliant buildings. The military built to its own standards and often ignored local, state, and national codes. As a result most buildings on military bases do not comply with today's code requirements and considerable renovation is needed before the buildings can be certified for reuse occupancy.
- Marketing. The need to attract new users is complicated by real as well as perceived problems. Title issues are often difficult and the perception of toxic conditions must be overcome.

While local governments are equipped to meet many of the above challenges, the private sector may offer additional expertise needed to address these obstacles. The conditions surrounding each base are complex and unique to that base. The private sector's creative entrepreneurialism is directly suited to facing these complex challenges. The private real estate development community can bring expertise and depth of experience to the implementation of reuse plans. The private sector can bring knowledge of market conditions and expert marketing skills to address the challenge of a highly competitive real estate market. This same awareness of market conditions and land values, coupled with the private sector’s highly honed negotiation skills can be of tremendous help to communities as they participate in negotiations with the military to obtain the base property. The private sector’s financial astuteness can be of assistance in devising a strategy to meet the public capital outlay requirements of reuse. Ultimately private sector capital investment monies will be necessary to maximize the development potential of the properties. Finally, the sense of expediency and efficiency which characterizes the private sector can be of immense assistance in maintaining persistent progress in an inherently slow and cumbersome process. Together the public sector and private sector must overcome the obstacles to conversion to accomplish successful reuse of these military properties.

Focus of the Study
There has always been an ambiguous line separating public and private interests in the nation’s urban economic development. Joining public and private efforts in base conversion may be appropriate and necessary, but what characterizes that zone of activities and interests that occurs where the two sectors intermingle? And how is that zone/relationship best structured?
Converting military bases for civilian occupation presents numerous challenges. U.S. military bases have been closed and successfully converted to civilian use in the past. However, closures before 1977 took place under different economic conditions and federal regulations:

- Toxic contamination of bases was not recognized as much of a problem in past decades and was often ignored in the conversion process. Today, toxic assessment and cleanup is a major factor in reuse planning and implementation, especially affecting conveyance of property and the schedule of redevelopment. The National Environmental Protection Act (NEPA) originated in the 1970s and established regulations regarding the protection of natural resources, and requirements for environmental impact statements. Environmental regulations have been established at the State level as well, and in some states, such as California, are even more stringent.

- Less public funds are available to assist communities with base conversion. Research by the National Commission for Economic Conversion and Disarmament suggests that communities hosting base closures in the 1990s have access to fewer federal economic development grants that did communities in the 1960s and 1970s. Additionally, in the current round of closures, the DoD seeks to recover the costs of closing bases.

- Past conversions were conducted in an era of economic prosperity. The recession and weak real estate market of the 1990s has not facilitated rapid job replacement or base redevelopment. Today's closure communities face a far more competitive environment to accomplish their economic development objectives.

Base reuse efforts face additional obstacles:

- Facilitating consensus among the various planning participants to develop a reuse plan. Regional cooperation is required yet local jurisdictional battles often occur. Communities that ignore the tremendous impacts that regional relationships have upon the planning process risk severe delays in achieving successful economic conversion.

- Federal decision-making and bureaucracy (endless red tape through several layers of federal agencies).

- Roads and utility infrastructure were built to achieve internal self-sufficiency for the military base. The cost of upgrading and re-integrating existing
To explore these questions, this paper examines a public-private ‘partnership’ implementation effort at the former Mather Air Force Base (Mather) in Sacramento, California. The County, the Local Reuse Authority, decided to seek a partner from the private sector to take the lead in marketing and developing the Mather property. The private firm will bring expertise in asset management, marketing, financing, property management, and development management.

Indeed, the relationship at Mather asks the public sector to add revenue maximization to its set of goals and asks the private sector to add public benefit to its set of considerations. Public-private relationships can be characterized somewhere between two extremes: harnessing private sector expertise and resources to accomplish public goals; or creating public subsidy for private enterprise.

Ultimately, this study seeks to answer three questions:

- Is the partnership with the private developer necessary and is it the most effective way for the County to accomplish reuse tasks?
- Is a balance achieved between public benefit and private profit?
- Does the private sector partner have a positive influence on the reuse implementation process, increasing the County’s effectiveness and ability to overcome obstacles?

It is hoped that this area of inquiry begins to give us an understanding of how the private and public sectors might (and perhaps must) work together to accomplish successful reuse of ‘inherited’ military properties and how the balance of benefits might fare under this type of relationship.

The paper begins with an overview of the federal base closure process. It then discusses the history of conversion efforts at Mather to date, the nature of the implementation structure and strategy, and the details of the public-private partnership. Following this, the paper examines the current status of reuse implementation efforts, the challenges encountered, and the private sector firm’s role and influence on process and activities. The County’s efforts to meet the financial challenges of reuse are then documented. Finally, in light of Mather’s conversion history, and supported by the experience in practice (though limited in time), the study seeks to evaluate the public-private relationship.
Research Methodology

Most data was obtained through personal interviews with key participants involved in the planning, disposition, and implementation processes for the Mather Air Force Base property. These persons included County Supervisors, planning, economic development, redevelopment, airports, and parks staff, local Air Force representatives, policy advocates, and citizen activists. In addition to the interviews, written media and planning documents prepared by the community were used to gather background data to construct the case study. Most of the interviews and written data were collected during an eight week period in the summer of 1996.
CHAPTER TWO:
OVERVIEW OF THE FEDERAL BASE CLOSURE PROCESS

The first large-scale base reduction policy in the Cold War era was announced in 1961 by President Kennedy. The massive closures of the 1960s alarmed Congress and communities threatened with closure. In 1977, President Carter approved legislation requiring Congress to become a participant in closure decisions. After this change, there were no closures until those commanded under the 1988 Base Closure Realignment Act, when, in response to the growing federal deficit, there was an attempt to ease the burden on the national economy caused by an immense defense budget. Influenced by the end of the Cold War, the Base Closure Act of 1990 again modified the closure decision process and called for three additional rounds of closure/realignment: 1991, 1993, and 1995. The 1990 legislation created a bipartisan Defense Base Closure and Realignment Commission (BRAC), appointed by the President, to identify packages of bases to be closed. Each of these packages of bases selected for closure must be accepted or rejected in full by both the President and Congress.

Federal Property Disposal Process
The 1949 Federal Property and Administrative Services Act sets forth the basic statutory framework for the disposal of surplus federal properties. The 1988 base closure legislation shifted responsibility for disposing of the property and implementing base closures from the General Services Administration, the traditional federal property disposal agent, to the Department of Defense (DoD). In turn, the DoD assigned this responsibility to the Secretaries of each of the individual Departments: Air Force, Army, and Navy.

Per the federal Act, once federal property is determined excess and the occupying branch of the military sees no use for the property, there are four primary methods of disposal: transfer to other federal agencies, public benefit conveyances, negotiated sale, and public sale. A hierarchy of “claims” to the property is also set forth in the Act. The DoD must first screen the excess property for possible use by other DoD organizations and then by other federal agencies. Then, as stipulated by the 1987 Stewart B. McKinney Homeless Assistance Act, the surplus property is made available to providers of services to the homeless. Remaining property is declared surplus to the federal government and generally is made available to private nonprofit, state, and local agencies for public benefit use. Any residual property is then
available for negotiated sale to a state or local government. Finally, if no state or local government wishes to acquire the property, it is offered for sale to the general public.²

In 1993, in response to the slow, cumbersome process that communities from the 1988 and 1991 closures were experiencing, President Clinton announced a five-part program to facilitate more rapid economic revitalization of base closure communities:

- Jobs-centered property disposal (rather than profit centered)
- Fast-track environmental clean-up
- Easy access to transition help
- Establishment of Base Transition Coordinators (to facilitate planning and implementation of the conversion process)
- Larger planning grants for redevelopment planning

In late 1993, following President Clinton’s plan to expedite economic conversion, Congress passed the Pryor Amendments (Title XXIX of the National Defense Authorization Act for Fiscal Year 1994) which amended the Property Act and the BRAC Acts of 1988 and 1990. This represented a major shift in the approach to base conversion. Community reinvestment and job creation became the dominant goals guiding the conversion effort.

Air Force Role in Base Conversion

Each branch of the military has established their own conversion procedures. For the Air Force, conversion planning is conducted base-wide through the execution of six parallel processes that involve teamwork among the Air Force, the Local Reuse Authority (LRA), and other federal, state, and local conversion planning organizations:³

- Community reuse planning process
- Community interface process
- Air Force disposal planning process
- Environmental impact analysis process
- Environmental baseline survey process
- Ongoing environmental clean-up process

Ideally, these processes are completed by the time the base actually closes.


Roughly chronologically, the Air Force undertakes the following tasks:

- Determine the Air Force's continuing need for real estate assets and thus what portion of the property is surplus and available for reuse.
- Following the federal screening process, decide what federal entities should get what portions of the surplus property, thus determining the balance that's available for state and local reuse.
- Complete a toxic waste investigation and cleanup plan; clean up environmental contaminants.
- Complete the federal Environmental Impact Analysis (EIS) and the Record of Decision (ROD).
- Convey the property to new users.
- Provide information and assistance to communities to facilitate the reuse effort.

**Role of the Local Reuse Authority**

The closure process is principally a federal-local interaction. Land use management and community planning are considered the responsibility of local governments and reuse agencies, based upon state laws and local priorities.\(^4\) A Local Reuse Authority (LRA), usually a local government, is identified to coordinate the reuse planning effort.

The LRA assumes the following responsibilities in the conversion process:

- Develop a Community Reuse Plan.
- Prepare State and local environmental assessments and reports.
- Advise the Air Force in the federal screening process.
- Facilitate any interim reuse.
- Implement the reuse plan.\(^5\)

**Reuse Planning**

The LRA typically forms a base reuse steering committee which is responsible for coordinating the generation and assimilation of reuse ideas/proposals into a Community Reuse Plan (land use master plan). Base reuse planning requires a region-wide perspective and benefits from broad community participation. The exclusion of key constituents at this phase is likely to undermine the decision-making and implementation processes. Very efficient reuse planning


\(^5\) This responsibility may be turned over to another local entity.
takes a minimum of one year; two years or more is typical. Once completed, the Community Reuse Plan is then submitted to the Air Force for consideration in its EIS process.

**EIS and ROD**
The federal Environmental Impact Statement (EIS) process, culminating with a Record of Decision (ROD), is the technical vehicle through which disposal is conducted. The Community Reuse Plan is the central component which drives the EIS process. The EIS analyzes a number of reasonable disposal and reuse alternatives for the base (including the Community Reuse Plan) and their environmental impacts. The military screens property with the LRA and other federal, state, and local agencies to identify outside interests in acquiring base property. The resulting indications of interest influence the EIS process. A ROD documents the final disposal decision for the real property and specifies required environmental mitigations based on the selected reuse.

**Elements Influencing Reuse Planning and Property Conveyance**
The different ways that surplus military property can be conveyed to new owners influences reuse planning and negotiations between the Air Force, the LRA, and others.

**Public Benefit Conveyances**
Public Benefit Conveyances (PBC) are agreements between the federal agency disposing of property and non-federal public agencies or eligible nonprofit organizations attempting to acquire the property at discounted prices, usually free. The principle categories under which PBCs may occur include public airports, parks and recreation, health or educational use, homeless assistance, correctional facilities, historic monuments, and wildlife conservation. Public Benefit Conveyances have usually been responsible for designation of an anchor use in the reuse plan.

**Economic Development Conveyances**
The Pryor Amendments of 1993 permit the military to transfer land and buildings to reuse authorities “at or below the estimated fair market value of the property transferred or without consideration" for the purpose of creating new jobs quickly through the rapid reuse of the property. It is envisioned that such “savings” will enable the reuse authority to offer

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6Title XXIX, Section 2903.
attractive, low-cost leasing arrangements to prospective tenants, jump-starting economic recovery.\textsuperscript{7}

Interim regulations also provide for profit sharing (typically 60\% to the LRA, 40\% to the military) from later resale or lease of properties transferred under this authority. The federal government’s ability to share in profits will be limited to 15 years and its total profits cannot exceed the estimated fair market value of the property at the time of conveyance to the LRA.

\textit{McKinney Legislation}

The McKinney Act of 1987 amended the 1949 Federal Property and Administrative Services Act and was designed to permit recognized providers of assistance to the homeless to receive a high priority in acquiring surplus land and buildings. The McKinney Act as amended in 1994, requires the DoD to identify any property available and notify the Department of Housing and Urban Development (HUD) within six months of confirmed closure. HUD then publishes a notice of availability. Homeless providers and the Department of Health and Human Services (HHS) are allotted a period of 60-175 days to complete the application and decision-making process. If deemed appropriate by HUD, portions of the base are assigned to HHS for homeless assistance use. The property is then leased to an administering organization. The 1994 amendment to this Act places disposal of property for this use early in the planning process, so communities can proceed with reuse planning for the remaining parcels. It also allows for an alternative to the McKinney Act screening where the local community determines how homeless needs are met.

\textit{Toxic Remediation}

Toxic contamination has been one of the primary stumbling blocks for efficient conversion. Total remediation of base property is costly and can take considerable time. In the past, environmental legislation required the military to completely rid the bases of contamination before any civilian conversion could occur. However, the 1992 Community Environmental Response Facilitation Act (CERFA) amended this legislation to expedite transfer of the properties. This amendment allows the base property to be divided into parcels that can be considered separately for transfer. Thus, historically uncontaminated or cleaned parcels can be transferred from the military while clean-up efforts continue on other portions of the base. With remediation efforts in place and monitored, property can be leased (long-term) but

\textsuperscript{7} \textit{Interim Rule for Revitalizing Base Closure Communities}, Office of Assistant Secretary of Defense (Public Affairs), April 6, 1994, p. 4.
cleanup must be completed before property can be conveyed or sold. 8 If an environmentally based Finding of Suitability to Transfer (FOST) can be made, a deed conveyance is implemented. If a FOST cannot be made, the parcel can be leased, once a Finding of Suitability to Lease (FOSL) can be made.9

According to DoD officials, DoD is responsible for cleaning up past contamination, regardless of when it is identified, and for meeting the requirements of any new federal or state cleanup standards and laws.10 In some states, such as California, environmental regulations and cleanup requirements are much more stringent than those of the federal government.

Federal Assistance

Office of Economic Adjustment

The Pentagon established the Office of Economic Adjustment (OEA) in 1961 to provide financial assistance for reuse planning and to advise local communities on reuse strategies. OEA’s planning manuals are the primary documents released by the federal government to aid and initiate the planning process in local communities. With the introduction of new base closure legislation in the late 1980s and early 1990s, the OEA revised the manuals in 1978 and 1989 to help guide the new conversion efforts. The revised manuals rely on the processes and successes of past closures to guide communities now experiencing military base closures. However, as discussed earlier, these past closures took place under very different economic conditions and federal regulations. Thus communities today must participate in creating an appropriate framework to address the variety of factors confronting conversion of the property to civilian use.

OEA has been the principle source of federal grants for local reuse planning. Under the new conversion goals established by President Clinton, additional funding has been made available to communities through OEA planning grants. OEA was also given new authority to provide funding to communities for start up redevelopment efforts. Typically, OEA’s grants range from $200,000 to $500,000 annually per community for one to three years.11

Economic Development Administration
The Economic Development Administration (EDA), part of the federal Department of Commerce, was established in 1965 to promote economic development in impoverished areas. EDA provides implementation and planning grants to communities experiencing defense dislocation through its Sudden and Severe Economic Dislocation (SSED) program. Their annual budget is approximately $350 million.

Federal Aviation Administration
For closure communities acquiring military airports, the Federal Aviation Administration assists by providing planning and implementation grants for reuse as public airports.

Summary
The federal base closure process is complex, heavily regulated, and at the same time constantly evolving. Closure and disposition are new responsibilities for the military branches. Negotiating entitlement, planning, and implementing reuse for the military properties are new experiences for most communities. Federal and local public agencies struggle together to meet the challenge of military base conversion.
CHAPTER THREE:
HISTORY OF THE MATHER AIR FORCE BASE CONVERSION
PLANNING AND DISPOSITION PROCESS

Mather Air Force Base
The Mather Air Force Base (Mather) property is located in the unincorporated portion of the County of Sacramento, California, approximately 12 miles southeast of the downtown core of the City of Sacramento. The property is adjacent to one of two major east/west freeways (US 50) along which development in the area is growing. In fact, the Highway 50 corridor is one of the fastest growing employment centers in the region and contains approximately 15% of the County’s employment.¹²

Sacramento is the capital city of California, which has the world’s seventh largest economy. The Sacramento metropolitan population is approximately 1.7 million. In the last decade, the Sacramento region has had one of the best performing economies in the state and was responsible for a significant portion of California’s new home construction. The city is located 1-1/2 hours from San Francisco, 2 hours from Silicon Valley (center of the electronics industry), and 1-1/2 hours from Lake Tahoe (a major recreational area). The area supports a trained labor pool, rated fourth in the nation for best workers,¹³ and enjoys an enviable combination of high amenities and low cost of living. Unincorporated communities, adjacent to Sacramento, most notably Rancho Cordova, provided housing and services to base-related personnel.

The Mather property is composed of 5,716 acres and 970,000 square feet of buildings and auxiliary structures. Facilities include two high grade parallel runways (11,300 feet and 6,100 feet) with considerable apron area, an air control tower, nine aircraft hangars, a rail spur, office and industrial buildings, 18 dormitory buildings, and 1,271 units of single family housing. Other amenities include a 65-bed acute care hospital, library, theater, 18-hole golf course, commissary, base exchange, and athletic facilities.

The southern portion of the property has a significant distribution of vernal pools along Morrison Creek and its tributary drainages. Largely undisturbed for the past 70 years of

¹²Request for Proposals: Mather Field Project Development & Marketing and Tenant Recruitment. County of Sacramento, p. 3.
¹³Fortune Magazine.
Regional Vicinity Map

EXPLANATION

* Airports

Sacramento MSA
Sacramento County
Air Force Base
County Boundary

0 5 10 20 Miles

--- Final Record of Decision for the Disposal and Reuse of Mather AFB, United States Air Force, March 31, 1993, p. 2. ---
military occupation, these pools are in excellent natural condition and have unique ecological value. The land also contains significant deposits of construction grade aggregate.

Mather has been designated under the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA) as a federal Superfund site. The primary source of contamination is in the form of industrial solvents and caustic cleaners used in aircraft maintenance. Waste fuel disposal also contributed to the contamination. Fortunately, the contamination is isolated in concentrated areas so reuse efforts should not be greatly hindered by the contamination.

Announcement of Mather’s closure was made in December of 1988 (BRAC I). Job loss has been recognized as 1,988 military and 1,012 civilian positions. The base was closed September 30, 1993.

The Sacramento metropolitan area has experienced multiple base closures in this era of military downsizing. All three military bases in the Sacramento area have been closed:

<table>
<thead>
<tr>
<th>BRAC</th>
<th>Year</th>
<th>Base Name</th>
<th>Military Jobs</th>
<th>Civilian Jobs</th>
</tr>
</thead>
<tbody>
<tr>
<td>I</td>
<td>1988</td>
<td>Mather Air Force Base</td>
<td>1,988</td>
<td>1,012</td>
</tr>
<tr>
<td>II</td>
<td>1991</td>
<td>Sacramento Army Depot</td>
<td>334</td>
<td>3,164</td>
</tr>
<tr>
<td>III</td>
<td>1995</td>
<td>McClellan Air Force Base</td>
<td>2,757</td>
<td>8,826</td>
</tr>
</tbody>
</table>

Base History
Mather was established as a military installation in 1918 when 789 acres of open land were donated to the Army by the Sacramento Chamber of Commerce for the purpose of aviator education. The base was expanded and refurbished for use by heavy aircraft during World War II. Since 1941, the primary role of Mather AFB has been to provide training for navigators and related specialists. The 320th Bombardment Wing, assigned to Mather in 1958, was the largest tenant at Mather, and supported a strike force of B-52G bombers. Upon closure, Mather’s host organization, the 323rd Flying Training Wing Air Training Command, was relocated to Beale AFB. The 940th Air Refueling Group was relocated to McClellan AFB.

History of Closure to Date
In comparison to other communities confronted with announcement of a base closure in 1988, Sacramento County held the advantage of having grappled with this possibility earlier. Mather was among four California bases considered for closure in 1986 under an Air Force

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15 Figures do not include reservists. Source: Governor’s Office of Planning and Research.
strategy to address budgetary constraints of the Department of Defense. Local Congressman Robert Matsui was notified of the potential loss of Mather on January 5, 1987 and responded by immediately structuring a committee of retired military, business, community, and government leaders to fight the impending closure. The Mather Air Force Advisory Committee sought a military justification for retaining base operations, intentionally avoiding citing economic impacts. As a result of its April 1987 report to the Air Force and DoD, Mather remained operational.

This success was short lived, however. At the end of 1988, federal legislation designated Mather for closure. In January of 1989, immediately following the closure announcement, the Sacramento County Board of Supervisors appointed a community-based advisory group to plan for reuse of the base: the Sacramento Commission on Mather Conversion (SACOM-C). Most of the 28 members of the earlier Mather Air Force Advisory Committee were included in this new commission, as well as additional community members, for an initial commission size of 45 members. The commission featured standing committees such as Economic Analysis, Environmental Issues, Facilities Reuse, and Human Resources, that had both commission members and non-commission members. Thus, this region-wide planning organization and its subcommittees grew to over 150 members. Congressman Matsui remained involved in the conversion effort primarily as a liaison between SACOM-C and the DoD.

Through broad representation of community interests, SACOM-C was intended to serve as a vehicle for community involvement and was charged to identify, debate, evaluate, and make recommendations to the County Board of Supervisors concerning the conversion and alternative uses of the Mather property. The commission had no planning or land use designation power; the County retained this authority.

The Board of Supervisors directed SACOM-C to focus on aviation-centered reuse alternatives. The high value of the existing facilities (runways and support facilities) was considered Mather’s greatest asset and a key to job and benefit creation for the region. It was believed that no other reuse anchors could generate the economic and social benefit of aviation reuse. There was also pressure from Washington D.C. to retain the airport. Because of the value of the aviation assets, potential for immediate income, and lack of County funds to initiate new development, a powerful incentive existed to maintain airport use. However, a significant buffer of undeveloped land surrounds the airstrips so the decision to retain the air facility was only one component of planning for reuse of the Mather acreage.
SACOM-C Reuse Plan 1989-1991
SACOM-C conducted extensive commission, committee, and subcommittee meetings over a period of 26 months to develop and analyze numerous reuse alternatives. The commission solicited proposals from all interested parties. The resulting recommended plan included a major aviation facility surrounded by mixed commercial, industrial, recreational and residential land uses; the protection of natural resources; and the use of existing base facilities for recreational, residential, educational, and business purposes.

When the commission submitted their recommendations to the Board of Supervisors they stressed three key actions for the Board to ensure the success of their recommendations:

- Re-emphasis of support for the aviation theme, "or debate over proper uses could drag on interminably"\(^\text{16}\)
- Establishment of a Mather Implementation Authority under Supervisor control to oversee all reuse and conversion activities
- Commencement of immediate marketing efforts and more detailed planning

Additionally, SACOM-C recommended that the Board of Supervisors conduct a more thorough investigation of the economic implications of adopting the aviation theme. This recommendation was the genesis of a protracted decision-making process regarding the SACOM-C aviation-oriented reuse plan. Some Supervisors were not convinced the airport use would provide the greatest economic development opportunities for the County. Some felt that market rate residential development in that part of the metropolitan area would bring about a better jobs/housing balance. Supervisor Collin envisioned a greater potential reuse for Mather and viewed the reluctance to remove Mather's runway and related aviation facilities as a major impediment to planning of the base.

Given the fact Mather straddles all of our north-south transportation network and we desperately need a really good mix of housing in that area, something that Rancho Cordova has lacked, Mather offers a great opportunity. The key question we need to ask is which will bring us more: having an airport out there that constrains construction because of the noise contour, or having a piece of land out there that doesn't constrain it? There is no denial on the part of aviation supporters that the noise contour will significantly restrict development potential surrounding the site for up to 80 square miles.\(^\text{17}\)


\(^\text{17}\) Sacramento Bee, 1991.
It took nearly two years to obtain a *marginal* approval (3-2) by the County Board of Supervisors to proceed with an aviation-centered reuse plan.

The SACOM-C initial planning effort involved tremendous community participation but may have been restricted in its vision by the aviation orientation. The myopic perspective of the process was criticized by both business and political leaders at the time.\(^{18}\) Also, the SACOM-C reuse plan and report did not contain any type of financial feasibility assessment. And while it mentions an implementation phase, it provides no details on an implementation plan or an asset management plan.

**Rancho Cordova**

The unincorporated community of Rancho Cordova, adjacent to Mather, became disenfranchised with SACOM-C’s progress. With only two members on SACOM-C, they felt their interests were under-represented and they produced their own reuse plan through the local Cordova Chamber of Commerce. First presented in December 1990, the Cordova plan centered around an industrial airport and reduced the number of residential units on the property (foreshadowing a campaign to prevent the intrusion of low income and homeless residents in the community). This plan represented the *first* reuse plan for the conversion of Mather. The final version was produced in April 1991 and preceded release of the County’s reuse plan by five months. The Cordova ideas were later incorporated into the MIST plan (see discussion following).

**Federal Screening Process**

During this time, as a part of the federal screening process, the Air Force solicited proposals from other Federal agencies, a number of which expressed interest in acquiring portions of the property. Additional proposals were submitted by State and local public entities and one private party and were reviewed by both the Air Force and the County.

**Mather Internal Study Team (MIST) Reuse Plan 1991**

Upon receiving and approving the SACOM-C recommendations in 1991, the Board of Supervisors disbanded SACOM-C and established the Mather Internal Study Team (MIST) to evaluate and refine SACOM-C’s recommendations, and to further explore both aviation and non-aviation reuse options. MIST was, and is, composed of County staff representing the Board.

of Supervisors and the Departments of Airports, Public Works, Planning, Parks and Recreation, Environmental Management, General Services, and the County Executive’s Office.

The MIST team confirmed SACOM-C’s recommendation to retain the airport facility. Interests submitted by Federal and state agencies were incorporated into the plan. Some of the other expressed interests were also included. Similar to the SACOM-C reuse plan, the final MIST reuse plan specified a mixture of industrial, commercial, residential, and educational uses in association with the airport; and called for the protection of natural resources.

In the fall of 1991, the Board of Supervisors endorsed the MIST plan and forwarded it to the Air Force Base Disposal Agency, now the Air Force Base Conversion Agency, for consideration in its preparation of a Final Environmental Impact Statement (FEIS) and a Record of Decision (ROD) for disposal of the base property.

Air Force Records of Decision
The Air Force has two primary objectives in disposing of base property: generate revenue to offset the cost of base closure, and assist communities in developing productive uses of the property for economic recovery in an environmentally responsible manner. 19

The following land use proposals (those offered by the public as well as concepts developed by the Air Force) were analyzed by the Air Force as reasonable reuse alternatives:

- Aviation oriented plan with a commercial component (Sacramento County/MIST’s proposed reuse plan)
- Non-aviation mixed density residential plan (MIST’s alternative to the proposed plan)
- General aviation with aircraft maintenance plan
- Non-aviation low density residential plan
- No action alternative

The Federal Aviation Administration (FAA) acted as a cooperating agency with the Air Force in preparation of the FEIS, upon which the ROD decision was based. The FAA has legal jurisdiction extending from its authority to approve airport layout plans that are required for federally funded, public-use airports.

The FEIS discovered relatively few environmental issues. It cited a need to complete several air quality attainment plans needed by the State to update the State Implementation Plan according to the 1990 Clean Air Act Amendment. Contamination was noted, most dominantly groundwater. The Air Force had initiated an Installation Restoration Program (IRP) at Mather in 1982 and cleanup had begun in 1987. As required by law, the Air Force will continue its cleanup plan until all contamination is remediated. Until property can be transferred by deed, the Air Force will execute long-term leases to allow reuse to begin as quickly as possible. However, the Air Force intends to dispose of leased property by converting leases to deeds at the earliest possible date allowed by the IRP process. The FEIS was released by the Air Force in 1990; a Final Disposal and Reuse EIS was released in April 1992.

A ROD was first issued by the U.S. Department of the Air Force March 31, 1993. The ROD declared the majority of Mather excess to the needs of the DoD and surplus to the needs of the federal government and it identified the organizations or agencies to receive certain parcels of land, the means for parcel disposal, and the environmental mitigation measures to be adopted. Sacramento County’s proposed aviation-oriented plan with commercial and park components as well as most of the expressed interests were accommodated in some way, though not exactly as requested:

- 49 acres were transferred to other federal agencies
- Parcel A: no-cost airport public benefit conveyance to the County
- Parcel M: no-cost health public benefit conveyance to the Sacramento Housing and Redevelopment Agency (SHRA) for homeless housing and assistance
- Parcels G and L: no-cost park and recreation public benefit conveyance to the County
- Parcels J, K, N, and P: no-cost educational public benefit conveyance to the Department of Education

Other parcels were designated to be sold, most by first entering into negotiations with the County, and failing agreement, by public sale. The ROD deferred disposal decisions on utilities, infrastructure, and the railroad spur.

Further discussions were conducted between the Air Force and the County to reconcile the property disposal plan of the ROD with the County’s Reuse Plan and to negotiate price for certain remaining parcels. A Supplementary Record of Decision (SROD) was issued November 21, 1994. The SROD modified some of the decisions in the ROD and completed disposal decisions that had been deferred.
Of considerable discussion in these negotiations was the issue of aggregate mining. The Air Force was, and is, concerned with potential royalties from mining. There are also natural resources (vernal pools) in the aggregate containing parcels. In the initial ROD, the primary aggregate containing parcel was made a separate parcel and was designated for negotiated sale to the County or, failing that, public sale. In the Supplementary ROD, the aggregate containing parcel was made part of the public benefit airport parcel. Mining rights were withheld by the Air Force (not conveyed). The County is commissioning a study to determine the value of mining the aggregate and its residual (gold).

Subsequently, Sacramento County and other federal agencies requested additional changes to further reconcile the property disposal plan of the ROD, the SROD and the Sacramento County Reuse Plan. A Revised Supplementary Record of Decision (RSROD) was issued in September, 1995. The RSROD primarily accommodated use changes (for example, a modification in location of the McKinney housing).
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PROPERTY DISPOSITION SITE PLAN

Source: Revised Supplemental Record of Decision (RSPRD), September 1995.

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20 Mather Field Specific Plan (draft), County of Sacramento, March 1996, p. 15.
NATURAL RESOURCES SITE PLAN

VERNAL POOL COMPLEX
SEASONAL WETLANDS / VERNAL POOLS
ANNUAL GRASSLAND

ANNUAL GRASSLAND WITH SCATTERED TREES AND SHRUBS
MORRISON CREEK / DRAINAGES
POTENTIAL AGGREGATE MINING AREA


21 Mather Field Specific Plan (draft), County of Sacramento, March 1996, p. 94.
Continuing the County Planning Process: 1993-1995

Following receipt of the initial ROD, the Board of Supervisors directed the Sacramento Housing and Redevelopment Agency (SHRA), in April of 1993, to select a private consultant team to develop more specific land use, marketing, phasing, and financing plans consistent with the MIST reuse concept. A team headed by ROMA Design Group, a San Francisco planning and urban design firm, was selected. The Board also established the Mather Committee on Redevelopment (14 members) to serve as a community advisory group for the continuing planning process.

The reuse planning undertaken during this period both guided the County in its negotiations with the Air Force and was influenced by these negotiations. Additional community input was obtained through “stakeholder” interviews and public workshops. In the first phase of work a “vision” plan was developed. It was presented to the community on October 1, 1993, the day following official closure of the base. The vision for Mather brings together three primary roles for the property: an air transportation hub, a center of business and education, and a regional park and recreational destination. At the end of the “vision” phase, the County initiated a General Plan Amendment process to incorporate the reconfigured land use plan. This was adopted August 24, 1994.

The second phase of this planning effort built upon the “vision” to structure a more specific development strategy, including a more detailed land use and development program informed by comprehensive market analysis, a strategy for the phasing and financing of required infrastructure, and a strategy for marketing Mather to prospective businesses and tenants. This second phase resulted in the Mather Field Development Strategy document, completed in September of 1994.

The third phase of refinement has resulted in the Specific Plan, a document that further defines the location, intensity, and character of land uses, establishes design guidelines, and details a road circulation system. This document also discusses zoning, regulatory mechanisms, phasing, and financing strategies needed to enable implementation of the reuse plan. The Specific Plan is expected to be approved by the Board of Supervisors in the fall of 1996.

Parallel with the continuing planning process described above, three Environmental Impact Reports (EIRs; required in California) were prepared, circulated for public review and comment, finalized, and approved in August of 1994. These reports were: Mather General Plan
Amendment EIR, Mather Field Aviation Facility EIR, and Supplemental EIR for establishment of a Redevelopment Area.

Summary Description of Primary Land Uses in the Reuse Plan
In terms of zoning, the property has been designated as a special planning area. This designation allows a great deal of flexibility in land uses. The threshold decision to retain the airport facilities influenced land use planning decisions for the remainder of the Mather site. The primary land use (2,775 acres) constituting the western portion of the property is dedicated to a civilian cargo and general aviation airport. Aviation related industrial and commercial uses will abut the airstrips to the north. Land immediately south of the runways (700 acres) and land to the northeast of the runway area has been identified for large industrial and distribution uses.

Development at the primary entrance to the property, the former Main Base area, is designated as mixed use commercial. It is envisioned that high tech firms might be recruited for this area. Adjacent to this commercial area, Cordova Parks & Recreation will manage the existing gymnasium and athletic fields as community facilities. At the very northern edge of the site, the Veteran’s Administration will operate the hospital. Nearby existing dormitory buildings will be used to house Mather Community Campus, a transitional housing and job training enterprise established via McKinney screening.22

Most of the central and eastern portions of the site will become a large regional park (1,485 acres). The park land will be developed for passive recreation, organized sports, and commercial recreation uses. The existing 18-hole golf course and Mather Lake are located within the park area and will be operated by the County. It is envisioned that another nine holes of golf course and a conference center will be developed by the private sector.

The existing family housing is located in the central area of the site, between the park and the southern portion of the airport parcel. SHRA, in conjunction with local residential builders, plans to upgrade these homes, providing opportunities for first time home buyers and perhaps elderly persons. Existing school buildings and a small commercial area will support this neighborhood.

22 The County voluntarily worked with homeless providers to prepare a County homeless proposal for the base.
The southeastern corner of the site (below the regional park) is designated for commercial development and represents the bulk of the proposed economic development conveyance (500 acres). Various proposals have been made to the County for uses within this area, the most dominant being a large State Prison Reception Center. The Reception Center proposal includes significant monies ($100 million) for infrastructure development in this area of the site.

New roadway linkages will be introduced that will serve future activities and, at the same time, provide relief for existing congested corridors surrounding the Mather property.

PROPOSED LAND USE ZONING

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CHAPTER FOUR: IMPLEMENTATION STRUCTURE AND PRIVATE SECTOR PARTNERSHIP

The reuse of Mather offers an opportunity for the community to both re-create the jobs lost and increase the region's income. Reuse of the property also offers long term real estate development potential for the County and its private sector developers. And finally, reuse offers the opportunity to plan in the public interest and to create public amenities.

Mather Field is different from typical developments because the County (a public entity) is the major land holder. While the County is very experienced at planning for and regulating development, implementation has traditionally been, for the most part, the realm of the private sector. In this case, the County must assume a master developer role, recognizing that it is the owner of a 5,600 acre real property asset and begin to think and act like a private sector entrepreneur to maximize the asset's potential.

The existing facilities (airport, golf course, and industrial/commercial buildings) represent the most immediate opportunities both for revenue and to attract jobs. Yet, the County must invest money and professional expertise into these facilities to make them marketable. The County must also gain enough revenue to pay for long term infrastructure improvements as well as a yet-to-be-negotiated prices for some portions of the base property.

In order to facilitate the transition of Mather AFB from military to civilian uses, the County realized that it would need to optimize two objectives:

- Job generation
- Revenue maximization

Implementation Structure

Affected communities have generally adopted one of six common types of organizations to implement the base reuse plan and manage the real estate over the long term:

- Management by a City or County Department
- Airport Authority
- State-authorized Local Development Authority
- State or Local Development Authority
- State Port Authority
- Economic Development Corporation
The Board of Supervisors, official LRA for Mather, did not choose to establish a Mather Implementation Authority per the SACOM-C and MIST recommendations. Instead, the Board chose to retain primary decision-making control and act as a master developer, using the first three structures above for implementing each of the major land use components of the property. The Board serves as the single decision-maker overseeing the actions of these entities:

- **EDC parcels:** County Executive's Office
  - 455,000 sf of existing buildings and open land, 685 acres.

- **Airport parcels:** County Department of Airports
  - Airport, 478,00 sf of existing industrial buildings and open land, 2,775 acres.

- **Park parcels:** County Department of Parks and Recreation
  - Regional park: 1,485 acres of open land; and existing golf course, 174 acres.

- **Residential parcels:** Redevelopment Agency (SHRA)
  - 1,271 units of existing family housing, 320 acres; 18 existing dorms and miscellaneous buildings to be used for homeless assistance, 39 acres.

- **Infrastructure:** County Department of Public Works
  - Roads, water, sewer, and storm drain systems

These organizations are long time, experienced entities, which have managed local public sector projects successfully over the past 50 years.

Site utilities (electricity, gas, and telephone) will be upgraded and operated by independent utility companies. Numerous smaller parcels at Mather will be owned and managed by other parties for uses such as education, community recreation, health care, military support, and religious uses.

Generally, implementation is being approached in a collaborative manner between the five primary entities, though each has developed a separate implementation strategy appropriate to their holdings. MIST meetings continue weekly and serve as “communication central” for coordination of efforts between the different entities. Representatives with decision-making authority from each relevant entity or department are present at these meetings.

Almost everyone has been involved from the beginning. There is a team feeling and everyone can speak very frankly. Everyone wants to see it work now that we’ve taken the steps to make it happen. (Truszkowski)
(approximately 500 acres). County staff is currently proposing that this EDC parcel be assigned or subleased to the SHRA.\textsuperscript{24}

Concurrently, there is State legislation proposed that would allow the LRA, with 4/5 vote, to engage in exclusive negotiations to sell or lease property acquired by the County due to closure of a military installation, essentially establishing redevelopment-like powers for base conversion efforts generally.

Private Developer "Partner"

The County realized that an effective organizational framework would be needed to guide site-wide marketing, leasing, and sales (both internal public sector efforts and external private sector efforts). They also recognized that the broad range of public and private sector activities planned for Mather would require careful coordination to avoid use conflicts. Faced with such a large, complex, and diverse project, the County decided to seek a "partner" from the private sector to take the lead in marketing and developing Mather.

While the County felt they had relevant staff experience to assume responsibilities for the public benefit conveyances (airport, park, and homeless assistance), when faced with the possibility of receiving property through an economic development conveyance, the County quickly recognized the need for additional expertise from the private sector. The County envisioned an alliance with a private sector real estate firm which would bring specialized skills and broad based experience to the project that the County did not possess, as well as a variety of business contacts and additional access to outside capital.

> We’re (County) not out to make money, we want to come out even, and we don’t have any money (to seed development). We need a partner who knows how to lease, knows about development - when and what, and property management. We wanted someone who could actually do it (rather than a consultant who would advise). (Miller)

The County issued a Request for Proposals (RFP) in August of 1995 seeking a real estate firm to provide assistance in the management, marketing, and development of Mather Field. The RFP asked that the respondents develop a project approach and provide a work plan. The County designed a very open-ended RFP to encourage respondents to think creatively about what was needed to implement the reuse plan. Indeed, the variety of approaches put forward in the

\textsuperscript{24}John O’Farrell, Conceptual Model for Leasing of Property at Mather Field to Facilitate Economic Development, Memo to Board of Supervisors, June 11, 1996.
Rob Leonard, County Executive Office’s Director of Military Base Conversion, chairs the MIST meetings and directs coordination of efforts by the various entities. Rob also leads negotiations with the Air Force and is responsible for guiding the transfer of property from the Air Force to each of the entities’ hands. John Miller, Assistant to the Director, coordinates redevelopment efforts for Mather on a day to day basis.

To accomplish successful conversion at Mather, the County realized it would have to become very entrepreneurial, using every public and private resource available to it. Tenant recruitment is of utmost immediate importance, both for job creation and because the County needs a revenue stream to finance necessary pre-development activities. The County views successful marketing of the existing buildings and vacant land as the key to capturing the revenue stream. Since the County is competing for tenants with the private sector, it realized it would have to be able to act quickly and be flexible on prices and terms, in order to meet prospective tenants’ needs. To date, the County has made two major decisions which enable it to do so: to obtain Redevelopment Area designation and to partner with a private sector real estate developer.

Designation as a Redevelopment Area
The County sought and received in 1995, State Redevelopment Area designation for most of the Mather property. The public purpose in redevelopment areas is to achieve a major change in development patterns by eliminating blighting influences and encouraging new development in accordance with adopted redevelopment plan. The Board of Supervisors also acts as the Sacramento Housing and Redevelopment Agency (SHRA). SHRA has special powers granted by the State which allow:

- Greater flexibility in leasing of property.
- A more expeditious process for selecting developers and contractors to complete building improvements; public bidding process is not required.
- Greater access to financing for loans to tenants and for building improvements.
- Generation of capital by tax increment and lease revenue bonding.

While these abilities will greatly assist conversion efforts in the Airports and Main Base areas of the property, the boundaries of the authorized Redevelopment Area do not include portions of the regional park, and more critically, the southeast EDC parcel
proposals helped the County form a clearer understanding of what they really needed from the private sector.

Sixteen proposals were received from local, statewide, and national firms that provide a variety of real estate services:

- Bechtel/Vanir
- CB Commercial
- Chemo-Coker Inc.
- Chesterton-Binswanger
- Commercial Management and Development
- Grubb & Ellis
- The Gutierrez Group
- LaSalle Partners
- Mather Park Partners
- McCuen Properties
- Ravel Property Services
- Reilly Asset Management
- Survivors Group
- The Benvenutti Group
- Transamerica

A Selection Committee composed of County and SHRA staff, a financial consultant, and a member of the Mather Committee on Redevelopment was formed to evaluate the proposals. Upon review, the Committee selected six of the firms to interview. The interview evaluation sought strengths in the following areas:

- A market based strategy to carry out the County’s goals, and the vision necessary to recommend beneficial changes to the plan.
- An understanding of the issues, limitations, and constraints that affect development at Mather.
- The broad based experience, necessary skills, and level of creativity required to manage and complete such a large project.

The interview process also allowed each firm the opportunity to impress the Committee with their ability to effectively market themselves, which the County felt would indicate their ability to market the project.

McCuen Properties LLC was unanimously selected by the Committee and approved February 6, 1996 by the Board of Supervisors. The firm’s broad development experience, worldwide business connections, and experience with government projects were noted as important strengths.

McCuen Properties, LLC
McCuen Properties LLC (McCuen) has been active in Sacramento real estate development since 1980. The firm’s commercial projects include approximately 100 office and light manufacturing buildings. McCuen also has experience working jointly with the public sector in the

37
development of several local projects, including the downtown mixed-use complex of Central Library, galleria, office tower, and parking garage.

McCuen Properties' Responsibilities
McCuen’s responsibilities include finding tenants for existing buildings, locating financing for tenants, seeking developers for build-to-suit projects, providing property and asset management, and providing private sector advice to the County in the planning and development of the property. Staff from Public Works, Airports, Parks, SHRA, Military Reuse, and County Counsel as well as MIST participated in the review and development of the McCuen agreement.

Following is a more specific description of McCuen's scope of services as defined in the contract:

Asset Management Services:
- Develop and maintain a data base on each building and parcel
- Develop a strategy for selling/holding the excess real estate
- Assist the County in determining highest and best use for the properties
- Assist the County in determining which buildings should be leased, at what cost, and for what uses
- Assist in economic development conveyance negotiations with the Air Force
- Develop short and long term investment strategies for the land
- In short, develop a long term plan for conversion of the base that is more “market” driven than “planning” driven

Marketing and Tenant Recruitment:
- Assist in the development, production and distribution of marketing materials
- Become sole contact for brokerage firms; conduct informational meetings with brokerage firms
- Establish a marketing center at Mather
- Network with professional organizations
- Establish and maintain a Mather World Wide Web page
- Maintain a digital map of the property to create instant customized information and brochures
- Maintain extensive database on properties
- Serve as single point of contact
- Produce standardized lease documents
- Participate in lease negotiations as requested
- Promote Mather as a location for State agencies
- Promote Mather among targeted aviation industries in concert with department of Airports
- Help identify targeted industries
- Work closely with SACTO, State Commerce, and other economic development organizations to promote Mather

Financial Services:
- Assist tenants in identifying sources of capital for construction, mortgage, and tenant improvements financing
- Seek international investment capital for Mather Field and its tenants
- Assist in obtaining state or federal grants for infrastructure, development, or marketing

Property Management:
- Manage everyday operations; act as the County’s agent in tenant/landlord relations
- Collect rents
- Review existing conditions in buildings
- Oversee leases and contracts
- Provide periodic inspections of facilities
- Provide management oversight of contractors making repairs
- Maintain accounting and budgeting records and reports

Development Management Services:
- Review and participate in the development of the Specific Plan
- Review the Specific Plan EIR and other environmental documents
- Monitor surrounding development and land use for consistency with Mather plans
- Assist Public Works in the infrastructure development strategy
- Provide assistance to potential buyers and tenants in developing a site

PORTIONS OF THE PROPERTY SUBJECT TO THE CONTRACT WITH McCUEN

McCuen Properties' Compensation
The County has entered into a five year contract with McCuen Properties with an option to renew for an additional five years. The up-front cost associated with this contract is estimated to total $445,000 for the first year, $437,500 for the second year, and to decline in subsequent years. The package of services is very broad and involves a number of different basis for compensation.
## McCuen Properties Compensation Structure

<table>
<thead>
<tr>
<th>Function</th>
<th>Tier/Compensation</th>
<th>Not to Exceed Cost</th>
<th>Anticipated Fund Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asset Management Development Mgmt Financial Services</td>
<td>Tier I: Hourly compensation for services requested.</td>
<td>$275,000</td>
<td>SHRA Federal Grant Airports General Fund</td>
</tr>
<tr>
<td>Marketing and Tenant Recruitment</td>
<td>Tier II: Broker commission of 5%, or 2% if with cooperating broker; incentives.</td>
<td>N/A</td>
<td>Revenues from lease and sale. Initial commissions from $100,000 General Fund Loan.</td>
</tr>
<tr>
<td>Property Management</td>
<td>Tier III: $170,000 (negotiated annually)</td>
<td></td>
<td>SHRA Dept. of Airports General Fund Later: lease revenues.</td>
</tr>
<tr>
<td>Management of T.I and New Construction</td>
<td>T.I. determined case-by-case; 4% new construction</td>
<td>N/A</td>
<td>Revenues from lease and sale.</td>
</tr>
</tbody>
</table>

Costs for marketing will be financed by McCuen with reimbursement coming from the commissions generated on the lease or sale of buildings or property. Most of the outyear costs will be paid from revenues. Tier II compensation is based on a commission structure. If McCuen alone is involved in a lease, he earns 5% of the lease value. If an outside broker is involved the commission will be 6%, with 2% to McCuen and 4% to the cooperating broker. McCuen’s commission on a property sale is 5% of the sales price up to $1 million plus 2.5% of the amount above $1 million. If another broker is involved in a sale, the commission will be 6% up to $1 million value plus 2.5% of the amount above $1 million, with the total commission split equally between McCuen and the cooperating broker. Tier III activities will be compensated on the basis of reimbursement of costs incurred.

**Incentive Program**

The contract also rewards McCuen for bringing jobs onto the base by providing cash credits for an eventual land purchase within the Mather boundary. For each employer that McCuen brings to Mather in the first two years of the contract that results in the creation of 50 or more jobs,
McCuen will be credited with $1000 per job. For years three and four, McCuen will receive a $750 credit per job; in year five McCuen will receive a $500 credit per job created. The credit can only be used to purchase land on the Mather property. The higher per/job rate in the early years is designed to motivate the firm to produce early results.

In addition, McCuen will receive credit for 0.2% of the total capital investment made on deals in which it participates. This is intended to reward McCuen for attracting companies that make large capital investments as well as create many jobs (which the County interprets as long term community commitment). The total amount of credits McCuen can accumulate are capped at $2 million without additional Board approval. When McCuen “cashes in” the credits and develops more land at Mather, the County believes it will again gain what it wants most: new jobs and new development.

For example, consider the following scenarios:

- $20 million new warehouse building with less than 50 jobs.
- $5 million new building with 100 jobs.
- $5 million new building with 300 jobs.
- $20 million new building with 300 jobs.

Assumptions: land value is 20% of building value listed; potential developer fee is 10% of the capital investment.

<table>
<thead>
<tr>
<th>Scenario Description</th>
<th>Cap Inv Bonus</th>
<th>Jobs Bonus</th>
<th>Land Brok Fee</th>
<th>Sub-Total</th>
<th>Potential Dvlp Fee</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>$20,000,000 new building with less than 50 jobs.</td>
<td>40,000</td>
<td>0</td>
<td>200,000</td>
<td>240,000</td>
<td>2,000,000</td>
<td>2,240,000</td>
</tr>
<tr>
<td>$5,000,000 new building with 100 jobs.</td>
<td>10,000</td>
<td>100,000</td>
<td>50,000</td>
<td>160,000</td>
<td>500,000</td>
<td>660,000</td>
</tr>
<tr>
<td>$5,000,000 new building with 300 jobs.</td>
<td>10,000</td>
<td>300,000</td>
<td>50,000</td>
<td>360,000</td>
<td>500,000</td>
<td>860,000</td>
</tr>
<tr>
<td>$20,000,000 new building with 300 jobs.</td>
<td>40,000</td>
<td>300,000</td>
<td>200,000</td>
<td>540,000</td>
<td>2,000,000</td>
<td>2,540,000</td>
</tr>
</tbody>
</table>

Where there are significant jobs (over 50), the jobs bonus far outweighs either the capital investment bonus or the land brokerage fees. It provides a strong incentive. However, for a
large warehouse operation with less than 50 jobs, the income from land brokerage fees overwhelms the jobs bonus. Thus some motivation will exist to pursue such companies. When the possibility of acting as the developer is added to the scenario, the profit incentives change drastically. When a developer fee of 10% is considered, this possibility clearly incents the larger capital outlay companies, regardless of the number of jobs involved.

It appears that the strongest incentive will be the traditional private sector profit motive of developer fees on large capital outlay projects. The jobs bonus should be effective in modest capital outlay projects. A significant weakness in the incentive structure is that the jobs bonus is not offered to outside brokers. Thus their efforts will not be influenced by this public goal. The capital investment bonus is too small to generate much incentive.

Summary and Analysis of the Contractual Relationship
As recipient of over 5,000 acres of developable land, the County has found itself in the position of owner/developer perhaps to a greater degree than it has ever before experienced. This position demands a broader perspective and expands the responsibilities of the public sector. The County has chosen to meet these responsibilities by seeking assistance from the private sector.

Faced with the need to put such a large acreage into productive use quickly, the County identified a need for private sector expertise, especially in the areas of marketing, asset management, and financial services. The scope of services defined in the contract is revealing of the County’s recognition of the extent of private sector expertise needed to complement public sector expertise in successfully converting the property to productive civilian use. In fact, the scope of services goes beyond a set of discrete tasks and asks the private development firm to act as a strategic advisor, negotiator, and coordinator. The role defined for McCuen is extensive and pervasive in that it critically affects most of the property and primary implementing entities: Airports, Parks, Public Works, and the County Executive’s Office (EDC parcels). The County is making full use of private sector expertise and experience in the scope of services defined.

Partnering with McCuen also enables the County to better meet some of the general challenges which reuse of military bases pose, as discussed earlier. Conversion of military property faces a much more competitive market today than similar efforts faced in the 60s and 70s. Successful marketing of the property is the key to overcoming this primary obstacle. The County’s
contract with McCuen is a move to directly confront this challenge with the "best warrior", marketing not being a skill honed by the public sector. The federal bureaucracy and slow decision-making process presents another major obstacle. In this contract, the County has asked the private sector to assist in negotiations with the Air Force over the EDC parcels. Again, the County is applying the best expertise it can locate to the specific problem of arriving at a market-appropriate price for the property. McCuen brings familiarity with local real estate development and financial feasibility practices as well as expertise in negotiation and deal-making.

The "partnership" with the private sector (McCuen) raises a number of issues:

- Alignment of incentives with public goals
- Private sector influences on public sector goals or processes and resolution of conflict
- Monitoring and evaluation of McCuen's performance
- Public oversight
- Contract specifics

Alignment of Incentives With Public Goals

The County recognizes its primary goals to be generation of jobs and maximization of revenues. To this end, the contract with McCuen establishes two incentive mechanisms designed to align the private sector profit motive with accomplishment of these goals. As we have seen, the jobs incentive will likely be effective except in the case of a large warehouse/storage project with few jobs, where the land brokerage fee becomes significant. The capital investment bonus is too small to be effective. And far outweighing the effects of these bonuses is the traditional private sector profit motive associated with developer fees, which favors large capital investment projects, regardless of the jobs achieved.

The two incentives, jobs bonus and capital investment bonus, favor big employers and/or users of large physical plants. The incentives do not encourage pursuit of the mid-range companies.

While lease commissions are structured to provide financial incentive to outside brokers (by offering higher-than-market broker commissions), and thereby are intended to encourage active participation by the community brokerage profession, the fact that McCuen's commission is significantly higher when acting alone incents that he do so. Since McCuen makes more money on deals he closes, how encouraging of outside brokers will he really be?
Additionally, the commission offered to outside brokers for property sales is the same, not higher than, market rate. Thus no incentive is put in place to encourage outside brokers to market land at Mather. In fact, such an incentive might be necessary to overcome the additional complexity involved at Mather as compared with other private sector property transactions.

The capital investment and jobs incentives do not extend to outside brokers. Thus outside brokers may well pursue tenants that do not contribute significantly to either of these goals. There is a disconnect of the incentive from the doers (the brokers) and the public sector goals. The contract is also not clear whether the fair market compensation policy offered to McCuen applies to property disposition led by outside brokers.

The fair market value basis for McCuen’s commission compensation raises another question: won’t McCuen consistently urge a discounted land cost since this will help them make deals and they don’t suffer financially in their compensation? But, in fact, the sale would not have been made at full value. Thus the County’s potential revenues (which will be needed to pay for infrastructure improvement) could be bartered away by McCuen for his personal benefit. McCuen has no incentive for maximizing market value for the County unless he can obtain a better-than-market rate for a property. Of course, but for the discount, the tenant may not have been acquired at all and the County would then have no rent revenues. Ultimately, the success of the relationship may rest more with the relationship established between the developer and the County than upon the contract terms and incentive structures.

**Private Sector Influences on Public Sector Goals or Processes and Resolution of Conflict**

Part of McCuen’s charge is to develop a plan for the base that is more “market” driven than “planning” driven - how will this affect public sector interests? Revenue generation and profit maximization become key goals and may compete with public benefit goals for priority. The contract does not address how conflicts between private sector recommendations or process and public sector goals or process will be resolved. In discussing this with County staff and Supervisors, the understanding seems to be that issues will be clarified by staff, and forwarded to the Board of Supervisors for decision. Planning Department staff will analyze the issue and make recommendations with respect to public sector goals; someone else (likely a financial consultant) will analyze the fiscal impacts. Responsibility for balancing public interests and revenue maximization will be left to the Board of Supervisors. It should be noted that priorities may change over the years as Board members change by public election.
There clearly is a need for McCuen's role to knit the implementation efforts of the different entities together by providing some consistency of market awareness throughout the implementation efforts. This influence on public sector goals and processes can only be positive with respect to successful redevelopment of the property.

Monitoring and Evaluation of McCuen's Performance
The contract requires that McCuen submit monthly "progress" reports. Project review meetings are required once a month. However, the contract does not set forth any standards or process for evaluating McCuen's performance. The commission and incentive structures encourage motivation of action by profit. However, there are no measures to determine non-performance if leasing and sales do not occur. When queried about this, County staff admitted that the issue has been raised and the Board has requested staff to draft a monitoring and evaluation standards and process. It is unclear at this time whether such a document will become an addendum to the contract or how it will be put into effect. Clearly, it is in the County and general public's interest to have a mechanism to monitor the effectiveness of the private sector partner, and to seek corrective actions if necessary.

Public Oversight
Although the contract clearly prohibits McCuen from entering into any legally binding arrangement with a third party without the Board's written approval, the arrangement limits public oversight of McCuen's activities and the implementation process. The Redevelopment Area designation allows negotiated deal-making and setting of terms to take place without public process, such as public bidding. While this may be more efficient and market-like for leasing and development of a property, it is a diversion from normal public process and again blurs the boundaries of public and private roles. McCuen's scope of work is also loosely defined in the contract and will likely evolve without public oversight.

Contract Specifics
The County expects the costs for McCuen's services to lessen in subsequent years, however, as more existing buildings are leased, and more development occurs, McCuen's portion of fees for property and construction management will increase. In fact, the complexity of the project will increase in the future and it can only be expected that the County will require more of McCuen's services. The County expects that most outyear costs will be paid from lease and sale revenues but it should be noted that there will be significant outyear costs for McCuen's services and that
the County is depending on these lease and sale revenues to pay for other costs as well (for example, infrastructure improvement).

When McCuen trades his job credits for property, there is no time limit imposed by the contract for development of that property. Thus McCuen could sit on the land for quite some time, landbanking the property and waiting for better market conditions, and thus actually arrest development of certain parcels.

On the other hand, what keeps McCuen from taking the best clients and properties for his on-site development projects and is that a problem? From the County's perspective it may make no difference where on the property development is occurring (lease of County owned buildings or land versus sale of land to McCuen) unless it begins to effect the level of participation of other developers in the region. McCuen's success could lead to a general perception in the developer community that McCuen controls the Mather property and that other developers could never realize their best potential profit there.

The contract discusses potential conflict of interest of McCuen’s marketing efforts for base property with his marketing efforts for off-base properties in which he has an interest. Though there is a clear policy and procedure outlined that requires Board approval for McCuen’s off-site pursuit of clients initially contacted regarding Mather property, the contract also states that Board approval shall not be unreasonably withheld. This clause portends that conflict may arise in the future as to reasonableness. However, McCuen’s reputation is at stake. If he doesn’t do well by others, his business relationships and success in the community may falter.

The contract establishes a straight 4% fee for construction administration services. However, there is no definition of the services provided for that fee, and services required may vary from project to project. Also, there is no incentive to save the County money in construction costs, as McCuen’s fee is a percentage of those costs.

Final Words
To take on the role of master developer, as the County has chosen to do, means that the County must augment its skills in some manner to accomplish the tasks that the private sector normally performs. Partnering with the private sector allows the County to retain control of develop-
ment. It also raises issues of protecting public interests and puts pressure on contractual and in-practice arrangements with the private developer who is operating on behalf of the County.
CHAPTER FIVE:
IMPLEMENTATION STRATEGY AND STATUS

OPPORTUNITIES AND OBSTACLES

In general, implementation strategies for base reuse will reflect the opportunities, constraints, local market conditions, and availability of funding and financing. The County partnered with McCuen expressly to bring the firm’s expertise to bear in making the most of Mather’s opportunities and in overcoming the obstacles to successful conversion.

Redevelopment Opportunities
The primary assets of the Mather property are:

- Airport
- Existing industrial and office buildings (approximately 1,000,000 sf)
- Developable land
- Aggregate and mineral resources
- Existing base housing (1,271 units)
- Open space and natural resources (vernal pools)

Of these, the airport, existing buildings, and aggregate represent potential sources of near term income.

The airport offers high-grade runways, uncrowded airways, generous adjacent apron areas and adjacent industrial buildings with quick freeway access. Of the existing office and industrial buildings, approximately 600,000 sf is currently available for lease.

The southern portion of Mather Field contains rich deposits of construction-grade aggregate, the residual of which is gold. High grade aggregate is likely to be present in the south airport parcel with additional lesser grade deposits in the regional park parcel. Mining of the aggregate would take a decade and would lower the soil grade by 20-30 feet, increasing the cost to provide infrastructure to this area. Though the mining of this aggregate might contribute to the economic development of the property, currently the mining rights have been retained by the Air Force. Aggregate mining occurs on adjacent properties and these mining companies have expressed very strong interest locally and in Washington. Future negotiations with the Air Force will determine the potential of this resource to contribute economically to the reuse effort.

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Redevelopment Constraints and Obstacles

While general obstacles to reuse of military property were discussed earlier in this paper, this section addresses constraints and obstacles that pose real and immediate problems for implementation at Mather.

The key obstacles to implementation efforts at Mather are:

- Vernal pools
- Non-code-compliant buildings
- Substandard infrastructure systems
- Substandard on-site utility systems
- Disaggregated conveyances of infrastructure and utility systems; utility easements
- Federal negotiation process and schedule
- Local public process drag on implementation schedule
- Toxics and financing implications
- Toxics clean-up schedule
- Scarcity of local public funds for implementation

Vernal Pools

Though wetlands and vernal pools are natural resource assets, they are included here because they do not generate jobs or income and some of the implementing entities perceive them as constraints to job and revenue generation. Mather's vernal pools are some of the highest quality pools in the region but they are also located in the same areas of the property as the aggregate.

The Mather property contains approximately 180 acres of wetlands, primarily composed of vernal pools. Vernal pools are areas that are wet on a yearly basis. At Mather the pools are underlayed by hardpan so they evaporate slowly. Vernal pools support many species of wildlife and plantlife that go dormant when dry. Flowers bloom in beautiful concentric rings. This habitat supports several species which are proposed for endangered listing under the federal Endangered Species Act: fairy shrimp (Brachinecta ssp.), California linderiella (Lynderiella ass.) and tadpole shrimp (Lepidurus spp.). The recipient of property containing these assets becomes responsible for management of the natural resources and species, in this case Airports and County Parks and Recreation.
LOCATION OF VERNAL POOLS AND AGGREGATE

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**LEGEND**

- **MODERATE QUALITY AGGREGATE**
- **MID QUALITY AGGREGATE**
- **LOW QUALITY AGGREGATE**
- **VERNAL POOLS**

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The County is in the process of establishing a regional Habitat Conservation Plan which will set aside tracts of land in the Sacramento region which are large enough to be sustainable habitats. It is suspected by many that the environmental community might trade some of the Mather pools for assets elsewhere to be included in the large preserved areas. Because of the development planned at Mather, there is a potential for some of the pools to end up isolated, and isolated resources are not considered functioning resources.

**Non-Code-Compliant Buildings**

Most of the buildings at Mather were constructed in the 1940s and 1950s. The Air Force built to military standards and often ignored local, state, and national codes. Thus, none of the buildings conform to today's code requirements and many are seriously substandard. The impact of this is that the buildings cannot be immediately reused. Additionally, significant costs are involved in upgrading the buildings. To ease this problem and promote more rapid reuse of the base, California has established a policy that the buildings on leased military property need only be upgraded to comply with the codes in effect at the time the building was built in order to secure occupancy permits.

**Substandard Infrastructure Systems**

Though in reasonable condition, the existing on-site roadways were not constructed to County standards and most do not have stormwater drainage or curbs and gutters. Improvement of the roadways and extension of the circulation system to render the property developable and provide connection to the regional road system is a very costly endeavor.

**Substandard On-Site Utility Systems**

None of the on-site utility systems (electricity, gas, and telephone) are in compliance with County and State regulations. Costly upgrade of each of these systems is needed before the Air Force can convey the systems and the new owners will be allowed to operate them.

**Disaggregated Conveyances of Infrastructure and Utility Systems; Utility Easements**

Conveyance of the on-site roads and associated utility easements was not considered in the initial disposition of property. When it was recognized that the roadways would need to be conveyed to the County, the Air Force attempted to do so by donation. However, this was not allowed under the Federal Property and Administrative Services Act and Amendments. Thus, the roadways have now been packaged with the economic development conveyance parcels, the
price of which is still in negotiation. This is delaying a roadway improvement project already funded by EDA.

Disposition of the on-site utility systems was not handled with foresight by either the Air Force or the County. The Air Force attempted to negotiate a sale with the County. However, the Air Force insisted the systems had significant value. The County was not interested in being an owner/operator of the systems and also considered the substandard systems to have a negative value and therefore was not willing to purchase them. The Air Force then put the systems out to public bid, failing to require that bidders be licensed utility providers and possess financial capacity for upgrade of the systems. Thus, the eventual primary landholder, the County, lost control of the utility systems (and possibly first right to the easements). Additionally, the purchaser of the gas and communication systems was not a licensed utility provider and was undercapitalized, causing problems and severe delays in reaching a point where the utility systems can function for reuse of the property. The Air Force has retained operation and maintenance of the systems until these issues can be resolved.

The problem of ownership of first right to easements remains a current obstacle. SMUD claims ownership for electrical distribution; the County claims the first right of easement belongs to the roadway. The underlying issue is: who will pay for utility relocation costs when roadway improvements or changes are made? This will be a significant cost as the Mather property is developed. Since the EDC has not been completed, the County is attempting to attach a condition to the conveyance that the utility easements are included with road ownership.

Federal Negotiation Process and Schedule
Communication, or lack thereof, between the County entities and the Air Force has been the most often cited obstacle to reuse efforts. Federal decision-making is seen as incredibly slow, layered, indirect, contradicting, and uninformed by local market conditions. The disposition process at Mather has suffered because Mather was in the first round of closures and neither the Air Force or the County had experience or clear direction concerning how to go about the conversion. According to several County staff, the process has improved in quality and speed tremendously in the last 12 months. The County has learned to jump the Air Force hierarchy and deal directly with the highest level of authority when necessary. Discussions begun in 1992 for a negotiated sale of the base housing are still not completed. Negotiations for the economic development conveyance parcels are still in process.
Local Public Process Drag on Implementation Schedule

Public process requires much longer time frames to accomplish leasing or sale of property than is typical in the private sector. The County's process is too slow for most private sector tenants and this renders the County non-competitive with private sector landlords/owners. The County applied for and received from the State a Redevelopment Area designation for the majority of the Mather property (southeast EDC parcels is excluded). This designation is helpful in three specific ways:

- A public bidding process is not required for sale or lease of property; thus property can be disposed of by negotiated sale or lease as it is in the private sector.
- Shorter timeframes are realized by the contracting processes allowed. Under this designation, the County is not required to pay prevailing wage, though the County intends to maintain its prevailing wage policy at Mather.
- Increased financing abilities. Redevelopment Area designation allows tax increment financing. This may be used, for instance to pay for up-front tenant improvement costs which will later be recouped from rent revenues.

McCuen sees the Redevelopment Area designation as helping to strip the bureaucratic process away, allowing government to 'think' and be motivated to make things happen.

Toxics and Financing Implications

Efforts to remove surface toxics have been going on at Mather for the last 15 years and most surface toxics have been remediated. The persistent problem is groundwater contamination. Solvents have been identified in the groundwater as deep as 200 feet. Complete remediation of this contamination may take 40-50 years. The immediate obstacle to reuse is: who will be willing to finance development on land that is not clean?

Toxics Clean-Up Schedule

Some areas of the site have been declared uncontaminated or cleaned. Five operable units (OUs) have been established: Aircraft Control and Warning Site, Groundwater contamination, Soils contamination, Landfills, and Miscellaneous. There are four identified plumes of groundwater contamination, one of which is moving off-site in a southwesterly direction. Remediation is a pump and treat system. Some of the system is in place but is not operating to capacity. Not all remediation systems are in place and it is likely to be 40 years or longer until clean-up is completed. It should be noted that funding has not been committed for complete
remediation and uncertainty over this issue is likely to be a persistent companion to reuse efforts.

*Scarcity of Local Public Funds for Implementation*

Sacramento County, like most California counties, has no surplus monies. In fact, this year, a $1.1 million funding gap in the County budget led to a hiring freeze. The County’s cash-flow situation is critical. A utility tax increase is being considered just to fund normal operating expenses. This has resulted in an implementation strategy for Mather of ‘pay-as-you-go’ with a focus and dependence on revenue generation.

**IMPLEMENTATION PHASING STRATEGY**

The near-term objective of the implementation strategy at Mather is to initiate leasing and development to begin generating lease, fee, special tax, and tax increment revenue without significant infrastructure improvement costs. The County is definitely adopting a private sector approach of maximizing revenue while minimizing expenditures. Infrastructure improvements will be made over time in accord with the pace of development (primarily private sector) of the property. The pace of development is expected to respond to market conditions and the effectiveness of the marketing program.

It is expected that the redevelopment program for the Mather property, now known as Mather Field, will take at least 20 years to be fully implemented. On the basis of market absorption predictions, the Air Force’s schedule for site remediation, and a general infrastructure implementation strategy, a conceptual phasing plan has been developed. The current reuse plan has been considered in terms of six land use “packages” tied to geographic locations within the base, each of which will develop at its own pace over the life of the project. For the most part, these packages correspond to the areas controlled by the separate implementing entities.

The following table indicates the percentage of build-out anticipated for the various development packages for the three phases of development:

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**PROJECTED DEVELOPMENT ABSORPTION RATES**

<table>
<thead>
<tr>
<th>Package</th>
<th>Phase 1 (yrs 0-5)</th>
<th>Phase 2 (yrs 5-10)</th>
<th>Phase 3 (yrs 11+)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Package A</td>
<td>48%</td>
<td>77%</td>
<td>100%</td>
</tr>
<tr>
<td>Package B</td>
<td>33%</td>
<td>84%</td>
<td>100%</td>
</tr>
<tr>
<td>Package C</td>
<td>10%</td>
<td>55%</td>
<td>100%</td>
</tr>
<tr>
<td>Package D</td>
<td>0%</td>
<td>45%</td>
<td>100%</td>
</tr>
<tr>
<td>Package E</td>
<td>0%</td>
<td>0%</td>
<td>100%</td>
</tr>
<tr>
<td>Package F</td>
<td>0%</td>
<td>0%</td>
<td>100%</td>
</tr>
</tbody>
</table>

**Phase One (0-5 Years)**

The primary strategy during the first five years is to initiate civilian airport operations and market adjacent commercial and industrial properties within the Main Base EDC parcels and northern airport support area (Package A). The airport has been in operation for one year. Several air-related tenants are in residence and additional air cargo, general aviation and aviation support uses are being pursued.

In order to establish the identity of Mather Field as an aviation industrial park and to enhance the property’s attractiveness to potential tenants and users, several key projects are being undertaken by the County Public Works Department. These projects include improvement of the main property entrance; improvement of roadways, landscaping, signage and lighting through the Main Base area to the Airport; construction of a new airport terminal building; and extension of roadways to create two new property entries. This project is underway and is expected to be completed by 1998.

Renovation and marketing of the existing single-family homes will also be a major activity during the first five years. SHRA, in partnership with two private sector builders, will renovate and market the units to first home buyers. It is estimated that 500 of the 1,271 homes will be sold during this period.

**Phase Two (6-10 Years)**

During the second phase of development, the northeast and northwest airport support areas (Packages C and D) will be marketed to a wide range of aviation, industrial, and/or

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distribution users. Approximately 1.4 million square feet of development is expected within Package C and 460,000 square feet in Package D. It is expected that development within the Main Base area and northern airport support areas will continue, with an addition of one million square feet of commercial, aviation, and institutional development. The remainder of the existing single-family homes are expected to be sold in this phase.

**Phase Three (11 Years to Build-out)**

The final phase of development will include the south airport support area, the regional park, the southeast Economic Development Parcel (Packages E and F), and completion of Packages A, C and D. The south airport support area is programmed for 4.5 million square feet of industrial and distribution uses. The regional park includes 300,000 square feet of commercial-recreational uses (conference center, theme park, etc). This phase is expected to include an additional 2.1 million square feet of industrial and distribution uses in the northeast airport support area and 700,000 square feet in the northwest airport support area.

**SUMMARY OF DEVELOPMENT POTENTIAL**

<table>
<thead>
<tr>
<th>Agency/Pkg</th>
<th>Description</th>
<th>Existing</th>
<th>Phase 1 (yrs 0-5)</th>
<th>Phase 2 (yrs 5-10)</th>
<th>Phase 3 (yrs 11+)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Airp/Cty/McCuen A</td>
<td>Main base &amp; airport support area</td>
<td>1,000,000</td>
<td>2,454,000</td>
<td>1,483,000</td>
<td>1,175,000</td>
</tr>
<tr>
<td>SHRA/Ell/Lewis B</td>
<td>Base housing area</td>
<td>1271 units</td>
<td>500 units</td>
<td>771 units</td>
<td></td>
</tr>
<tr>
<td>Airports/McCuen C</td>
<td>Northeast airport support area</td>
<td>92,600</td>
<td>416,600</td>
<td>416,600</td>
<td></td>
</tr>
<tr>
<td>Airports/McCuen D</td>
<td>Northwest airport support area</td>
<td>498,000</td>
<td></td>
<td>608,600</td>
<td></td>
</tr>
<tr>
<td>Airports/McCuen E</td>
<td>South airport support area</td>
<td></td>
<td></td>
<td></td>
<td>4,845,600</td>
</tr>
<tr>
<td>Parks/McCuen F</td>
<td>Regional park</td>
<td></td>
<td></td>
<td></td>
<td>925,000</td>
</tr>
<tr>
<td>Cty Exec/McCuen G</td>
<td>Southeast EDC parcel</td>
<td></td>
<td></td>
<td></td>
<td>1,141,000</td>
</tr>
</tbody>
</table>

Square foot subtotal by phase:

<table>
<thead>
<tr>
<th>Phase 1 (yrs 0-5)</th>
<th>Phase 2 (yrs 5-10)</th>
<th>Phase 3 (yrs 11+)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2,546,600</td>
<td>2,397,600</td>
<td>9,111,800</td>
</tr>
</tbody>
</table>

Total square footage: 14,056,000

**CURRENT STATUS OF IMPLEMENTATION EFFORTS**

This section documents the current status of the reuse efforts for each of the primary implementing entities.

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28 Chart compiled from: Leighann Moffit, Draft Parcelization Plan, County Planning and Community Development Department, July 18, 1996.
County Executive’s Office/McCuen and General Marketing Efforts

McCuen Properties established an on-site marketing/leasing office in March of 1996. McCuen will lead marketing efforts for all County controlled areas of the base property except the residential areas and air cargo uses at the airport. 455,000 square feet of leasable space exists in the northwest EDC parcels. To date 50,000 square feet, or 11%, of this space has been leased. The Airports area contains 478,000 square feet of leasable space, of which 178,500, or 37%, has been leased. Highest and best use for each building is determined informally. Some buildings are not considered usable and will be demolished. McCuen estimates that there is currently about 600,000 square feet of space remaining to be leased in about 32 usable buildings in the northwest corner of the site (half office, half industrial).

McCuen has secured one tenant, Sub Sea Systems, since March 1996. A number of tenants had been secured by Airports before McCuen was brought on board. Following is a list of current tenants:

<table>
<thead>
<tr>
<th>Tenant</th>
<th>Use</th>
<th>SF</th>
<th>Monthly Rates/Terms</th>
</tr>
</thead>
<tbody>
<tr>
<td>Airborne Express</td>
<td>Cargo carrier.</td>
<td>40,524</td>
<td>$.19/sf, triple net.</td>
</tr>
<tr>
<td>Bailey &amp; Marzano</td>
<td></td>
<td>516</td>
<td>$.98/sf, triple net.</td>
</tr>
<tr>
<td>California Dept. of Forestry</td>
<td>Air operations</td>
<td>N/A</td>
<td>No lease in place.</td>
</tr>
<tr>
<td>Emery Worldwide</td>
<td>Cargo carrier.</td>
<td>32,231</td>
<td>$.19/sf, triple net.</td>
</tr>
<tr>
<td>County General Services</td>
<td></td>
<td>4,000</td>
<td>$.12/sf, triple net.</td>
</tr>
<tr>
<td>Sacramento Mineral Society</td>
<td></td>
<td>1,600</td>
<td>$.10/sf whse; $.20/sf office; triple net.</td>
</tr>
<tr>
<td>Sacramento Opera</td>
<td>Rehearsals.</td>
<td>14,828</td>
<td>No agreement in place.</td>
</tr>
<tr>
<td>Sheriff Air Operations</td>
<td>Air operations; planes, helicopters.</td>
<td>17,040</td>
<td>$.19/sf, triple net.</td>
</tr>
<tr>
<td>Subsea Systems</td>
<td>Fabricator of glass-bottom boats.</td>
<td>12,040</td>
<td>$.19/sf, triple net, 3 years.</td>
</tr>
<tr>
<td>Trajen Flight Support</td>
<td>Airport operator.</td>
<td>12,442</td>
<td>Varies - developmental period rates.</td>
</tr>
<tr>
<td>U.S. Forest Service</td>
<td>Administrative.</td>
<td>8,250</td>
<td>$.80/sf.</td>
</tr>
<tr>
<td>Move in by 8/31:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>BERC</td>
<td></td>
<td>5,390</td>
<td>$.55/sf office; $.25/sf wh.</td>
</tr>
<tr>
<td>SafeStore</td>
<td>Warehousing.</td>
<td>49,830</td>
<td>$.16/sf.</td>
</tr>
<tr>
<td>Total SF Leased:</td>
<td></td>
<td>198,691</td>
<td></td>
</tr>
</tbody>
</table>

29Christine Kelly, Mather Airport Operations, July 15, 1996.
McCuen sees two primary target tenants for Mather:

- Companies that can benefit from proximity to the runway.
- Technology companies (from Silicon Valley expansions; Mather offers them an opportunity for relocation just short of leaving the state).

McCuen is not pursuing 'job lean' warehouse operations or office users that could be located anywhere. However, no matter what the reuse plan is, if a potential user comes along that is attractive, McCuen believes the plan will need to be modified. McCuen’s immediate goal is to “get an aura of success going; get space leased up and activity happening out there”.

McCuen began by following up a backlog of requests for information placed by interested potential tenants. They have compiled mailing lists and will soon mail promotional materials and follow up by phone. They are targeting site location consultants and large American electronics companies first. They have also met with about 80% of the local brokerage houses, whom they envision will help fill the existing buildings and bring small build-to-suit clients.

McCuen’s next task is to develop a projection of potential lease income in the various buildings, determine the cost of minimum upgrades, and then structure a marketing strategy to maximize income potential.

McCuen has identified some immediate obstacles to leasing:

- No power in most of the buildings
- Some electrical systems have been cannibalized
- Some buildings are not safe (for example, bare wires)
- An electrical meter is needed on each building ($500-$1000 each)
- Some buildings have failing roofs which has caused interiors to have mold
- Buildings are not clean or presentable
- Cumbersome, slow leasing process (due to County procedures)
- “Toxic taint” - public perception of property contamination

The firm is undertaking efforts to overcome these obstacles:

- Working with SMUD to get meters placed at each building and power restored. SMUD has agreed to install the meters now at their cost and then bill for this expense as the buildings are leased.
- Urging transfer of property from the County Executive’s authority to the Redevelopment Agency as made possible by the designation of most of the
property as a State Redevelopment Area. This change allows the County to bypass public bidding processes for lease of space and for construction improvements, facilitating a much more efficient and private-market-like leasing process. It will allow McCuen and other brokers to move quickly which is needed because many tenants “need space yesterday.”

- Developing several standard boiler plate leases. The County will pre-approve these. Then, for any future lease approval, the County will only have to review modifications to the standard lease. This should greatly speed up the approval process. By normal County process, a new lease is individually drafted by County attorneys each time space is let.

- Developing an efficient way to work with small prospective tenants. County staff had been spending half a day with some of these prospects.

- Seeking funding from the County to make the buildings market-ready to show prospective tenants (safe to walk through, no bare electrical wires, lights on, no friable asbestos, roof not leaking.)

To date, only about $20,000 has been spent to make buildings showable.

It takes money to make money so its very difficult to market these assets when the County does not have money to make them lease-ready. (Mary Leonard)

The existing buildings will also need to be brought into compliance with the codes in effect the year the building was built (terms agreed to by the State regulators). However, these code improvements and costs will be rolled into the Tenant Improvement packages. County Building Inspection assessed all the existing buildings and determined the extent of up-grade necessary to comply with codes. McCuen procured a general contractor cost estimate, but the estimate figures were abnormally high. (Possibly affected by the perception of public sector deep pockets or time-consuming processes.)

McCuen perceives several challenges to their efforts:

- Avoidance of being “sucked into the dance” - endless meetings of the typical public sector process.

- Getting the EDC parcel conveyed from the Air Force.

- Overcoming the “toxic taint” problem to obtain financing for users.
Peter McCuen sees the toxics question as raising two sets of issues: health issues and legal issues. I think financing will be problematic because of the legal issues. Also, there are many, many people making big money on the toxics issue and this impedes rational and expedient progress in toxic clean-up. There are too many people who have a vested interest in the issue staying complex and insolvable. (McCuen)

Department of Airports: Mather Airport and Surounding Industrial Areas

In March of 1995, a 55-year lease was executed with the Air Force for the Mather airport facilities and adjacent lands and buildings. When toxic cleanup is completed, the property will be a no cost Public Benefit Conveyance from the Air Force.

On May 5, 1995 operations began at Mather Airport under the direction of the County Department of Airports (Airports). Primary target users are air cargo and aircraft maintenance operations. They are currently pursuing Federal Express, DHL, and UPS, who are now located at Sacramento International Airport. Airports’ next step in cargo marketing efforts will be to pursue Oakland based cargo carriers. Eventually they envision pursuing Pacific Rim cargo carriers but currently they do not have enough space or the right type of buildings.

Airports needs to secure tenants in order to generate revenue to be able to build more leasable space. Thus recruitment of tenants is a high priority. Airports has contracted with McCuen for marketing and leasing to potential non-cargo tenants. At Mather, Airports “inherited” many industrial buildings. They want to encourage industrial development but they don’t have expertise in that area; McCuen does. Airports also expects that McCuen’s personal contacts will be helpful in securing tenants.

Airports is still structuring their relationship with McCuen (his scope of services and responsibilities with them). They are considering turning property management of existing and future tenants over to McCuen, as they see their primary job as operation of the airport.

Trajen Flight Support (Trajen) is the fixed base operator at Mather Airport. In addition to aircraft fuel and maintenance, Trajen offers rampside auto rentals and custom catering. Trajen also services two Intel corporate jets (revenue of nearly $1 million annually). Mather Airport is attracting some civilian cargo carriers operating under military contract. These carriers use Mather as a substitute for Travis AFB, whose airfield is already operating at full capacity. Airborne, one of Airports’ current tenants, will begin construction this fall on a 32,000 sf permanent air cargo facility.
A new 18,000 sf terminal building, funded with EDA grant monies, is being constructed in concert with Public Works’ roadway improvement project, and is expected to open in 1998. Roads on airport parcels have been turned over to the County Public Works Department. Other infrastructure systems on airport property will also be turned over to the County.

There are a total of 294 jobs at Mather Airport now, including the Department of Airports.30

Department of Parks and Recreation: Regional Park and Golf Course

*Mather Regional Park*

A no cost Public Benefit Park Conveyance designated 1,432 acres to be developed by the County Parks and Recreation Department (Parks) as a major regional park. The property includes Mather Lake and surrounding riparian area, various drainage ways and associated wetlands, and an abundance of open grassland with scattered vernal pools.

Working with a community advisory committee, staff developed a conceptual land use plan for the park area which combines passive and active recreational activities. A Land Use Plan report (1995) has been approved by the Parks and Recreation Commission and is expected to be approved by the Board of Supervisors this fall.

Using grant monies and Community Conservation Core labor, some minor work has been done on the property since 1994, such as clean-up and rubbish removal, installation of a post and cable fence, renovation of one building, posting of some signage, and establishment of a community garden. One thousand trees have been donated for planting to begin the urban forest. However, irrigation is not yet available so the planting has been delayed and the trees are being stored and watered in a bunker.

Further work awaits funding. Parks proposes that the County develop the less intensively used park areas using whatever public funding means are available; and that the more intensively used recreational and non-traditional activity areas be developed by private investors based on a long-term lease of the land and revenue sharing arrangement. This revenue would then be used to fund development of the more passive park areas and infrastructure.

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30: Under separate conveyance from the Air Force, but significant to note in terms of job generation, the Federal Aviation Administration (FAA), will build an air traffic control facility on 32 acres. The facility is expected to be completed by late 2000 and will employ about 300 persons. Operations in smaller, older facilities throughout California will be consolidated; the facility will control flight scheduling at all major airports in Northern California.
A phasing strategy has been proposed and is described as follows:

Phase One (within 2 years): Improvements to the golf course, improvements at Mather Lake and adjacent picnic areas, establishment of trails along existing firebreaks, installation of fencing and controlled accesses to secure the habitat preserve around the southern and eastern sides of the lake, partial development of the urban forest, renovation of some buildings for office and storage uses, and installation of informational signage.

Phase Two (3-5 years): addition of new nine hole golf course, clubhouse/restaurant, driving range, putting green, conference center, some commercial recreation, second phase planting of the urban forest, first phase of the active sports complex, first phase of the cultural center, additional trails, continuation of habitat restoration, and establishment of an RV park.

Phase Three (6-10 years): construction of a theme park, 2nd phase of cultural center, international village, group picnic facilities, 2nd phase of commercial recreation, final phase of planting of the urban forest, 2nd phase of active sports complex and veladrome, volleyball complex, model airplane facility, and soccer complex.

Phase Four (more than 10 years): equestrian center, nature center, new lake and island, final phase of active sports complex and veladrome, completion of theme park, cultural center, international village, restoration work, commercial recreation, and the urban forest/arboretum.

*Mather Golf Course*

Parks purchased the existing 18-hole golf course and equipment from the Air Force by negotiated sale. It was opened for public use in 1994. The golf course is located within the Mather Regional Park. All golf revenues go into the County General Fund; operating costs are not expected to exceed revenues.

County Parks and Recreation is more experienced with passive and recreational uses and not very experienced with commercial recreational enterprises. Thus McCuen’s assistance in this area is welcomed. Staff feels that because of the government bureaucracy and mentality, they are too slow to deal effectively with the private sector. McCuen’s expertise and direct and efficient manner is valued. Parks will take the lead in issuing RFPs. McCuen will advise on content. Once Parks has received written proposals from respondents they will ask McCuen to negotiate with the party and structure the deal.
Mather Regional Park Land Use Plan (administrative draft), County Department of Parks, Recreation, and Open Space, September 1995, p. 11.
SHRA: Base Housing and Homeless Assistance

Base Housing

The existing base housing consists of 1,271 dwelling units. Some (209) are duplexes of concrete block construction. The remaining units (853) are wood frame single family homes. Sacramento Housing and Redevelopment Agency (SHRA)'s goal is to provide for long term ownership and facilitate development of a product that is affordable to first time home buyers.

SHRA has limited resources. If they purchased the property and redeveloped it themselves, it would almost completely deplete their financial resources. Instead they decided to leverage their limited funds and resources by seeking a private developer partner in renovation and reuse of the base housing. An RFP was issued to private residential developers in 1992. Three responses were received and a team of local developers, Elliott Homes Inc. and Lewis Homes Management Corporation (Elliott/Lewis), was selected. SHRA will oversee development but will sell its interest in the property to Elliott/Lewis.

The parties to this public/private partnership bring the following resources:

SHRA: Wealth of experience in first-time home buyer and rehabilitation programs; ability to coordinate with other County departments to facilitate the completion of the project through timely zoning, subdivision approvals, etc.

Elliott/Lewis: Financial resources; not bound to public sector decision processes and bidding requirements (time); experience with projects of this scale; comfortable with undertaking this level of risk.

Negotiations with the Air Force for purchase of the housing parcel began in 1992. The Air Force’s initial 1993 appraisal was $24 million; SHRA’s was $4.2 million. The difference was due to widely disparate value assumptions. In 1994, the Air Force and SHRA jointly undertook a third appraisal using a GSA approved local appraiser. This appraisal came in at about $3.5 million. Negotiations fell apart and the Air Force decided to put the property out for public bid. A group of bidders challenged the Air Force bidding process and to avoid litigation the Air Force resumed negotiations with the SHRA. The County is now negotiating directly with the Air Force General Counsel’s office in Washington, D.C. A negotiated sale to the County in the range of $3-5 million is expected to be completed by the end of this year. Rob Leonard, SHRA, and Elliott/Lewis participate as a team in negotiations with the Air Force.
Meanwhile, the homes have been vacant for nearly three years and are deteriorating. SHRA continues to address obstacles in the conversion effort in their role as facilitator and advocate for Elliott/Lewis. For instance, Public Works would like all of the roads and utilities upgraded to current standards. SHRA is advocating that satisfying safety issues will be sufficient (cost implications). On another front, potential lenders are demanding prior agreement that VA and FHA will insure home buyer’s loans. There has been hesitancy because Mather is a Superfund site. SHRA has been working to get a “comfort” letter from the EPA stating that the parcels in question are clean. Local lenders will only make loans to buyers if they can resell the loans on the secondary market. Thus the federal insurance is really necessary.

SHRA has recently submitted a tentative subdivision map and community plan amendment for approval. Redevelopment and sale of the homes will be done in sequential phases of about 200 homes at a time. Assuming the Air Force property sale is completed by the end of the year, the first phase of units should be ready for marketing by early 1988.

SHRA has approached the project fairly independently, coordinating with other entities only as relevant issues arise. Since Elliott/Lewis will redevelop and market the units, SHRA has had no contact with McCuen nor experienced any influence from his presence and activities at Mather.

Mather Community Campus
A homeless assistance program, Mather Community Campus, has been established just northeast of the Main Base area on 31 acres of property which contain 22 buildings, mostly dormitories. This property was conveyed as a public benefit per the McKinney Act. In 1993, the Department of Housing and Urban Development (HUD) awarded grant monies of $12.8 million over five years to operate this program. The program will provide housing, some food service, education, and job training services to 60 families and 200 individuals. The expected average length of stay is 9 months.

It is estimated that approximately 3,000 people are homeless in Sacramento each night: 25% families with children, 60% single men, and 15% single women. Using these figures, Mather Community Campus will serve 8% of the homeless families and 9% of the homeless singles.

32 Consolidated Comprehensive Housing Affordability Strategy for the City and County of Sacramento, County of Sacramento, 1993, p. 29.
Mather Community Campus is administered by the County Department of Human Assistance. All facilities related issues are the responsibility of the Sacramento Housing and Redevelopment Agency (SHRA).

Considerable upgrade of the existing buildings was necessary before they could be occupied. Dormitories have been renovated for housing. Nine metal buildings are being converted for classroom space and the old base library is being converted to a cafeteria. Residents were first admitted in the fall of 1995. There are currently 20 families in residence. Renovation of all the facilities is expected to be completed by December 15, 1996.

Department of Public Works: Infrastructure
At its peak, Mather Air Force Base accommodated more than 9,000 employees and 3,000 residents. The infrastructure and utility systems required to support this population are still largely intact, although they were not built to County standards and require upgrading.

Roads and other infrastructure improvements will be phased to correspond to the pace of development. The County is pursuing a 'pay as you go' approach. The upgrade and expansion needs of each of the infrastructure systems (roads, water, sewer, storm drainage) will be assessed and prioritized. Development proposals will be taken into consideration when planning the timing and location of the upgrade and expansion projects.

Roads
While in reasonable condition, on-site roads were not built to County standards and have suffered from deferred maintenance. The circulation layout is internal to the base and reuse will require additional property access points and connection of the Mather road system to the surrounding regional roadway system.

An initial "backbone" roadway improvement project is underway and includes improvement of roadways, landscaping, and lighting from the main site entrance, through the Main Base area, to the airport; resurfacing of primary east/west roadway; and creation of two new site access roads. With permission of the Air Force, one phase of the project which extends through airport and park parcels, has been completed. Construction of the other phases are dependent

upon finalization of negotiations for the economic development conveyance, as the roadways are part of this conveyance. This project is being undertaken to upgrade the image of the property in order to enhance marketability of the existing buildings and the site in general.

Additional grant monies have been applied for to make road, landscaping, and lighting improvements adjacent to the new air terminal and to demolish an existing swimming pool.

**Wastewater System**

Much of the existing wastewater facilities are over 50 years old and do not meet County standards. However, the system has operated adequately to serve past base uses, and portions of the system will serve new development for initial phases of the reuse plan. The sewage outfall lines discharge to the County regional system.

**Water System**

The existing water supply facilities consist of 4 wells and a treatment system in the Main Base area, and 5 wells and treatment in the housing area. The wells are reported to be generally in good condition, however, some minor upgrades will be necessary to meet all State and County standards. To serve the peak day demand of the proposed development, 5 new wells (1.5 mgd capacity) are required.

There are three water storage tanks: a 650,000 gallon underground tank at the Main Base treatment plant; a 300,000 gallon elevated tank in the northwest area of the site; and a 500,000 gallon tank in the housing area. These facilities have provided marginal storage capacity for emergency and fire flow requirements at Mather. Ultimate buildout of the planned development will require the addition of 4.5 million gallons (mg) of storage. Currently, capacity is inadequate for fire protection.

The water distribution systems are operable and to a certain extent can be used by proposed development. However, a large percentage of the lines will require repair or replacement with new development.

**Storm Drainage Facilities**

Existing drainage pipelines are located in the streets of the Main Base and housing areas. Most of these pipelines are inadequate to convey the 10 year storm runoff. The Main Base outfall is an open channel discharging to a box culvert beneath the runway. This channel will require
relocation to allow further development. In order to meet County standards, most of the existing local drainage systems will require parallel or replacement facilities. Storm water detention ponds are also needed.

**Utility Providers**

*Gas Service*

The on-base natural gas services have been operated and maintained by base personnel, with points of connection from local purveyors at main meters near entrances to the base. By public bid, the Gutierrez Group purchased the on-property gas distribution system from the Air Force and then assigned its interest to Mather Field Utilities (MFU). MFU is not licensed as a utility provider and must obtain a Certificate of Public Convenience and Necessity from the California Public Utilities Commission before PG&E will supply gas to the system. PG&E has taken the position that replacement of the existing system will be at the cost of the developer. For new development where service is not currently provided, PG&E will install a calculated amount of "free footage" of gas services. The Air Force will continue to operate and maintain the base system until the new owner obtains the necessary certificate.

*Electric Service*

Sacramento Metropolitan Utility District (SMUD) purchased the on-site electricity distribution system. They began upgrade of the system in August of 1995; all infractions are expected to be fixed by the first of 1997. SMUD estimates the total cost for upgrades to the electric system to be $3-3.5 million. All infractions are expected to be fixed by the first of 1997. Costs of trenching to relocate service lines have been included in Public Works' roadway improvement estimates.

*Communication Service*

Pacific Bell has provided communication service to the Mather property. Pacific Bell found the on-site facilities to be substandard. The existing base equipment has been sold by the Air Force and is now owned and operated by Electric Light Wave, a division of Citizens Utilities Company. Electric Light Wave is in the process of upgrading the system and providing fiber-optic cable to all occupied buildings.

*Air Force*

The Air Force remains responsible for some maintenance tasks at Mather and contracts out with ACCI-ASRC Contracting, Inc. for caretaking responsibilities such as lawn maintenance,
security, operation of the water treatment facility, janitorial service for the Headquarters building, and operation of gas, electrical and telecommunications systems until they are transferred to the new owners.

In 1982, Mather began its Installation Restoration Program (IRP) to investigate and remediate environmental contamination. There have been continual industrial activities on the base, including vehicle, aircraft, and weapons maintenance for the last 75 years. In 1987, the Aircraft Control and Warning site was placed on the National Priorities List (U.S. Environmental Protection Agency's list of hazardous waste sites identified for possible long-term clean-up action). The Air Force began underground storage tank removal and other environmental cleanup efforts in 1987. In 1993, Mather was designated under the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA) as a federal Superfund site. The primary source of contamination was in the form of industrial solvents and caustic cleaners used in aircraft maintenance. Waste fuel disposal also contributed to the contamination. Disposal methods of 55-gallon drums, underground storage tanks, and landfills were used to dispose of toxic chemicals. Fortunately, the contamination is isolated in relatively concentrated areas. Fifty percent of the Mather property has been determined to be free of contamination.

The landfill ROD was issued in July 1995. In October of 1995, a ROD was completed for cleanup of the AC&W site and a pump and treat system has been removing contaminants from the groundwater since January 1995.

Drinking water in most of the neighborhoods near Mather is provided by Citizens Utilities Company of California. There has been some well contamination from the Mather airport area plume moving offsite. Citizens have abandoned one well. The Air Force is trucking clean replacement water to the utility. All drinking water being distributed in the area meets current state and federal drinking water standards.

PRIVATE SECTOR INFLUENCE ON IMPLEMENTATION STRATEGY AND STATUS

The observations of this study must be tempered with the fact that McCuen has only been under contract with the County for five months.
McCuen's Roles in Practice

While McCuen’s contract, which is administered by the County Executive’s Office, makes the firm’s services available to all of the County implementing entities, the specific scope of services and extent of involvement must be worked out informally with each entity.

Because there are so many players, it’s hard to figure out where our scope begins and ends. We find that others are reluctant to give up control to someone else, even when it makes more sense and is more efficient. I guess these are growing pain things. (Mary Leonard)

The County Executive’s Office is making use of the full range of services specified in the contract. McCuen’s advise is sought often in strategic decisions. McCuen has been asked to participate in the remaining Air Force negotiations for the EDC parcels. The County feels that McCuen’s awareness of local market conditions and effects of the ‘toxic taint’ perception are greatly aiding the County’s ability to arrive at a realistic price for the EDC property. McCuen brings the hardcore reality of the marketplace to the negotiating table.

McCuen’s primary value to Airports in their implementation efforts is the firm’s expertise in leasing. Airports has agreed to turn marketing efforts over to McCuen except for cargo operations, which Airports will continue to recruit. For each prospective tenant, McCuen will provide Airports with an analysis of revenue versus cost to improve the building. All airport property lease terms must be approved by Airports before they are submitted for approval by the Board of Supervisors.

Parks and Recreation has very little experience with commercial recreational uses and welcomes McCuen’s participation in recruiting and negotiating with these potential users. Parks has requested McCuen’s advise in evaluation of expressions of interest from private sector commercial recreation enterprises. McCuen has provided Parks with a list of information to request from proponents of ideas or proposals, which will aid Parks in evaluating the merits and financial feasibility of the projects. Currently, whoever is contacted by an interested party works with them first, and then Parks and McCuen pursue the project jointly.

McCuen and Parks have informally agreed upon a role structure where Parks will draft RFPs and McCuen will review the documents for content before they are issued to the public. Then, when proposals are received, Parks will forward desirable proposals to McCuen to negotiate and structure a deal. Parks operates on a very tight budget so they limit their use of McCuen, since McCuen’s services are not free.
SHRA's in-house expertise is sufficient and appropriate to accomplish the tasks at Mather Community Campus. SHRA has partnered with two private residential developers for renovation and resale of the existing base housing so McCuen's services are not needed on that project either. McCuen is likely to have some involvement with SHRA staff in the future because of the Redevelopment Area designation, which includes Airports property, though not the portions of EDC parcels.

Public Works has consulted with McCuen about details of the current roadway improvement project. McCuen was helpful in expressing marketing awareness concerns about landscaping, lighting, and the entrance sculpture and also assisted by identifying specific locations for curb cuts to facilitate future development. Public Works will continue to work closely with McCuen in determining the phasing of infrastructure improvements.

'Hurdles and Leaps' Experienced as the Partnership Unfolds

McCuen is probably leading and initiating more than the County originally envisioned. McCuen doesn't just sit back and wait for the County to ask the firm to perform a certain task. McCuen is pro-active. If they see things that are in the way or inconsistent with marketing goals, they call it to the attention of the parties affected, and find out what each entity's needs are. Then McCuen calls a meeting of all the affected parties and proposes a way they can all coordinate and do it for less cost. McCuen works to resolve issues and move beyond them.

For example, the County Planning Department has established very specific design guidelines and landscaping standards for the property. Airports, however, is not very concerned with landscaping, especially that of their industrial tenants. However, they understand that McCuen is concerned from a marketing perspective and thus, they are willing to work something out. A series of meetings was also initiated concerning security patrol of the property.

McCuen is beneficial to the County as a whole because of the varying interests of the different entities. McCuen is able to look at Mather as a whole and coordinate between the entities. He is able to get deals made (between the entities). (Kelly)

Under Air Force ownership, individual buildings were not metered for electricity use. Each building must be metered in order to lease or sell it. The cost for doing so varies between $500 and $1000 per building. McCuen assisted in convincing SMUD to install the meters in advance and delay billing until the facility is actually leased or sold. This allows the buildings to be
powered (so that they can be shown to prospective tenants) and defers cost to the County until the time that lease revenues will be available to pay for such work.

McCuen is in the process of quantifying the scope and cost of the minimum up-grade necessary to make the buildings market-ready. This will be presented to the County with a request for funding.

Capturing outside brokers' enthusiasm is proving to be difficult. The brokerage community's perception is that there are too many requirements and constraints at Mather and not much money to be made. McCuen believes that more extensive education of the brokerage community will be needed to gain their full participation.

McCuen's Influence on the County's Plans and Perceptions
The County is looking to McCuen for strategic guidance for implementation efforts. The County has a conceptual idea of what can be done and they know they have to do it in a manner that is self-funding. They are looking to McCuen to define their options for what they can do and how they should proceed, and to help them evaluate those choices. The County views the reuse of Mather as a dynamic and evolving project and expects McCuen to positively influence the project.

McCuen is concerned about the County's financing plan - that the property doesn't become uncompetitive because of it. They have suggested a phased financing program where a lower percentage of rents is taken from the first few years of rent revenues. McCuen has also suggested establishment of a sinking fund to accumulate funds for eventual buyout of the Air Force, so that the County has the money in hand when the time comes.

McCuen has captured the influence of the toxic contamination in the phrase 'toxic taint.' He has helped the County understand the challenge they face with the private sector perception of the contamination at Mather. Not only does it influence firms' decisions about locating at Mather, but, more importantly, McCuen predicts that lenders' perception of liabilities for toxic clean-up will make it very difficult for users to obtain financing.

McCuen has also complained that the homeless use is incompatible with marketing other developments.
McCuen's Influence on the County's Priorities and Actions

The County’s timeframe for reuse implementation is quick. McCuen acts as a catalyst and helps prioritize issues. McCuen’s private sector approach tends to make meetings more focused and efficient. The standard leases McCuen is drafting will speed up the County’s traditional leasing process.

McCuen cuts through the bureaucracy - getting things done because they’ve got to be done. (They are) trying to change County processes - subtly and not so subtly - and have ruffled a few feathers in the process. (Miller)

McCuen’s involvement is enabling the County to gain a better understanding of the specific actions and expenditure of monies that must be undertaken to generate jobs and a revenue stream from the property (such as minimum upgrades to the buildings; improved image and landscaping). McCuen’s involvement reinforces the priority of marketing in attaining the County goals of jobs and revenue generation to facilitate reuse. Thus the relationship to marketing is always considered in decisions about phasing and other actions.

For example, in the current EDA road improvement project, Public Works must have their contractors perform the work so that existing tenants are not disturbed and access through the base is kept open.

In preparing a building database, McCuen will be able to quantify the extent and cost of minimum upgrade required to lease the existing buildings. By projecting lease revenues and capital investment required, McCuen will recommend a prioritized schedule for the County to fund and undertake this work.

McCuen is also affecting Air Force activities on base. For example, the Air Force needs to locate groundwater clean-up equipment in the Main Base area. Since this is an area currently being marketed, McCuen is concerned about where the equipment gets located and to what extent it can be screened.

Summary

A strategy for implementation of the reuse plan is in place. Implementation efforts have begun. The airport and golf course are operating. Several hundred thousand square feet of existing building space has been leased. Roadway improvements are being made and a new air terminal will be built and opened by 1998.
McCuen has established an on-site marketing and leasing office and full scale marketing efforts are underway. McCuen is pro-actively identifying obstacles to leasing and conversion efforts and structuring a process whereby the implementing entities can collaborate to overcome the obstacles. Because McCuen is responsible for marketing of existing facilities and land site-wide, their role affects all the entities and is evolving into one of coordination.
CHAPTER SIX:
ECONOMIC IMPACT AND SOURCES & USES OF FUNDS TO DATE

One of the primary obstacles to base reuse is the scarcity of local funds for implementation. This section looks at the mechanisms the County has available to it to finance pre-development activities and documents the sources and uses of funds to date. Where possible, it discusses the County's strategy for meeting anticipated financial obligations. The Mather project is large and multi-dimensional, rendering the financial aspects even more complex. Retaining McCuen is a financing mechanism of sorts, since commissions will be paid out of revenues, and marketing will generate the revenue stream needed to pay for many other County pre-development costs.

To remind the reader of the context, the chapter begins with a discussion of the impact of the loss of jobs and spending power from Mather's closure.

Economic Impact of Mather's Closure

In examining the economic effects of the Mather AFB closure, the Sacramento City Office of Economic Development concluded that "reuse of the base property and building facilities should mitigate any long-term economic impacts."

With developers clamoring for land which would be opened up for development by the closure of Mather, it stands to reason that Sacramento will join the ranks of communities which have benefited in the long run from base closures, gaining more from reuse of base facilities and land than was ever gained from military operations.

The City OED’s Reference Guide on the Economic Impacts of the Closure of Mather Air Force Base contained the following 1988 statistics:

- Overall Impact: $345 million on the Sacramento economy
- Payroll: $154 million
- Vendor Spending: The base spent $8.5 million on construction related items and purchased $30 million in goods and services.

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In 1988, there were a total of 400,000 jobs in Sacramento; 28,000 were created in 1988 (about six times the full impact from Mather’s closure). The Sacramento region was one of the state’s strongest areas of growth in the 1980s and is proving to continue that trend as California emerges from the recession. It was felt that the secondary jobs generated by the active military base could easily be supported by other economic growth. Analysis by the Air Force estimated that the proposed reuse plan would support almost 12,200 direct, indirect, and secondary jobs by 2014, which would draw approximately 7,800 new people into the region.36

The OED report concluded that “The economic cure for the closure will be the long-term plans implemented for the reuse of the base. The necessity to make the base facilities productive for the local economy will be imperative in keeping a vital Sacramento economy.” 37

**Financing Tools**

Rendering the facilities productive requires substantial up-front investment in upgrade of existing buildings and infrastructure, however. Significant monies have already been spent on planning, administration, negotiations, and basic upgrade of approximately 400,000 sf of space now occupied by tenants. An $11 million road improvement and new air terminal project is underway. McCuen estimates that approximately $1.5 million is needed to make the remaining existing buildings market-ready for showing to prospective tenants. Because of asbestos and lead abatement, demolition of unusable buildings may cost as much as $6 million. Infrastructure improvement costs are projected to total $122.5 million by build-out.

Financing these up-front costs is absolutely necessary to realize reuse of the property and represents a tremendous challenge. The County’s normal sources of revenue are principally property and sales tax revenues, license and fee revenues, charges for services, and intergovernmental transfers. Any and all sources of funds and financing are being considered as the County develops a strategy to meet the expected costs.

**Federal, State, and Local Grant Monies**

The County plans to use federal, state, and local grant monies whenever possible.38

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38 Refer to the end of this chapter for a listing of sources of grant monies to date.
Redevelopment Tax Increment Funding
The County plans to use Chapter 4 of the California Community Redevelopment Law to finance redevelopment costs at Mather. A Redevelopment Plan was approved by the Board of Supervisors May 9, 1995 and includes most of the Mather property except the southeast EDC parcel of approximately 500 acres. Tax increment financing and bonding based on expected future lease revenues can be used to fund infrastructure.

Enterprise Revenue-Based Funding
Lease revenue and user fees can be capitalized for purposes of funding capital improvements. The County may issue lease revenue bonds to finance capital improvements for facilities that are leased to a public agency. These bonds must be paid directly from the rents. Public enterprise revenue bonds are paid from the revenues of the enterprise that issues them, for example, a water or sewer district.

Enterprise Zone
The County plans to apply to the State for Enterprise Zone status. Enterprise Zone designation would allow a number of measures designed to encourage private firms to locate or expand at Mather. These incentives include: state tax credits to firms of approximately $19,000 per qualified employee hired, interest deductions for lenders on loans to firms within the zone, and accelerated depreciation for purchase of certain property. Local governments may reduce or waive permit and construction fees and may offer expeditious processing of plans and permits.

LAMBRA Designation
The County is applying for recognition by the California Trade and Commerce Agency administered Local Area Military Base Recovery Act (LAMBRA) program. The purpose of the program is to stimulate business and industrial growth in base closure areas. The LAMBRA designation will allow the County to offer state and local incentives to private firms interested in locating at Mather, such as a 15-year net operating loss carry-over and sales and use tax credits.39

Financing District

A Joint Powers Authority is being established to oversee a Financing District for the Mather property, primarily to fund infrastructure improvements. Share of infrastructure cost will be pro-rated to each building or development in proportion to the benefit received. Developers can pay up front or amortize over a 20-25 year period. Building and land leases will include a provision that earmarks a share of the revenue for bond payments.

A Financing District can be used to obtain up-front financing for projects benefiting defined areas or developments. This allows facilities to be built ahead of the development that causes the need for the facilities.

Sale of Mining Rights

If aggregate extraction is allowed on the property, it may be possible to use a portion of the revenues generated to fund airport operations or a pro-rated portion of the site-wide infrastructure improvements.

State Prison Reception Center Proposal

The State has expressed interest in locating a Prison Reception Center on part of the southeast economic development conveyance parcel. The prison proposal would include funding (about $100 M) to construct most of the infrastructure that would be needed for new commercial development in this portion of the site. The facility would occupy approximately 280 of the 500 acres and employ about 2000 persons. Funding for this facility is subject to public approval by State ballot, planned for November.

SOURCES AND USES OF FUNDS TO DATE

To gain a sense of the magnitude of up-front investment required to initiate conversion efforts, this section documents the sources and uses (or encumbrances) of funds to date for the primary implementing entities. The cost of staff time is not included and it should be noted that considerable staff hours have been devoted to this project, especially over the last five years.

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40 The County cannot enter into an agreement with itself. The County will be able to enter into an agreement with the Joint Powers Authority.
County Executive’s Office

<table>
<thead>
<tr>
<th>Amount</th>
<th>Sources</th>
<th>Uses</th>
</tr>
</thead>
<tbody>
<tr>
<td>$70,000</td>
<td>OEA grant, 1989</td>
<td>Planning</td>
</tr>
<tr>
<td>143,000</td>
<td>OEA grant, 1990</td>
<td>Planning</td>
</tr>
<tr>
<td>417,500</td>
<td>OEA grant, 1993</td>
<td>Planning</td>
</tr>
<tr>
<td>445,000</td>
<td>SHRA, 1996 (and Federal Grant</td>
<td>McCuen contract (marketing, asset</td>
</tr>
<tr>
<td></td>
<td>Airports, General Fund)</td>
<td>management, development manage-</td>
</tr>
<tr>
<td>200,000</td>
<td>General Fund (loan), 1996</td>
<td>ment, financial services, property</td>
</tr>
<tr>
<td></td>
<td></td>
<td>management, strategic advisor)</td>
</tr>
<tr>
<td>$1,275,500</td>
<td></td>
<td>Up-grade of existing buildings and</td>
</tr>
<tr>
<td></td>
<td></td>
<td>landscape.</td>
</tr>
</tbody>
</table>

McCuen estimates $2-3/sf, or approximately $1.5 million, to ready the remainder of the existing buildings showable to prospective tenants (safe to walk through, no bare electrical wires, lights on, no friable asbestos, roof not leaking). An additional $2-3/sf will be needed to bring the buildings in compliance with the codes in effect the year the building was built (per agreement with State authorities). These code improvement costs will be rolled into the tenant improvement financing packages (paid for by tenants). Some unusable buildings will be demolished; cost of demolition is estimated to be $10-15/sf.

Department of Airports: Mather Airport

<table>
<thead>
<tr>
<th>Amount</th>
<th>Sources</th>
<th>Uses</th>
</tr>
</thead>
<tbody>
<tr>
<td>$800,000</td>
<td>Enterprise Fund (loan)</td>
<td>Administration, building improvements</td>
</tr>
<tr>
<td></td>
<td></td>
<td>to get occupancy permits, airfield improvements before operations began</td>
</tr>
<tr>
<td>250,000</td>
<td>Enterprise Fund (loan)</td>
<td>First year operating loss</td>
</tr>
<tr>
<td>1,000,000</td>
<td>FAA Airport Improvement</td>
<td>fencing, metes &amp; bounds survey, etc.</td>
</tr>
<tr>
<td></td>
<td>Grant (AIP); not yet rec’d</td>
<td></td>
</tr>
<tr>
<td>20,000</td>
<td>CalTrans Grant; pending</td>
<td>For capital projects</td>
</tr>
<tr>
<td>1,875,000</td>
<td>Portion of EDA grant</td>
<td>New terminal building</td>
</tr>
<tr>
<td>625,000</td>
<td>Enterprise Fund; matching</td>
<td></td>
</tr>
<tr>
<td></td>
<td>funds for EDA grant</td>
<td></td>
</tr>
<tr>
<td>238,526</td>
<td>FAA AIP grant, 1990</td>
<td></td>
</tr>
<tr>
<td>$4,808,526</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Mather Airport, operational now for one year, is expected to be self-sufficient (revenues covering costs) in ten years. Until then, an operating deficit is expected, declining from $250,000 annually. Landing fees and fuel sales are the primary sources of revenue for Airports. The
Airports are not in business for profit and hope to achieve a balanced budget system-wide. Mather Airport runways and ramps are in very good condition and significant capital improvement projects are not anticipated within the next 10-15 years. A new 18,000 sf terminal building is being constructed as a part of Public Works' EDA grant infrastructure improvement project.

Airports intends to keep their rental rates competitive with those of the surrounding area. They commissioned a rental rate analysis of the Rancho Cordova area last year and this has served as a benchmark for establishing their rates. Within the County Airport system, rates at Mather are much lower (about 30-50% less for building rates; about 60% less for ground rents).

Mather Airport is part of the County Airport System, which operates on an Enterprise Fund. The airlines pay into the Enterprise Fund and these monies can then be used at any of the airports in the system. Mather has a line of credit with the Enterprise Fund which has been used to fund operating losses.

Mather Airport operates under the authorization of FAA, which has specific restrictions regarding revenue diversion. Revenues must be used to benefit the airport system. At Mather, this would include any revenues from lease of industrial buildings or new industrial development as well as any revenues realized from aggregate mining operations. Revenue monies can be used to fund Airports' designated share of site-wide infrastructure improvements since the airport is the anchor for reuse of the base.

### County Parks and Recreation Department

<table>
<thead>
<tr>
<th>Amount</th>
<th>Sources</th>
<th>Uses</th>
</tr>
</thead>
<tbody>
<tr>
<td>$2,000,000</td>
<td>Defense Conversion Assistance Program (grant)</td>
<td>Start-up of regional park</td>
</tr>
<tr>
<td>6,000,000</td>
<td>County Parks &amp; Recreation</td>
<td>Purchase of the 18-hole golf course and equipment</td>
</tr>
<tr>
<td>$8,000,000</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Parks intends to develop the less intensively used park areas using whatever public funding means are available. The more intensively used recreational and non-traditional activity areas will be developed by private investors based on a long-term lease of the land and revenue sharing arrangement. This revenue will then be used to fund development of the more passive park areas and infrastructure.
Sacramento Housing and Redevelopment Authority

Base Housing

<table>
<thead>
<tr>
<th>Amount</th>
<th>Sources</th>
<th>Uses</th>
</tr>
</thead>
<tbody>
<tr>
<td>$150,000</td>
<td>SHRA</td>
<td>Consultant - strategic advice</td>
</tr>
<tr>
<td>30,000</td>
<td>SHRA</td>
<td>SHRA's share of appraisals</td>
</tr>
<tr>
<td>150,000</td>
<td>CDBG 41</td>
<td>Buyer assistance for down payments, closing costs, etc. associated with financing</td>
</tr>
<tr>
<td><strong>276,250</strong></td>
<td>SHRA Tax Increment</td>
<td></td>
</tr>
<tr>
<td><strong>$606,950</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The Sacramento Housing and Redevelopment Agency (SHRA) is facilitating renovation and resale of the existing base housing by partnering with a local team of private residential developers. SHRA’s funding contribution will be limited to facilitation of implementation and assistance to the eventual homebuyers. The private sector developers, Elliott/Lewis, will be responsible for purchase costs to the Air Force, infrastructure and building renovation costs, and marketing costs. In turn, all revenues realized will go to Elliott/Lewis.

The housing area is intended to be a mixed income residential development. A minimum of 30% of the units must be sold to first time home buyers earning less than 80% of the area median income. Current median income for a family of four is $46,000. There are presently no deed restrictions planned to maintain affordability over time.

Mather Community Campus

<table>
<thead>
<tr>
<th>Amount</th>
<th>Sources</th>
<th>Uses</th>
</tr>
</thead>
<tbody>
<tr>
<td>$12,800,000</td>
<td>HUD grant, 1993</td>
<td>Operating costs (for 5 years)</td>
</tr>
<tr>
<td>450,000</td>
<td>SHRA Tax Increment</td>
<td>Renovation of buildings</td>
</tr>
<tr>
<td>661,000</td>
<td>CDBG funds</td>
<td>Renovation of buildings</td>
</tr>
<tr>
<td>300,000</td>
<td>County Dept. of Housing</td>
<td>Renovation of buildings</td>
</tr>
<tr>
<td>(400,000)</td>
<td>HUD (incl in grant above)</td>
<td>Renovation of buildings</td>
</tr>
<tr>
<td><strong>338,388</strong></td>
<td>County Maintenance</td>
<td>Renovation of buildings</td>
</tr>
<tr>
<td><strong>$14,549,388</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Thirty-one acres, including 22 buildings (mostly dormitories) were conveyed to the County Department of Human Assistance to establish and administer a Transitional Housing Program for homeless persons. Twenty families are currently in residence. Renovation of all buildings is expected to be completed by December of 1996. The total construction budget (hard and soft

41 Federal Community Development Block Grant.
costs) for building renovation is $2,149,388. For the projected population (60 families (of 4) and 200 singles), construction cost is $4,300 per bed.

Department of Public Works: Infrastructure

<table>
<thead>
<tr>
<th>Amount</th>
<th>Sources</th>
<th>Uses</th>
</tr>
</thead>
<tbody>
<tr>
<td>$6,375,000</td>
<td>Economic Development Administration (grant), 1996</td>
<td>Entry and roadway improvement.</td>
</tr>
<tr>
<td>2,125,000</td>
<td>County Road Fund</td>
<td>Matching funds for EDA grant: entry and roadway improvement.</td>
</tr>
<tr>
<td>750,000</td>
<td>County Road Fund</td>
<td>Reconstruction of damaged sewer, sleeve for future Bradshaw interceptor.</td>
</tr>
<tr>
<td>600,000</td>
<td>County Water District</td>
<td>New water line to meet fire flow requirements.</td>
</tr>
<tr>
<td>530,000</td>
<td>County Stormwater District</td>
<td>New storm drain in area of EDA project.</td>
</tr>
<tr>
<td>$10,380,000</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Primarily funded by an EDA grant, an initial "backbone" roadway improvement project is currently underway in conjunction with construction of a new air terminal building by Airports. With permission of the Air Force, one phase of the roadway project which extends through airport and park parcels, has been completed. Construction of the other phases are dependent upon finalization of negotiations for the Economic Development Conveyance, as the roadways are part of this conveyance.

A $672,000 EDA Supplemental grant has been applied for to make road, landscaping, and lighting improvements adjacent to the new air terminal and to demolish an existing swimming pool (known as the GAP project). Airports would provide about $60,000 matching funds; the Transportation Division would provide about $108,000 matching funds.

Site-wide infrastructure improvements will be phased to correspond with the pace of development and the requirements of the County. In order to finance onsite improvements, development will have to generate sufficient funds from lease revenues, sale proceeds, fees, and assessments. To minimize up-front expenses, the implementation strategy is approached in concert with the following objectives:

- Initiate development to begin generating lease, fee, special tax, and tax increment revenue without significant infrastructure costs;
- Phase infrastructure improvements in manageable and fundable increments; and
- Leverage revenue from state, federal, and other nondevelopment sources.
A Financing District is being created for financing the upgrade and expansion of infrastructure at Mather. Infrastructure costs will be allocated among properties based on the principle of benefit received. As new development occurs, each developer will pay for their share of site-wide infrastructure improvements. In general, new development will be expected to pay for parcel specific infrastructure costs.

The total base infrastructure improvement costs for Mather Field (exclusive of the residential area and local parcel-serving infrastructure) are estimated to be $122.5 million as follows:

<table>
<thead>
<tr>
<th>Infrastructure Type</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Roads</td>
<td>$70,000,000</td>
</tr>
<tr>
<td>Wastewater</td>
<td>11,500,000</td>
</tr>
<tr>
<td>Water</td>
<td>20,500,000</td>
</tr>
<tr>
<td>Drainage</td>
<td>13,000,000</td>
</tr>
<tr>
<td>Fire Protection</td>
<td>2,500,000</td>
</tr>
<tr>
<td>Utility Relocations</td>
<td>5,000,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$122,500,000</strong></td>
</tr>
</tbody>
</table>

Because of deficiencies, the annual cost of road maintenance for Mather is projected to be $32,000/mile (nearly $700,000 annually). Revenues which normally cover road maintenance expenses (gas tax revenue of $6,900/mile/year and Measure “A” Sales Tax of $3,200/mile/year) will not offset these maintenance needs. Because of this shortfall the County has established a hierarchy of road maintenance standards - some will be kept in better condition than others. This will minimize the maintenance and redevelopment costs while still providing appropriate access to marketable lots.

Summary

To get a sense of the magnitude of the monies necessary for conversion, this section summarizes the monies spent or encumbered by the primary County entities to date. Staff salaries and administrative costs are not included.

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42 Per Pat Growth, telephone interview.
43 Responsibility for these costs has not yet been determined.
44 Tom Zlotkowski, Road Maintenance and Frontage Improvement Standards at Mather Field (memo), July 8, 1996.
These expenditures, per implementing entity, have been:

<table>
<thead>
<tr>
<th>Implementing Entity</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>County Executive's Office</td>
<td>$1,275,500</td>
</tr>
<tr>
<td>County Department of Airports</td>
<td>4,808,526</td>
</tr>
<tr>
<td>County Department of Parks and Recreation</td>
<td>8,000,000</td>
</tr>
<tr>
<td>Sacramento Housing and Redevelopment Agency</td>
<td>15,156,338</td>
</tr>
<tr>
<td>County Department of Public Works</td>
<td>10,380,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$39,620,364</strong></td>
</tr>
</tbody>
</table>

The source of these funds has been $23,730,026 federal, $2,020,000 state, and $13,870,338 local.

**Federal:**

<table>
<thead>
<tr>
<th>Grant Type</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>OEA Grants</td>
<td>$630,500</td>
</tr>
<tr>
<td>EDA Grants</td>
<td>8,250,000</td>
</tr>
<tr>
<td>FAA Improvement Grants</td>
<td>1,238,526</td>
</tr>
<tr>
<td>Community Development Block Grant Funds</td>
<td>811,000</td>
</tr>
<tr>
<td>HUD Grant (homeless assistance)</td>
<td>12,800,000</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td><strong>$23,730,026</strong></td>
</tr>
</tbody>
</table>

**State (California):**

<table>
<thead>
<tr>
<th>Grant Type</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>CalTrans Grant</td>
<td>20,000</td>
</tr>
<tr>
<td>Defense Conversion Assistance Program Grant</td>
<td>2,000,000</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td><strong>$2,020,000</strong></td>
</tr>
</tbody>
</table>

**Local:**

<table>
<thead>
<tr>
<th>Grant Type</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>County Airports Enterprise Fund</td>
<td>1,675,000</td>
</tr>
<tr>
<td>Sacramento Housing &amp; Redevelopment Agency</td>
<td>625,000</td>
</tr>
<tr>
<td>SHRA Tax Increment Funds</td>
<td>726,950</td>
</tr>
<tr>
<td>County General Fund</td>
<td>200,000</td>
</tr>
<tr>
<td>County Department of Housing</td>
<td>300,000</td>
</tr>
<tr>
<td>County Maintenance</td>
<td>338,388</td>
</tr>
<tr>
<td>County Department of Parks and Recreation</td>
<td>6,000,000</td>
</tr>
<tr>
<td>County Road Fund</td>
<td>2,875,000</td>
</tr>
<tr>
<td>County Stormwater District</td>
<td>530,000</td>
</tr>
<tr>
<td>County Water District</td>
<td>600,000</td>
</tr>
<tr>
<td>Sacramento Metropolitan Utility District</td>
<td>1,610,000</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td><strong>$13,870,338</strong></td>
</tr>
</tbody>
</table>
Future Costs

Many more dollars will be required to put the property into productive economic use. The largest expenditure the County faces is an expected total cost of infrastructure improvement of $122,500,000. Upgrade and expansion will be phased, so that the outlay of funds is paced with the ability to generate revenue from development.

The County's other immediate need for funds is for building upgrade and demolition. It is expected that this work will cost somewhere in the magnitude of $9 million ($3 million upgrade$^{45}$; $6 million demolition$^{46}$).

Sources of Future Revenues

The County has a number of sources of future revenues:

- Future Property Taxes
- Rent Revenue (existing buildings)
- Rent Revenue (land leases)
- Operation Revenues (golf course)
- Property Sale
- Participation Revenues (future commercial enterprises, especially in the park)

A quick calculation projects potential lease revenue from existing buildings:$^{47}$

<table>
<thead>
<tr>
<th>Amount</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>$1,570,000</td>
<td>Annual net rent revenues, existing buildings EDC parcel</td>
</tr>
<tr>
<td>$1,156,000</td>
<td>Annual net rent revenues, existing buildings Airport parcel</td>
</tr>
<tr>
<td>$2,726,000</td>
<td>Total Potential Annual Rent Revenues (first stable year)</td>
</tr>
</tbody>
</table>

Capturing this revenue stream is the focus of McCuen's initial efforts.

It is too early and there are too many unknowns to attempt a meaningful estimate of other potential revenues at this time. It is assumed that utility fees will cover pay-back of utility improvement and service costs.

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$^{45}$Per Mary Leonard, McCuen Properties LLC.
$^{46}$Per David Nystrom, McCuen Properties LLC.
$^{47}$See Appendix A. Calculated assuming low level potential rents less 5% vacancy, 4% property management fee, 4% maintenance, and 5% replacement reserve.
CHAPTER SEVEN:
EVALUATING THE PUBLIC/PRIVATE RELATIONSHIP

This chapter seeks to analyze the appropriateness and effectiveness of the private sector role in reuse implementation efforts at Mather. In doing so, the discussion will explore a number of questions. Given the County's goals for reuse and the alternatives available for implementation, did the County make a wise choice in partnering with the private sector and what were the factors influencing this decision? Does the private sector bring expertise, strengths, and resources that are needed that the public sector does not have? Does the contractual agreement seek to align private sector activities with public sector goals? In practice does the private sector partner act to further the County's goals? Does the private sector involvement assist in effectively overcoming base reuse obstacles?

Ultimately, this study seeks to answer three questions:

- Is the partnership with the private developer necessary, and is it the most effective way for the County to accomplish reuse tasks?
- Is a balance achieved between public benefit and private profit?
- Does the private sector partner have a positive impact on the reuse implementation process, increasing the County's effectiveness and ability to overcome obstacles?

NECESSITY OF THE PARTNERSHIP

Choice to 'Partner' With the Private Sector

The County Board of Supervisors elected to retain overall control over reuse implementation and act as a master developer. The federal disposition process led to a complex parcelization of the Mather property. In a manner consistent with the master developer concept, the County matched talent to task by assigning the appropriate (most skilled and experienced) department or agency the responsibility for reuse implementation of each of the primary parcels: airport, parks, housing, and EDC parcels. Two needs were identified as common to all the parcels: infrastructure upgrade and marketing. The County assigned site-wide responsibility for infrastructure to Public Works. The County then decided to overlay this series of primarily parcel specific implementation organizations with a public/private partnership. The private
partner, McCuen, was expected to add marketing and development expertise to the entire redevelopment effort.

It appears that three factors were prominent in the decision to partner with the private sector. First, The EDC parcels were anticipated to require substantial marketing expertise as well as substantial real estate development expertise. No existing County entity was particularly equipped to deal with the challenges, especially marketing, asset management, and financing, that the EDC parcels would pose. The entity most familiar and experienced with development was SHRA. While SHRA had successfully worked to facilitate private sector investment in specific projects on selected sites in the region, the agency was not itself a development team and had never taken on a project the size of Mather. And, while a successful facilitator of private development, the agency had least experience with the latter part of the development process, marketing of the asset. Marketing of existing property was the County’s first and immediate challenge.

Additionally, the County realized that marketing of the existing buildings and bare land was an impending and critical task in the Airports and Parks parcels, as well as in the EDC parcels. Since the County strategy was to pay for development of the public park from the revenues of commercial recreational enterprises, someone would need to recruit these enterprises and structure real estate deals with them. No County agency or department possessed sufficient marketing and deal-making expertise or the necessary intimate familiarity with market conditions.

Finally, the County had, and has, very limited resources; in other words no money and very little capacity to finance reuse requirements. Readying the property for leasing and private sector development (building and infrastructure upgrade and expansion) would require considerable investment. The County also realized that the property itself would have to generate the funding required to sustain it and ready it for redevelopment. Thus, marketing of existing buildings would need to be pursued with some urgency just to generate the funds necessary to accomplish pre-development work.

**Filling Expertise and Capacity Gaps**

Public and private sectors traditionally have inherently different roles. Regarding real estate development, the public sector traditionally assumes a planning and regulating role. It usually also provides services such as police and fire, and may provide basic infrastructure such as
roads, water, sewer, and storm drainage. The private sector assumes the implementer role, acquiring land, overseeing design and construction, assembling financing from private lenders, and marketing (lease or sale). Increasingly, in recent history, especially in California, the private sector has also been responsible for financing and provision of infrastructure.

In the Mather project, the County is the owner/developer. Thus, the County's role is extended beyond planning and regulation to include asset management, property management, development, marketing, and financing. These different roles require different expertises. To accomplish full economic and physical development at Mather, the County needed experience and expertise that it did not have.

The County sought to fill or strengthen the following gaps in expertise:
- ability to develop a successful marketing strategy
- leasing and brokerage skills
- intimate awareness of market conditions
- ability to determine highest and best use of existing buildings
- extensive personal contacts with prospective users
- highly honed negotiation skills (deal-making with Air Force and tenants/users)
- property management skills
- construction management skills
- understanding of and experience in securing private sector financing to assist prospective companies or tenants (financial services)
- familiarity with sources of private sector investment capital
- asset management skills to maximize property value and revenues
- comprehensive awareness of development issues and ability to coordinate large, complex projects (advice to tie actions of implementer agencies together)
- private sector perspective on infrastructure phasing and financing
- profit maximizing orientation
- entrepreneurial orientation

Other alternatives
Three other options come to mind for meeting the County's expertise and capacity gap. First, the County could have attempted to augment their expertise by hiring more staff and staff with the missing skills. Convincing the entrepreneurially-oriented person to become a public employee may have proven difficult; the entrepreneur is likely to find a public sector
environment too constraining. In fact, the institutional context may actually change their behavior and effectiveness. Additionally, the public sector cannot offer the same magnitude of compensation and incentives that the private sector can.

Secondly, the County could have hired a real estate brokerage firm to focus on leasing and sale of properties at Mather. However, this would have been a short term approach and perspective to development of Mather and such a firm's activities would have been myopic. Short term profit motives would have dominated the firm's activities. The long term perspective of maximizing the potential of the property, especially with respect to public interest goals might have been lost. Marketing skills, though important are only one portion of the required expertise.

Thirdly, the County could have hired consultant firms, the most primary of which being a capital outlay program manager. A program manager would have provided much of the asset management, feasibility analysis, strategic phasing and financing, development, construction management, and coordination expertise without any potential of conflict of interest issues. A program manager would have operated as the private sector team leader and brought on additional consultants to perform specific functions such as marketing. The disadvantage of this alternative is the lack of intimate awareness of local market conditions, personal contacts and access to private investment capital, and inability to perform marketing activities directly. In the case of marketing, the program manager would be another layer of management.

Clearly, the County did not have the expertise or experience in-house to effectively market Mather's facility space or land. By partnering with a real estate development company instead of these other alternatives, the County gained the added advantages of a more comprehensive understanding of and approach to overall development of the property, assistance in coordinating and bringing a market awareness to the efforts of the County's implementing entities, hands-on performance of marketing and other reuse activities, a long-term perspective and strategy, and private sector urgency, efficiency, and rigor applied to the County process.
BALANCE BETWEEN PUBLIC BENEFIT AND PRIVATE PROFIT

Alignment of Goals and Incentives
Per John Miller, "We (County) want jobs - that's our goal - good, clean jobs." And, according to Peter McCuen, "Our primary goal is to bring jobs to Mather." Obviously, the two partners proclaim the same goal. But what happens when one looks a little deeper?

The County's much stated reuse goals are to create jobs and to maximize revenue. In fact, revenue maximization is an immediate necessity in order to avoid an operating deficit at Mather and to generate enough funds to facilitate physical redevelopment which will bring economic development. Facilitating cargo and air-related corporate development at the airport and general corporate development in the EDC parcels fosters the County's economic development and job creation goals which will lead to long term tax revenues, the basic building block of the County's annual operating budget.

But what are the other public interest goals for this property? What regional community needs are satisfied by the reuse plan? What community benefits or amenities are created? Assuming for the moment that the cargo oriented airport facility is a community need or benefit, the other public benefits planned are a regional park, homeless assistance, and affordable housing. The County views private development on the property as the source of monies to develop the regional park.

McCuen has been hired to assist the County in accomplishing its goals, thus he is paid to adopt and further the County goal of jobs creation. Why is this of interest to him? Beyond and underlying this goal, lie two possible sources of motivation: 1) civic pride and commitment and 2) a great potential for profit. McCuen's motivation for seeking the contract was not jobs for Mather, but his own corporate objectives (which may be broader than just profits). The Mather property lies directly in the path of commercial office growth. Indeed, this area is within one of the region's fastest growing employment centers.

Jobs, tax revenues (public sector), and profit (private sector) are the final objectives. Though the underlying goals differ for the public and private partners, the County and McCuen's interests are aligned in the intermediate steps necessary to reach these goals. These steps include, for example, closing deals for lease and sale of property, recruiting tenants, and securing financing to support both public and private sector endeavors. The County and McCuen
are interdependent in this relationship in the sense that the success of each depends upon the success of the other.

**Structuring of the Contractual Relationship**

In establishing this partnership and approach to the reuse project, the boundaries between the public and private roles become quite blurred. This presents potential dangers such as inadequate protection of public interests and usurpment of or neglect of public responsibilities. The contractual agreement establishes the relationship boundaries, obligations, responsibilities, authorities, incentives, and compensation/payment structures of the two parties and thus should be closely examined to discover the fundamental basis of public/private relationship for the Mather project.

As reviewed in more detail in Chapter Four, the contract established to define and guide this public/private relationship raises several pertinent issues which deserve examination:

- Extent of private sector role
- Monitoring and evaluation mechanisms
- Alignment of incentives with public interest goals

While specific tasks and responsibilities are outlined in the contract, the language is also quite open-ended and allows a great deal of flexibility both in scope and means. This is consistent with the County’s view of Mather as a dynamic and evolving project. The basic control mechanism the County retains is approval of any commitment which would bind the County legally (lease, sale, expenditure of funds, etc.). The contract asks McCuen to engage in the implementation plans and processes of most of the implementing entities. The focus of his responsibilities is marketing, development and management of the physical assets, but the contract also allows his input in planning, feasibility analysis, and strategic advise when requested by an implementing entity. In short, the blending of McCuen’s activities and responsibilities with those of the County is so complete, the boundaries become almost indistinguishable. The danger here is in public accountability for policy decisions.

What makes this more problematic is the fact that the contract sets no standards nor provides a mechanism for monitoring or evaluation of McCuen’s efforts. The County has since recognized this oversight and is developing a mechanism to address it.
For the County to acquire the private development sector's skills on board makes sense. The fact that McCuen can also undertake development projects on the property complicates the issue of protection of public interests. With McCuen so intimately involved in planning, regulating, and policy decisions (that he can directly and personally benefit from, especially with the reduced public oversight of this project), extreme integrity is required of McCuen.

The contract establishes two incentive mechanisms especially designed to align the private sector profit motive with accomplishment of the County's goals of jobs creation and revenue maximization. Cash credit towards purchase of on-property land can be earned by McCuen by securing tenants or users which bring significant jobs or capital investment to Mather. As discussed in Chapter Four, the jobs incentive will likely be effective except in the case of a large warehouse/storage projects with few jobs, where the land brokerage fee becomes significant. The capital investment bonus is too small to be effective. And far outweighing the effects of these bonuses is the traditional private sector profit motive associated with developer fees, which favors large capital investment projects, regardless of the jobs achieved. Thus, the direct financial incentives are only partially successful in aligning private activities with public sector goals.

The commission structure for leasing and property sales provides financial incentive to outside brokers (by offering higher-than-market broker commissions), encourages active participation by the community brokerage profession. However, the capital investment and jobs incentives do not extend to outside brokers. Thus outside brokers may well pursue tenants that do not contribute significantly to either of these goals. There is a disconnect of the incentive from the doers (the brokers) and the public sector goals.
Balance of Public and Private Benefits

Consider the balance of benefits in this public/private partnership between the County and McCuen:

<table>
<thead>
<tr>
<th>PUBLIC BENEFIT (County)</th>
<th>PRIVATE PROFIT (McCuen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Jobs</td>
<td>• Lease and sale commissions</td>
</tr>
<tr>
<td>• Economic development</td>
<td>• Consultant fees</td>
</tr>
<tr>
<td>• Revenue stream from leases and sales</td>
<td>• Developer fees</td>
</tr>
<tr>
<td>• Improvement of implementation plans per market awareness</td>
<td>• Land acquisition ‘free’, from jobs and capital investment bonuses</td>
</tr>
<tr>
<td>• Maintain control of development</td>
<td>• Enhanced reputation</td>
</tr>
<tr>
<td>• Occupied buildings and catalyst development projects</td>
<td>• Opportunity to develop expertise in base conversion; increased consultant fee and development fee opportunities</td>
</tr>
<tr>
<td>• Revenues for park development</td>
<td></td>
</tr>
</tbody>
</table>

*Necessary, Sufficient, but Not Excessive Test*48

McCuen furnishes the County with expertise essential to successfully undertaking the project that the County lacks in-house. Thus, McCuen’s participation is clearly necessary. Obviously, since he has agreed to the terms of the contract, the compensation and potential for profit is sufficient to get the firm to participate.

Is the County’s cost, which could be considered a subsidy to stimulate private development, excessive? Would McCuen, or another real estate development firm, have entered into the agreement if the potential for profit were less? For instance, to avoid any potential problems arising out of conflict of interest issues, would McCuen have participated in the partnership if the firm was disqualified from undertaking any development projects on the site? Given the complexity of public process and magnitude of obstacles to be overcome, probably not, or if so, the firm certainly would not be as committed to the success of the project. The potential for very substantial profits is likely to embue McCuen with a vested interest in the success of the project. Indeed, this potential for extremely high profits and prestige, may be the force that pulls the Mather property into productive reuse, despite whatever obstacles are present.

48A framework to evaluate public subsidies developed by Jerold S. Kayden, Assistant Professor, Harvard University Graduate School of Design.
On the other side of the ‘scale’, does the public receive the same magnitude of benefit? In a
certain sense the realization of public benefit is dependent upon investment by and
implementation efforts of the private sector. Whether these efforts come from McCuen or other
private sector parties makes no difference to attainment of the public sector goals. In fact, this
is not a ‘zero-sum game’; the potential for value only increases to each party by their mutual
participation. McCuen’s profits, from services, commissions, or developer fees, do not detract
from the benefit delivered to the public sector. In fact, McCuen’s efforts make the public benefit
attainable.

Of some concern is whether McCuen’s participation jeopardizes public interest goals. Because of
the significant influence that the arrangement allows McCuen on the decisions, strategy, and
the process of reuse implementation efforts at Mather, there is danger of loss or compromise of
public interest goals due to unscrutinized (by the public) influence of the private sector. This
might include, for example, modifications to land use that do not further the public’s best
interest, or financial arrangements or strategies that support private sector needs but increase
the public’s cost (such as longer amortization of public debt). One of the risks to the County is
that McCuen may pursue certain users/projects which do not generate many jobs or which are
inconsistent with the reuse plan, because they are more beneficial to the firm financially. This
becomes an opportunity cost to the County. Also, since McCuen (private sector) will be
structuring most of the deals at Mather and may have a vested interest in the outcome, it puts
more pressure on the County to develop in-house financial expertise to ensure that the County’s
interests are protected. Because McCuen is becoming so integral to the County’s operations and
assuming a leadership role, the ultimate danger is that County staff will lose sight of their
public benefit goals.

McCuen’s Impact on the Reuse Implementation Process

The Partnership in Practice
Joint undertaking of the Mather project requires that the traditionally somewhat contentious
relationship between the public and private sectors over development goals evolve into a
relationship of collaboration.

It is the optimal way to undertake this kind of project. Our (McCuen’s) experience
and sense of urgency is something the County doesn’t have. The differing orient-
aton (public versus private) generates some conflict but it is something the County
needs and wants. (Mary Leonard)
Public and private sectors have different working styles. Each must make adjustments to the other’s style. McCuen’s fast pace doesn’t always suit County staff’s policy or consensus driven decision-making style. McCuen’s independent lobbying efforts within the County and at the Capital have also irritated some participants. Yet, despite some discomfort, McCuen’s participation in reuse efforts in definitely fostering County goals.

We’re getting some activity out there; it’s going. I think it’s excellent (McCuen’s involvement). (Mead)

Decisions are being made, issues are being identified and resolved, and projects are moving forward.

Marketing
The County’s decision to hire McCuen and bring his marketing expertise on board, is a direct attempt to overcome one of the biggest obstacles to successful base reuse: a very competitive real estate market. McCuen’s most important role in the conversion process has been, and forebodes to be, marketing. Not one of the County’s normal and maintained expertises, the private sector’s very existence depends on marketing skills. Private sector leadership of marketing efforts is appropriate and invaluable to the reuse process.

To date, McCuen has established an on-site marketing office, inventoried the existing buildings, assessed their upgrade need, established appropriate target lease rates, produced and distributed marketing materials, enlisted the efforts of the local brokerage community, and begun direct marketing efforts. Though the firm has only signed one lease to date, negotiations with a number of significant prospective tenants are in progress. It is probably too early to gauge the effects of the firm’s initial marketing efforts.

More importantly, McCuen brings a marketing perspective and focus to decisions and actions that are being made by each of the implementing entities and the Board of Supervisors.

For example, McCuen’s marketing concerns about landscaping, lighting, and the property entrance features influenced Public Works’ plans for the current EDA road improvement project. McCuen has coordinated discussions between Airports, Planning, and Public Works regarding coordination of landscaping and other design guidelines. Public Works seeks McCuen’s assistance in coordinating the phasing strategy for infrastructure improvements with the expected pace of development. McCuen also assists Parks with recruiting and negotiating with potential commercial recreational enterprises.
McCuen attends many meetings of each of the organizations involved in reuse, and so is aware of most activities and issues. The implementing entities call McCuen to confirm what's going on. Because marketing concerns are central to each of the implementing entities' activities, McCuen's role is evolving into one of coordination.

Catalyst to Implementation Efforts
McCuen is a pro-active participant in the County conversion effort. If the firm becomes aware of something that is detrimental to marketing efforts, they initiate actions or meetings of the affected parties in order to resolve the issue. For example, McCuen is working with the Air Force to ensure that groundwater clean-up equipment is placed in unobtrusive locations and is well-screened. Thus, the firm serves as a catalyst, causing other parties to take action. McCuen works to resolve issues and move beyond them.

Effect on Air Force Negotiations
The County sought McCuen's advise and participation in negotiations with the Air Force for the remaining EDC parcels. McCuen helps the County prioritize issues in the negotiations. McCuen also brings to the table knowledge of the realities of the Sacramento real estate market. The firm was responsible for increasing the Air Force's awareness of the effects of the toxic contamination on the County's ability to market the property, which has, in turn, greatly tempered the Air Force's expectations of the property's value.

Financial Advise
McCuen has raised several pertinent financial issues:

- The need to overcome lenders' probable reluctance to finance property on which toxic clean-up has not been completed.
- Concern that the County plan to finance infrastructure improvements from rent revenues is not so demanding that the property becomes uncompetitive because of it. McCuen has suggested that a lower percentage of rents be taken from the first few years of rent revenue.
- The County's need to establish and contribute to a sinking fund so that purchase money for the Air Force property is available as soon as the sale is possible (to avoid further delay of conversion development).

On a day-to-day basis, McCuen seeks ways for the County to save money or delay expenditures. For example, McCuen was successful in convincing SMUD to install electric meters for
individual buildings now and defer billing until buildings are leased and rent revenues become available for payment.

Doing Business
For the most part, the County seeks to benefit from private sector ways of conducting business. There have been instances, however, where McCuen’s private sector experience was not helpful. For example, in developing a projection of cost to upgrade the non-code-compliant buildings, McCuen procured a cost estimate from a local general contracting firm. The costs submitted were abnormally high. The County suspected that the private sector’s perception of deep public pockets or difficult public process might be inflating the estimate. Over time, McCuen will need to become more familiar with normal public process in order to apply the most advantageous methods, or blend of methods, to the task at hand.

SUMMARY

Is the partnership with the private developer necessary, and is it the most effective way for the County to accomplish these tasks?

When should we, as a community, do public/private development? When we believe we are better off acting together than separately. When the public sector alone is not able to or doesn’t want to provide the kind of world we want or when the private sector acting alone is not able to or does not want to provide the kind of world we want. (Kayden)

Clearly, the County does not have the expertise or experience to effectively market Mather’s building space or land. The Mather partnership draws on the expected strengths, powers, and expertise of both McCuen and of the County. The attributes of each sector are expected to complement each other in accomplishing the reuse.

The firm brings a very broad set of skills and experience upon which the County can draw as the project needs change. This is important because the County views Mather as an evolving dynamic project. Because of the complex parcelization and the County’s multi-headed structure for implementation, McCuen’s role as coordinator is especially valuable. McCuen is outside of the County structure and politics, so the firm is able to perceive Mather as a whole, champion overall success, and provide a neutral forum for coordinating the proprietary interests of the various implementing entities.
Alternatives other than a public/private partnership would not have been as effective.

**Is a balance achieved between public benefit and private profit?**

Jobs, tax revenues, and public amenities are the targeted public benefits to be achieved by reuse of the Mather property. Private sector profit can also be realized. This public/private partnership is structured to allow both sectors to maximize their objectives. In fact the efforts of each party are *necessary* to realize and maximize the benefits.

It is futile at this point to attempt to quantify the potential benefits to each party. And, in fact, the exercise is not necessary. It is not a matter of "who gets the most" but rather how can the parties together increase the "amount to be gotten".

There are some weaknesses in the contract. The contract should specify some arrangement for monitoring and evaluating McCuen’s efforts. Performance standards should be established and should be tied to public sector goals and to some schedule milestones. The time expectations would allow both McCuen and the County to gear their efforts to meet the milestone objectives. The incentives could also be structured to tie more directly to achievement of the County's goals. For instance, if bonuses were based on achieving some lease-out rate or rent revenue level, it would ensure that the County’s needs were met *before* McCuen was rewarded. This is more common in the private sector, where individuals receive extra compensation if the goals of the firm are achieved. It also keeps everyone focused on the longer term goals so they can prioritize their efforts.

McCuen is at once asked to join hands with the County in the master developer role and, at the same time, to continue the firm’s efforts in pursuing individual development projects. For McCuen, this will be the crux of the public benefit/private profit struggle. The only way to eliminate this dilemma would be to disallow McCuen’s participation in on-site development projects. However, the development projects are where McCuen’s significant financial return will be realized. It is unlikely that McCuen would have entered into the arrangement with the County without the ability to pursue development projects at Mather. While McCuen should be acting in the interest of the public as master developer, the County will need to exercise extreme care to keep the factor of public benefit constantly present in the implementation process. The provision for community oversight, perhaps through the community advisory committee, is essential to ensure that reuse strategy and activities are in the best interest of the public.
Also of concern is the separation of McCuen’s efforts in fostering redevelopment at Mather from his development activities elsewhere in the community. Two concerns are raised: 1) that Mather may not always capture McCuen’s full attention; and 2) that McCuen may steer the best, most profitable potential users to his off-site properties. While the contract has specific procedures regarding client relations for those users who initially approach Mather, because McCuen has numerous off-site projects, he may not direct his best potential clients to the Mather site. No specific recommendations come to mind to address these concerns but they should be recognized as forces that may work against public benefit.

**Does the private sector partner have a positive impact on the reuse implementation process, increasing the County’s effectiveness?**

Even with the limited history of five months, one can see from the earlier discussion that McCuen has exerted a positive influence on the reuse implementation process and is increasing the County’s effectiveness. This is happening in four primary ways. McCuen:

- Brings a market orientation and marketing focus to issues, actions, and decisions.
- Acts as a problem solver, taking the initiative to overcome obstacles and bring people together to work out solutions.
- De facto, performs an important coordinating role.
- Is a source of expertise to the County.

The relationship between McCuen and the County seems to be functioning well and concerns about incentives are not playing out at this time (however, it may be too early to observe).

**It’s a people thing**

The role of relationship alignment is not simply about contractual issues. Development of trust and personal relationships may be as important or more important to the success of the partnership. Reuse of the Mather property is a very complex project. Participants in the redevelopment process will need to be very flexible and fluid and share a common vision. In the end, the success of the Mather public/private partnership is likely to be due to the integrity of and relationship between the parties involved.49

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49 As testimony to the partnership, all of the individuals interviewed for this study, including the federal government’s Base Transition Coordinator, expressed positive opinions of McCuen’s efforts and effect on the reuse implementation process, and the County’s decision to involve the firm.
McCuen’s skills and contributions at Mather are proving to be effective and beneficial to the County. But are McCuen’s actions representative of any developer organization or do they reflect the unique perspective of McCuen?

Like most private sector real estate developers, McCuen is pro-active and entrepreneurial. The firm’s characteristic go beyond this however. McCuen holds a comprehensive vision of the benefit development brings to the community. The firm understands and accepts the goals of the public sector and is thus able to work in concert with the County. They understand public process and are finding a way to work the system, respecting its objectives but maneuvering through its inefficiencies. The firm is eager to challenge and overcome obstacles and to engage the County implementing entities in this approach. McCuen is able to embrace the County’s vision; they are interested in the success of the overall project and thus have a more long-term perspective than most developers.

Peter McCuen makes the following observation:

We are astute politically and interested in community benefit. We are sensitive to the potential for unfair competition. We understand real estate development. These factors allow us to address sticky issues in a more statesmanlike way than most developers.

These qualities are unique to McCuen and make them a good partner for the County. However, these qualities and perspectives do not necessarily exist among all private real estate development firms. Just hiring a private development firm may not deliver these attributes.

Conclusion

The County’s decision to enter into a partnership with a private sector developer to accomplish reuse implementation is bold and assertive. In terms of the needed expertise to help the County responsibly fulfill its role as landowner and master developer, it is a completely appropriate and likely to be effective choice. It raises, however, issues of protection of public interest and conflict of interest.

It becomes important to address these issues carefully in the contractual arrangement: scope of responsibilities, compensation structure, monitoring, and evaluation standards. It also becomes important to ensure adequate public oversight of the reuse implementation strategies and activities. Yet, probably most important and most elusive, the success of the venture will
depend heavily on the integrity, values, and degree of community commitment of the private sector party.

This arrangement has worked to date, and seems poised to succeed, largely because of the somewhat unique perspective and orientation of the particular private sector developer involved.
CHAPTER EIGHT:
CONCLUSION

Inheriting Military Base Property
While it’s nice to ‘inherit’ the property and gives rise to possibilities for new public amenities or solutions to community problems (ex: shortage of homeless or affordable housing), it places pressure on the County to act as a master developer. What complicates this already unusual responsibility for the County is the fact that it has no surplus monies. It must find a way to put the property to use that will generate the funds needed to develop the public amenities - the land is not enough. Thus, though inherited, the property is a gift with strings and responsibilities attached which requires a perspective of revenue maximization.

The federal disposition process, a hierarchical chain of public sector claims on the property, may not be driven by the fiscal realities or market rigor that the private sector would apply. The fact that the private sector is last in the hierarchy of recipients for the property:

- Puts local governments in a position of owner/developer with inadequate experience, expertise, and financial resources.
- Forces local governments to juggle the conflicting goals of public interest and revenue maximization.
- May not ‘harness’ the private sector ‘engine’ for job creation and economic development soon enough.

At Mather, the County faced two limitations in taking on the role of master developer: expertise and financial resources. Can the private developer partner help overcome these obstacles and what does the Mather experience tell us about that?

County /McCuen Partnership
In fact, the partnership has been successful to date. It has helped the County compensate for its lack of experience and advance its agenda.

McCuen brings more than marketing and development skills to the reuse effort. The firm’s presence infuses market sensibilities into the project, positively influencing a wide range of issues, actions, and decisions. The firm also brings an agenda of hurdling obstacles and getting things done. This attitude of urgency, driven by profit, increases the County’s effectiveness and may be essential to a successful implementation phase.
McCuen's most important role is proving to be one of leader, coordinator, and problem-solver. McCuen holds a comprehensive vision of the project which allows the firm to assist effectively in coordinating and prioritizing the activities of the five primary implementing entities. The firm serves as a pro-active neutral in resolution of conflicts between these entities and in orchestrating joint efforts to overcome obstacles.

**Risks of Relying Heavily on the Private Sector**

Public ownership entails the responsibility to serve a larger public purpose. At Mather, the County must be both a regulator and developer, thus it must balance public interest goals and revenue maximization at the same time.

Especially because of the County’s weak financial position, the question arises: will short-term revenue generation take precedence over long-term public interest goals? Will the County be overly influenced by McCuen's advise regarding revenue maximization? These are questions that can only be answered from the perspective of the future.

In a sense, this public/private partnership could allow the County to champion public sector goals and assign responsibility for revenue maximization to McCuen. A healthy tension between the partners should be maintained. If the roles of each sector become too blurred, the County may lose sight of public interest goals.

McCuen's ultimate motivation is profit. Thus, there is risk that the firm will pursue projects which offer high developer fees to McCuen but do not benefit the County’s job goals or are inconsistent with reuse plans. The County also runs the risk that McCuen will become distracted if the firm’s other off-site projects become more demanding or more profitable than Mather projects.

**Maximizing Benefits and Minimizing Risks**

As the Mather experience makes evident, the benefits to the local reuse authority of partnering with a private sector developer are broader than the skills one might originally seek. The addition of a private developer increases the County’s capacity and expertise, and renders it much more effective. In fact, the whole planning process might benefit from earlier involvement from the private development community, which would bring market awareness and a financial feasibility perspective in sooner.
The more clear a community can be about what is needed from the private sector and how the private developer will interface with public process, the better. It is important to think ahead of time how success will be measured. Even when faced with financial distress, it is extremely important to keep public interest goals in the highest priority. Local government must carefully weigh private sector revenue maximization advise against the community’s social and economic needs.

Some efforts which will help minimize the risks of a public/private partnership include:

- Establish clear roles and realms of responsibility for each sector.
- Establish standards and mechanisms to monitor the private sector partner’s performance.
- Be aware of, and address the conflict of interest which exists because the private sector partner benefits from development projects and is also involved in planning and establishing policy.
- Ensure accountability; provide adequate public process and oversight.
- Create and align incentives carefully to further public goals; ensure that they are effective.
- Beware of isolating the project from the larger private real estate community; ensure that incentives are extended to the doers (local real estate professionals).
- Provide sufficient incentives such that the private sector partner is driven and the base reuse project captures the focus of the firm’s efforts.

At Mather, the County’s attempt to address its limits in expertise and capacity by partnering with a private developer appears to be successful and may provide insight to other communities facing a base closure. The County’s relationship with McCuen makes use of the firm’s full range of expertise and thus maximizes the benefits the County can realize. However, the County exposes itself to a fair amount of risk in the structuring of this relationship. The biggest danger is loss of public interest goals. In this regard, success of this partnership relies heavily on the integrity and community-oriented values held by the private developer.

Final Words
We may find that the public/private joint undertaking of the Mather project informs each sector. That each side develops a more holistic understanding and approach to planning and
development. That there is a re-integration of some of the forces that come to play in development decisions within each sector: personal profit and public good.

Much of the success realized at Mather is due to the nature of the individuals involved, their ability to collaborate, to recognize the legitimacy of others’ goals, to work towards increasing the possibilities, to seek shared goals, to expect a win-win outcome, and to adjust their actions accordingly.

The County’s arrangement with McCuen has worked to date, and seems poised to continue to work, largely because of the somewhat unique perspective and orientation of the particular private sector developer involved. Other communities may not be able to capture this.
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Ilia Collin, County Supervisor. Personal interview July 18, 1996.

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Kelli Erickson, Chief, County Homeless Bureau. Phone interview June 26, 1996.

Marilyn Evans, President, Friends of Mather Regional Park. Personal interview June 27, 1996.

Scott Gerhart, Base Transition Coordinator (DoD). Personal interview June 26, 1996.

Paul Hahn, County Economic Development Coordinator. Personal interview June 17, 1996.


Roy Imai, Chief of Park Planning and Development, County Parks and Recreation Department. Personal interview July 17, 1996.

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Christine Kelly, Airport Operations, Mather Airport. Personal interview July 8, 1996.

Barbara Lax, County Department of Human Assistance. Phone interview July 12, 1996.

Mary Leonard, Mather Marketing Director, McCuen Properties LLC. Personal interview June 27, 1996.

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Peter McCuen, President, McCuen Properties LLC. Personal interview June 18, 1996.


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Neil Orchard, Cordova Park Board Administrator. Phone interview July 11, 1996.

Judy Prenne, Office of Economic Adjustment. Phone interview July 22, 1996.
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# LEASING DATA FOR EXISTING BUILDINGS

**Mather Field:** Status of leasable buildings as of July 7, 1996.

**Data Source:** Mather Field, Where California Business Really Takes Off, McCuen Properties, 1996.

## EDC buildings for lease:

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Subtotals: 455,045 at 5% vacancy: $1,822,736 total: $2,279,776

Percent of EDC buildings leased: 10.96%

## Airport buildings for lease:

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Subtotals: 470,012 at 5% vacancy: $1,342,620 total: $1,573,373

Percent of Airport buildings leased: 37.35%

## Total Projected Revenue Potential:

At 5% vacancy: $3,165,356 total: $3,851,748