

OVER A DECADE OF FAILURE:  
WHY MILITARY BASE REUSE AT THE NAVAL AIR STATION, ALAMEDA  
(ALAMEDA POINT) HAS BEEN UNSUCCESSFUL

Nicholas Stephen Kosla  
B.A., California Polytechnic State University, San Luis Obispo, 1999

THESIS

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A Thesis

by

Nicholas Stephen Kosla

Approved by:

\_\_\_\_\_, Committee Chair  
Mary K. Kirlin, D.P.A.

\_\_\_\_\_, Second Reader  
Peter M. Detwiler, M.A.

\_\_\_\_\_  
Date

Student: Nicholas Stephen Kosla

I certify that this student has met the requirements for format contained in the University format manual, and that this thesis is suitable for shelving in the Library and credit is to be awarded for the thesis.

\_\_\_\_\_, Department Chair \_\_\_\_\_  
Robert W. Wassmer, Ph.D. Date

Department of Public Policy and Administration

Abstract

of

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Since 1988 the United States federal government has been closing military installations in the United States through the Base Realignment and Closure (BRAC) process. Some communities are able to quickly redevelop their former bases into thriving new neighborhoods within their borders while others are unsuccessful. This thesis is a case study of why redevelopment of the former Naval Air Station, Alameda (Alameda Point) has failed for over 10 years.

After a historical overview of Alameda Point, I generally describe the base closure process before exploring themes from several case studies of both successful and unsuccessful base redevelopment. The successful base reuse projects had community support, employed creative and adaptive financial strategies, and were seen as public benefits by the communities. Along with lack of leadership, unsuccessful base reuse efforts had elements of divisiveness within the community or among the involved stakeholders.

I then used the above themes to analyze the Alameda Point case. There is now arguably little community support for the most current Alameda Point redevelopment

plans. The City's policy of fiscal neutrality complicates the employment of creative and adaptive financial strategies. Finally, public benefits are not apparent in the current planning for Alameda Point. Lack of City leadership and competing interests amongst stakeholders has led to divisiveness in Alameda furthering stalled redevelopment. Alameda Point has additional issues making redevelopment stagnate including environmental cleanup uncertainty, property conveyance procedures, land use economics and property restrictions.

I concluded this thesis with recommendations for public-private partnerships and for further research to include a case study comparing Hunter's Point, Treasure Island, and Alameda Point. Finally, I offer a learned approach to base reuse that requires City leaders and developers to create a financially feasible reuse plan with community supported public benefits. Once approved, this plan must be expeditiously built out to ensure market survivability and delivery of public benefits for a community that puts a very high value on public land.

\_\_\_\_\_, Committee Chair  
Mary K. Kirlin, D.P.A.

\_\_\_\_\_  
Date

## DEDICATION

The best moments of my life are because of my wife, Larissa Kosla. I have the pleasure and honor to witness her beauty, character, charm, enthusiasm, and intelligence on a daily basis. I haven't stopped thinking about you since the day I met you. I love you, Larissa.

My 4-year-old daughter Audrey and 1-year-old daughter Grace kept me company and awake during the writing of this thesis. You are everything to me. I love you, girls.

My mom Francine Kosla has been a constant ally and I owe her the world.

My dad Lee Kosla deserves much gratitude for my place in life.

My brother Joe Kosla possesses talents and abilities that I admire on a daily basis.

My sister Gigi Sisco and her family provide comfort and grounding that I cherish.

My 89 year old grandmother Huguette Howell is an inspiration to our family.

I am grateful to my wife's parents Norman and Janet Pease and for the rest of the Pease Family. Their love, support and zest for life is infectious and motivates everyone around them.

Thank you extended family members, friends, colleagues, and various teachers, coaches, and professors from Wagner Ranch, St. P's, Miramonte, Acalanes, Cal Poly, USC and Sac State, whom I am so fortunate to have as a part of my life.

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## Chapter 1

### INTRODUCTION

As the Cold War strengthened, President Dwight D. Eisenhower warned of a “military-industrial complex” that would help ensure the longevity of military base operations in the United States that saw their heyday during World War II (Eisenhower, 1961). This military-industrial complex created jobs and housing demand that helped the economy thrive. Housing demand was met with suburban land development in California and, today, the practice of developing suburban communities has been exacerbated by inexpensive greenfields<sup>1</sup>, outdated land use policies, and a reliance on the automobile. Today, local communities and developers are converting many of the bases that found a new life post-World War II because of the Cold War era for new uses. The redevelopment of such bases, especially those near the urban core, for commercial, industrial, and residential uses provides an unprecedented opportunity to change the future of large-scale land development practices in jurisdictions across the country towards sustainable, transit-oriented development (TOD)<sup>2</sup>. In the San Francisco Bay Area, Association of Bay Area Governments (ABAG) Planning Director Ken Kirkey explains, “We are built out, we simply don’t have greenfield development capacity close

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<sup>1</sup> Greenfields include previously undeveloped land, restored land, agricultural properties, and parks (The Division of the State Architect’s Sustainable Schools Resource, 2007).

<sup>2</sup> Transit Oriented Development is “moderate to higher density development, located within an easy walk of a major transit stop, generally with a mix of residential, employment, and shopping opportunities designed for pedestrians without excluding the auto. TOD can be new construction or redevelopment of one or more buildings whose design and orientation facilitate transit use” (California Department of Transportation, 2002, ¶ 1). For examples of TODs in California including Mission Bay, San Francisco, and Rio Vista West, Mission Valley visit the CalTrans TOD database at <http://transitorienteddevelopment.dot.ca.gov>

to job centers. We're either talking about these large-scale projects or the drive-until-you-qualify (for a loan) pattern that we know doesn't work" (as cited in Dineen, 2009, p. 29). However, the reuse of former military bases poses significant challenges. "The sites often are polluted and require time-consuming and expensive cleanup efforts to become livable. Also they often are the focus of standoffs over usage, growth and density" (Kane, 2009, ¶ 6).

This thesis presents the redevelopment of the former Naval Air Station, Alameda (Alameda Point), listed as one of "ten giant developments that could re-create the Bay Area," as a case study of the difficulties of military base reuse (Dineen, 2009, p. 29). In this introductory chapter, I discuss the research question this thesis attempts to answer, provide a brief background of Alameda Point, and outline the remainder of the thesis chapters.

### Thesis Question and Relevance

Why has military base reuse at the Naval Air Station, Alameda (Alameda Point) been unsuccessful? Through analysis, answering this thesis question is important for the following reasons:

- Nearly 100 major military bases and installations have been closed through the Base Realignment and Closure (BRAC) process since the late 1980s. Many of these bases have yet to be redeveloped, including major military installations in the inner-San Francisco Bay Area.

- Alameda Point is becoming a financial burden on the City of Alameda because of a delayed transition from an economic engine when the base was operational.
- Redevelopment of Alameda Point can help fuel the economic sustainability of the City, create a range of housing opportunities for existing Alameda residents, provide transit opportunities that require a critical mass of density, and clean up buildings contaminated with lead-based paint and asbestos.
- Regionally, Alameda Point is one of the last large-scale parcels of the inner-Bay Area land that can help rein in outer Bay Area settlement contributing to diminishing air quality, increased traffic, and other negative attributes of greenfield development.

However, none of the above multi-jurisdictional benefits will occur if Alameda Point continues to rest fallow as it has done for over one decade.

### Background

The City of Alameda is located at the geographic center of the San Francisco Bay Area. It consists of a main island just offshore from Oakland, separated by an estuary directly across the bay from San Francisco, plus the tip of a peninsula attached to the mainland near Oakland International Airport. See Figure 1-1 for a map of the area described. For access, Alameda relies on four bridges, an in-bound and out-bound tunnel,

and various water transportation options including private watercraft and public ferry service.



*Figure 1-1.* Area map. (Alameda Point Revitalization Initiative, 2009, p. 1-1)

Alameda Point, shown as the cross-hatched area in Figure 1-1, occupies the western-most portion of the City of Alameda. The site is relatively flat. Much of the land now occupied by Alameda Point was once covered by the waters of San Francisco Bay or was gradually filled tidal flats using hydraulically placed dredge spoils from the surrounding San Francisco Bay, the Seaplane Lagoon at NAS Alameda, and the Oakland Channel. The first documented filling of tidal and submerged land began sometime during the 1890s (California State Military Museum, n.d.).

The base was once part of an Indian burial ground, and later was part of a Spanish land grant of Don Luis Maria Peralta. In 1864, the terminus of the first

transcontinental railroad ended at Pier 2 at the old Alameda Point, located in the confines of what became the Alameda Naval Air Station. Standard Oil purchased the property for use as an oil refinery in 1879, which operated until 1903.

(Alameda Naval Museum, 2010, ¶ 3)

*Naval and Base Realignment and Closure (BRAC) History*

In 1927, the City built an airport with one east/west runway, an administration building, three hangars, and a yacht harbor. Three years later, the Army established an air base at the airport, now known as Benton Field. Over the next few years, the City continued to expand the airport's area by filling land into the bay. The City of Alameda saw the possibility for a Naval Base on the west end of the island, and, in 1936, Congress authorized President Franklin Delano Roosevelt to accept the old Alameda Point for the purchase price of \$1.00. On June 1, 1936, Alameda deeded the entire property to the federal government for this price. Four months later, the Army abandoned Benton Field and turned its facilities over to the Navy. Because of budget constraints, no construction would take place by the Navy for another two years. In 1938, Congress finally appropriated \$10 million to develop a Naval Air Station at the site. The station was commissioned on November 1, 1940 with a minimum of facilities and only 200 military and civilian personnel.

The San Francisco Bay Area was the major naval surface and supply base on the West Coast, and Alameda Point provided aviation support for these activities. In January 1943, station personnel stood at 100 officers and 3,543 enlisted men. By year's end,

personnel reached over 10,000. By the end of the war, at its peak, Alameda Point's personnel totaled 29,000 servicemen and civilians with almost 2,000 aircraft present, two 8,000-foot runways and a lighted seadrome, three seaplane ramps, 300 buildings, and 30 miles of roads. The Navy's investment in the station reached a total of \$75 million. The Naval Air Station continued in full operation throughout the Cold War and became home to many Navy command and service units. (Alameda Naval Air Museum, 2010).

The 1993 Base Realignment and Closure (BRAC) Commission listed Alameda Point for closure and the base was officially closed April 30, 1997. The identified 918 acres of uplands and 166 acres of submerged lands still owned by the United States Navy constitute a significant portion of the entire landmass of the main island in the City of Alameda. Three official plans for redevelopment of the property since 1993 have been proposed. All have failed.

#### Organization of the Remainder of the Thesis

Chapter 2 reviews literature on military base redevelopment, including case studies of successful and unsuccessful military base reuse in different jurisdictions across the country. Chapter 3 introduces the reader to a number of items that serve as the core set of policies and agreements that govern the property's current and future use.

In Chapter 4, I discuss themes drawn out of Chapter 2 in the context of Alameda Point. I also examine the complexities of the redevelopment of Alameda Point including environmental cleanup, property conveyance, land use economics, and the obligations on



the property. I analyze the economics of the land use component by focusing on two interrelated constraints – physical and policy.

Finally, Chapter 5 discusses key findings that provide themes for assisting navigation through the challenges at Alameda Point. The themes provide some direction for other individuals and organizations going through the redevelopment process at other former military bases.

## Chapter 2

### U.S. BASE REUSE: A LEGACY OF CHALLENGES

Military base operations support a national security mission that is complicated, bureaucratic, and constantly evolving – military installations are dirty places. The work to redevelop such properties is also complicated, bureaucratic, and constantly evolving – military base reuse is a dirty business. In this chapter, I describe the base closure process and present a brief history of base closure. Numerous case studies of both successful and unsuccessful military base reuse efforts are then presented.

#### Base Closure – The Process

Base Reuse and Closure (BRAC) is the reorganization process for Department of Defense installations. This process has closed military bases since 1988. The process begins with Department of Defense recommendations on base closures to the Defense Base Closure and Realignment Commission and ends with complete property disposal.

According to the 1997 Base Reuse Implementation Manual prepared by the Office of the Deputy Under Secretary of Defense, the base reuse process is a series of concurrently conducted activities that can be subdivided into three principal phases: base-wide reuse planning (Phase 1), disposal decision making (Phase 2), and parcel-by-parcel decision implementation (Phase 3). The Base Reuse Implementation Process Flow Chart, Figure 2-1, illustrates the phases.

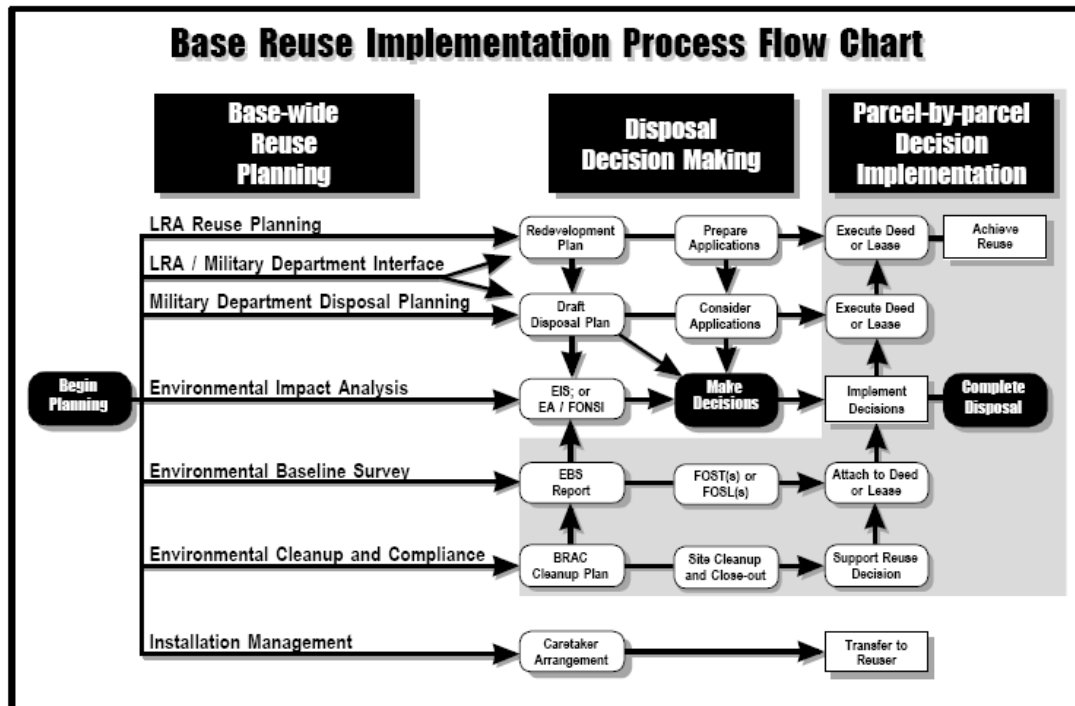


Figure 2-1. Base reuse implementation flow chart. (Office of the Deputy Under Secretary of Defense, 1997, pp. 2-3)

Phase 1 consists of the Local Redevelopment Authority, defined by the Department of Defense as “An entity (including an entity established by a State or local government) recognized by the Secretary of Defense as the entity responsible for developing the redevelopment plan with respect to the installation or for directing the implementation of such plan” (§ 15), preparing a redevelopment plan while the military’s activities relate to an environmental impact analysis, natural and cultural resources, and environmental contamination (United States Department of Defense, 2005a). “Under the Base Closure and Community Redevelopment and Homeless Assistance Act of 1994, a new community-based reuse planning process begins upon the final selection of the base

for closure or realignment” (Office of Assistant Secretary of Defense for Economic Security, 1997, p. 7).

Phase 2 may include the issuance of various decision documents, such as a record of decision (ROD). The ROD describes different site clean-up alternatives. Approvals of Local Redevelopment Authority (LRA) applications for public purpose conveyances also occur during this phase. For example, Alameda Point is divided into a number of different parcels, shown in Figure 2-2, with varying methods of conveyance from a Public Benefit Conveyance (PBC) for a public park to an economic development conveyance (EDC) between an LRA and a private land development company.

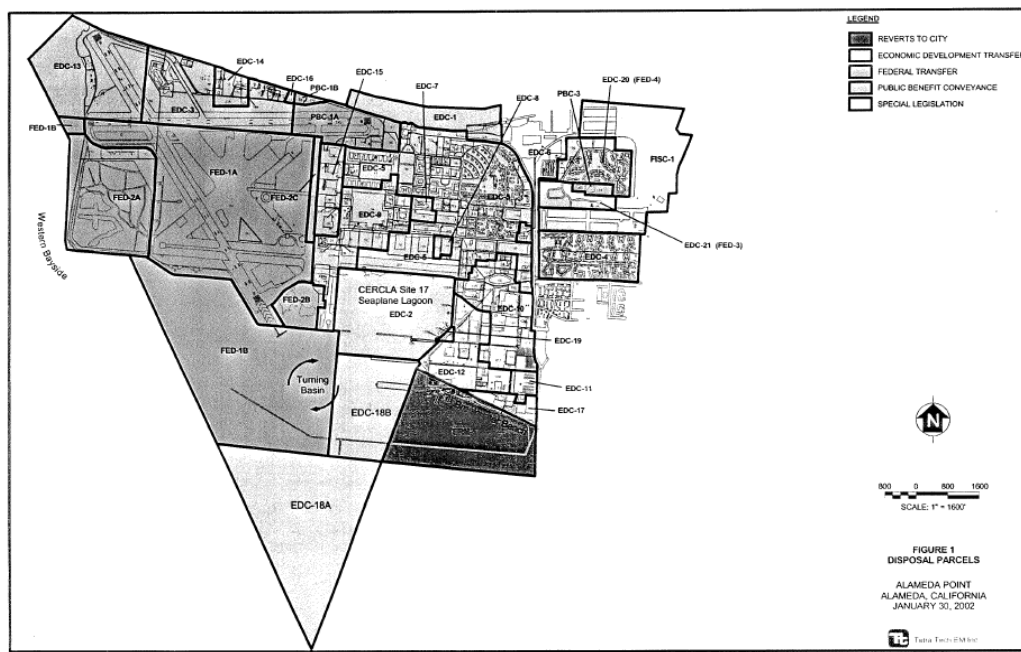


Figure 2-2. Disposal parcels. (Tetra Tech EM, Inc., 2002)

Phase 3 is the final phase in which the Military Department makes parcel-by-parcel decisions that lead to conveyance of the property to various parties. This phase

does not end until all the property has been disposed and the environmental activities are completed. In some cases, an early transfer may occur in which the military conveys to a party prior to all remedial activities occurring. However, an early transfer still requires the military to take responsibility for the eventual environmental cleanup of the property.

To date, there have been five rounds of BRAC. These rounds took place in 1989, 1991, 1993, 1995, and 2005. The 1989, 1991, 1993, and 1995

BRAC rounds have eliminated approximately 20 percent of DoD's capacity that existed in 1988 and, through 2001, produced net savings of approximately \$17.7 billion, which includes the cost of environmental cleanup. Recurring savings beyond 2001 are approximately \$7 billion annually. (U.S. Department of Defense, 2005b, ¶ 19)

The 1993 BRAC round had great consequence for the San Francisco Bay Area, including closing the Mare Island Naval Shipyard in Vallejo, the Alameda Naval Air Rework Facility (NARF), the Alameda Naval Air Station, the Alameda Naval Aviation Depot, the Oakland Naval Hospital (Oak Knoll), the Treasure Island Naval Station in San Francisco, and the Oakland Naval Supply Center.

#### Case Studies – A Method for Understanding Base Closure

The case study is the appropriate research method to use when focusing on contemporary events in an effort to answer “how” or “why” research questions (Yin, 2009, p. 8). Yin writes that “unique” and “revelatory” cases provide a rationale for the case study method. Military base reuse is a new and unique field of land development.

The reuse of bases involves complicated bureaucracies, potentially contaminated property, and maximum public awareness and scrutiny. What we know about base closure comes largely from previous case studies.

While the case study method uses an approach that is well organized and logical, it is difficult to ascertain causation and sometimes even correlation because, unlike an experiment, behavioral events are not controlled. Other common complaints about the case study method are that they cannot be scientifically generalized and that “they take too long, and they result in massive, unreadable documents” (Yin, 2009, p. 15). While there are drawbacks, the following cases analyzed for this literature review do begin to answer the question of why military base reuse has been successful or unsuccessful. The cases are also easily digestible and provide a beginning roadmap that builds a foundation for extrapolating some generalized themes that help to argue why base reuse is or is not successful.

#### Learning from Previous Cases of Base Closure

##### *Lowry Air Force Base, Denver, Colorado*

According to “Lowry Air Force Base” by Montgomery C. Force (2002), deputy director of the Lowry Redevelopment Authority in Denver, Colorado, this multi-phase process proved successful for the former Lowry Air Force Base on the east side of Denver, Colorado. When it was in operation, the 1,866-acre Lowry Air Force Base provided 7,000 jobs and tens of millions of dollars annually in military spending for the Denver region. After a failed lobbying effort to keep the base open, the Federal Base

Closure and Realignment Commission announced in 1991 that the base would close. Community reuse planning occurred from 1991 until 1993 and closure of the base came in 1994. By 2002, the project contained over 1,700 of the 4,000 planned homes and businesses, provided 6,000 of the 10,000 planned jobs, occupied 500,000 square feet out of the 2 million square feet of new commercial space, and park acreage equaled 40 of 800 planned acres of parks and open space. Additionally, redevelopment had demolished 350 old buildings and built 34 miles of new roads.

More than \$1.5 million in real property taxes were generated in 2001 to pay off tax increment financing bonds. Those taxes grow to \$10.4 million annually at build-out. Those tax proceeds eventually will all flow to the city of Denver.

(Force, 2002, pp. 12-13)

The continuing success at Lowry was because “enlightened self interest prompted the community to respond with decisive action in part based on fear of what would happen if a ‘do-nothing’ approach were taken” (Force, 2002, p. 6). According to Force, the community also understood that redevelopment of the base would enhance the surrounding residential neighborhoods as well as the metropolitan area, in general. It supported aggressive redevelopment starting with tearing down buildings and runways and replacing aging utilities (p. 6). By rezoning the property to add greater value to the land and renting out existing residential units, the City created valuable collateral that could be used to borrow off of as well as add value to the property. Combined funding redevelopment activities, \$309 million in total, came from grants, bank loans, tax

increment financing, bonds, sales proceeds, rental incomes, development fees, and marketing fees. Not only was the City's commitment to its master plan proven by its progressive actions but by its consensus as well. By 2001, the 21-member community advisory committee had never voted against the local redevelopment authority's recommendations – the community and City officials were joined together in their support of the vision for the former Air Force Base.

*Fort Benjamin Harrison, Lawrence, Indiana*

Similar success occurred at the former 2,400-acre Fort Benjamin Harrison in Lawrence, Indiana (Metropolitan Indianapolis). Also identified for closure in 1991, Harrison's end would quickly lead to the removal of \$125 million of annual revenue to the local economy and elimination of thousands of civilian jobs. By 2001, Lawrence saw a 45% boom in population throughout the 1990s, 1,000 new residences under construction in the redevelopment area, and more civilian jobs than when the post was active. "The key," according to Executive Director of the Fort Harrison Reuse Authority J. Lynn Boese, "has been staying with the (reuse) plan, even when new and seemingly attractive alternatives presented themselves" (Boese, 2002, p. 17).

According to Boese (2002), staying with the reuse plan has ensured creation of a variety of public benefits that added value to property which would eventually be developed as a residential use (p. 15). Of the 2,400 acres, 1,700 acres is now Fort Harrison State Park welcoming over 100,000 visitors each year and boasting one of the best public access golf courses in the nation. A 20-acre youth soccer complex with 3,000



participants and a 10,000-member YMCA on the former base further added to the amenities attracting people. Commercial historic structures slowly began to gain the attention of developers who found that the government tax credits and ability to seamlessly transition new and old construction were marketable. To accomplish its overall redevelopment goals, the Fort Harrison Reuse Authority has employed a number of different redevelopment strategies from selling off large parcels of property to developers to selling smaller parcels of land for individual uses. As examined by Ehren Bingaman (2008), former Executive Director of the Fort Benjamin Harrison Reuse Authority (FHRA), in his case study of Fort Harrison, one noteworthy transaction the FHRA successfully put together was a land swap that enabled the Harrison Village Commissary and Post Exchange (PX) to remain open when in the majority of base conveyances all former facilities close.

According to Bingaman (2008), at first, when the Army vacated the base, the FHRA enjoyed the activity the Commissary and PX created (p. 41). As the base developed, however, the prime location of the aging 12-acre Commissary and PX property stood as a roadblock to new investment in adjacent properties. Redevelopment of the adjacent properties was the key to the full redevelopment of Fort Harrison and the properties would only be activated with commercial redevelopment of the Commissary and PX site. This issue was further complicated by the fact that the FHRA owed the Army \$3 million of the \$6 million it had originally agreed to pay for the 650 acres of market rate developable property at Fort Harrison.

Fortunately, the FHRA had in its favor Congressional pressure on the Department of Defense to implement BRAC law, which required conveyance of former military properties, and that the Army needed to complete the conveyance and get the property off of the Department of Defense's books. The FHRA also had a community that wanted to continue to support troops in a military setting and not a new community setting. Proving its commitment to negotiate while at the same time not putting any actual cash into the deal, the Army agreed that if the FHRA would pay to build a Commissary and PX on a nearby military site, then the Army would forgive the \$3 million debt and convey the 13 acres of land and buildings.

*Fort Richie Army Garrison, Cascade, Maryland*

The BRAC successes like those at Fort Harrison and Ft. Lowry Air Force Base stand in contrast to the continued failure at Fort Richie Army Garrison in Cascade, Maryland. During World War II, thousands of people lived and worked at the over 500-acre Fort Richie. It was the first military installation of its kind where intelligence training was centralized. In total, over 10,000 students graduated from the intelligence program at Fort Richie. More than eight years after military operations officially stopped at Fort Richie, in September 1998, the community had yet to benefit from the reuse of the former military facility. In their 2007 article, "When the Military Leaves and Places Change: Effects of the Closing of an Army Post on the Local Community," Meridith Thanner and Mady Segal (2008) found that the "scant literature on military base closures

presupposes that the closing is the primary point of concern” and that it is done in a “timely and profitable manner” (p. 663).

In the case of the Fort Richie closure, the population of the community fell by 50% when the military left town. According to the authors’ overall analysis, the reduction and inability of the base to redevelop in a timely manner hurt many aspects of the community’s economy and civic life. When the number of African American residents fell by a staggering 92%, the community’s diversity suffered considerably. The population of school-aged children declined by over 50%, which, in turn, led to the loss of an elementary school, county aid, and other resources. Because Fort Richie’s operations focused on military intelligence, the number of residents with advanced degrees declined by 74% when the base shut down. Local businesses reported between a 20% and 35% hit to their revenue and because of the close proximity of jobs when Fort Richie was in operation, a 67% increase in the number of people who had to travel more than 45 minutes to work occurred.

The number of church parishioners declined and residents noticed more vandalism, drug use, property damage, and petty theft. The base was a part of residents’ normal life routines – something on which they could count. Divisiveness in the community erupted as residents took sides about what should happen at the abandoned installation. A local bar owner whose business was just outside the gates of the facility was one of a few who had positive things to say about the base closure. He was finally

seeing an upswing in business because his competition, the base's three outlets for alcohol, was closed.

The subsequent failure to redevelop the site was furthered by the inability of the community to effectively collaborate with the leadership of a responsive local government. After the initial fight to save the base from closure failed, the Washington County Commission formed a local reuse authority (LRA) by appointment to plan for redevelopment of the site; planning did not include any locals. According to the case study, County representatives kept information and documentation away from the locals. Symbolically, the LRA even took up residence in the impressive old post headquarters known as the castle. Inequalities were solidified which led to divisiveness within the community, embodied in lawsuits over historic and rural preservation. Interestingly, the new residents of the community held a stronger preservation opinion than local business owners whose livelihood depended on the local economy's success. According to Thanner and Segal (2008), because the new residents had "economic ties that extend beyond the local community; their interests are focused more on the preservation of the quiet quality of life they bought into and not on economic development" (p. 675).

#### *San Francisco Bay Area Base Closures*

Like the case in Cascade, Maryland, communities did not approach base closure in the San Francisco Bay Area with ease. *Planning with Complexity* by Judith E. Innes and David E. Booher (2010) analyzes the East Bay Conversion and Reinvestment Commission's approach to collaboration. U.S. Representative Ron Dellums' office

created the East Bay Conversion and Reinvestment Commission in the 1990s as a well-funded regional stakeholder group that sought to “build consensus and achieve innovative solutions to the thorny problems created by base closures” (Innes & Booher, 2010, p. 81). During that time, the BRAC Commission selected nine military facilities for closure, thus taking a toll on communities that had grown economically to support operating bases.

Stakeholders of the East Bay Conversion and Reinvestment Commission included mayors of affected cities and nonprofits representing social equity interests like the homeless, labor unions, academics, and major private businesses. According to Innes and Booher’s (2010) analysis, the Commission considered proposals, but the formal structure and process resulted in a lack of brainstorming and creativity, which, in turn, led to self-interested decision-making behind closed doors. “The chairs, staff and powerful players got their way with little challenge. They could say there was consensus and claim the projects were supported by the impressive list of stakeholders” (Innes & Booher, 2010, p. 84). This political reality is a “culture shock” to “military bureaucrats (who) are unaccustomed to dealing with ambitious local politicians and angry citizens” (Rosenbaum, 1998, p. 32). While some good did come out of the Commission, such as increased visibility for homeless advocates and bringing in federal dollars in support of military base redevelopment activities, the conclusion of this case study reveals that the Commission was not successful in meeting the interests of the various stakeholders.

### Case Study Themes

Many themes can be drawn from the case studies. The successful base reuse projects had community support, employed creative and adaptive financial strategies, and were directly or indirectly seen as a public benefit by the community. Both examples of unsuccessful base reuse efforts had elements of divisiveness within the community or amongst the involved stakeholders. Both examples also affirmed that lack of leadership contributes to unsuccessful base reuse.

Within the themes are distinctions that authors of the various case studies saw as central to why some cases proved successful and others were not. In the case of Lowry Air Force Base, community support and a multifaceted financing strategy helped ensure successful redevelopment of the former base. At Fort Benjamin Harrison, adherence to previous planning, a focus on public benefits, and being adaptive in property dispositions all contributed to successful redevelopment. Reuse success for the Fort Benjamin Harrison PX and Commissary came about through reconnecting a disjointed land plan and creating flexible financial terms.

Delaying reuse leading to neighborhood degeneration, lack of leadership, and structural divisiveness all contributed to the unsuccessful reuse of Fort Richie. The East Bay Conversion and Reinvestment Commission discussion in the literature review also teaches a lesson of what not to do. An overly burdensome process and elitist bias contributed to an organization's ineffectiveness at meeting numerous parties' needs to advance successful military base reuse in the San Francisco Bay Area.

## Chapter 3

### ALAMEDA POINT CASE: HISTORY AND SPECIFIC ISSUES

As illustrated in the previous chapter, successful military base redevelopment is a complicated, long-term multi-party process that can economically benefit an area previously impacted by the military's departure. Unsuccessful military base redevelopment can stymie economic development while at the same time divide a community. A greater understanding of the failure at Alameda Point, now in its 14<sup>th</sup> year of planning since its closure, depends on a comprehension of previous entitlement efforts and fundamental issues that have a profound policy or other legal effect on the future redevelopment of the former base. In addition to providing a familiarity with the previous entitlement efforts, the following issues, divided under the headings "Policy" and "Agreements," serve as a basis for understanding the interwoven complexities at Alameda Point.

#### Entitlement History

Since its listing, there have been two land use plans for the main portion of the property, a Community Reuse plan (EDAW, Inc., 1996) required by BRAC regulations and a General Plan Amendment (City of Alameda General Plan, 1991), and one land use plan (EDAW, Inc., 2004) for a remainder portion of the property approved by the City Council. The City of Alameda produced all three plans by using outside consultants paid for by the City. All three plans went through a California Environmental Quality Act (CEQA) review, also paid for with public monies. All three plans, still in place, have

failed to produce any redevelopment within the plan area, but continue to shape the available opportunities and constraints regarding what can be done at Alameda Point. The Reuse Plan includes over 2,700 housing units (within and adjacent to the plan area) and approximately 7 million square feet of commercial and civic buildings. At the beginning of the Reuse Plan, the following guiding themes were defined – One Island Character, Job Creation and Economic Development, Small Town Feeling, Respect for History, De-emphasis on the Automobile, Transit Orientation, Mixed-Use Development, Neighborhood Centers, Open Space Network, and Sustainable Development and Design. The themes served as the community benefits that had to be a part of any plan at Alameda Point. The General Plan Amendment land use plan allows for approximately 2,000 residential units and 2 million square feet of commercial and civic uses in the plan area (City of Alameda General Plan, 1991). The plan for the remainder parcel, referred to as the Northwest Territories, includes an 18-hole golf course and hotel/conference center. According to current Navy plans, the United States Department of Veterans Affairs will receive the property southwest of the plan area, comprised primarily of runways, from the Navy. Today, the former Navy Base, shown in Figure 3-1, comprises over 300 structures, former runways for aircraft, submerged lands, docks, roadway networks, and landscaping.





*Figure 3-1. Alameda Point as it currently exists. (Alameda Point Revitalization Initiative, 2009, p. 1-1)*

The 60-year-old base is in a state of disrepair. Water mains fail on a regular basis, the buildings are subject to vandalism and fire, and what few tenants there are live in a state of flux about the future of their businesses. The tenants' leases contemplate eventual redevelopment of the site; any type of Navy transfer, through auction or systematic conveyance through the Local Reuse Authority (LRA), the Alameda Reuse and Redevelopment Authority (ARRA), negates all leases. The ARRA is made up of only the City Council. And, while the Navy currently owns the property, the City of Alameda signed a Lease in Furtherance of Conveyance (LIFOC) (2000) with the Navy through

which each party's responsibilities are spelled out. The LIFOC (2000) provides the ARRA with all the revenues and costs associated with Alameda Point, excluding particular liabilities such as the cleanup of below-ground contamination.

Most recently, SunCal Companies developed a third plan (2008) for the main portion of the property after a two-year public planning process. The City selected SunCal Companies, an Irvine-based land development company, through a competitive selection process. Once the City selected SunCal Companies, the two parties entered into an Exclusive Negotiation Agreement (ENA) (Alameda Point ENA, 2007) that required the City and SunCal to work in good faith towards finishing an exchange agreement with the Navy and a Disposition and Development Agreement (DDA) with the City's redevelopment agency. The City Council and the Redevelopment Agency are comprised of the same five individuals. The agreements, once approved by the City Council or by the electorate through the Initiative process, allow for Alameda Point to develop. There is also the possibility that the Navy could eventually auction the property off as it did with its Oak Knoll Naval Hospital property in Oakland, California. SunCal bought that property in November 2005 at an auction for \$100.5 million (Corkery & Frangos, 2009).

SunCal used the third plan as the basis for an initiative, Measure B, it sponsored called the Alameda Point Revitalization Initiative (SunCal Companies, 2009). The plan included housing that had densities higher than 21.8 units per acre in the form of condominiums, apartments, and townhouses. Such housing is illegal under Article XXVI of the City's charter, further explained below, and a vote of the people was the only way

to reverse the charter mandate. Measure B proposed, through a charter amendment and various land use entitlements, allowing development of more than twice the number of residential units than what was previously proposed – up to 4,346 new housing units, 186 formerly homeless housing units, and 309 adaptive residential reuse units (SunCal Companies, 2009). Additionally, 3,182,000 square feet of commercial uses, 350,000 square feet of retail uses, and 260,000 square feet of civic uses were also part of the plan along with hundreds of boat slips and 145 acres of open space.

The City Council voted to place Measure B on the February 2, 2010 ballot through a special election. On that day, the Alameda electorate defeated Measure B by a whopping 13,797 to 2,361 votes. Nearly 86% (85.39%) of the Alameda voters rejected the third plan for Alameda Point. Pending this defeat, on January 15, 2010, SunCal attempted to resubmit the same plan as an optional entitlement application. This application was rejected by the City. The primary reason the City gave for rejecting the plan was that it was not Measure A compliant. On March 22, 2010, SunCal submitted a Measure A-compliant plan containing 3,712 residential units and over 4.5 million square feet of commercial space. In addition to submitting this Measure A compliant plan, on June 23, 2010 SunCal submitted a final plan that would act as a density bonus overlay to the March 22<sup>nd</sup> plan. The density bonus overlay takes advantage of a state law and newly enacted local ordinance that allows for the developer to build more residential units than Measure A would ordinarily permit in exchange for building onsite affordable housing. This density bonus overlay plan pushes the SunCal project back up to approximately the

same 4,845 residential units it sought through the initiative. However, the plan can be approved directly by the City Council without going through the City's electorate. This attempt to stay with the same plan that was on the Measure B initiative was voted down by the City Council, ARRA, and CIC on July 21, 2010 by a vote of 4-0 with one abstention. This latest defeat of a plan for the redevelopment of Alameda Point highlights the many challenges that military base reuse faces.

### Policy

Alameda's voters amended their City Charter by adding Article XXVI in 1973 (City of Alameda). The article, still referred to as Measure A throughout the City, prohibits the construction of multiple dwelling units. However, Measure A allows the Alameda Housing Authority to replace existing low-income housing and build a housing complex for senior citizens. Measure A also limits the maximum density for any residential development to one housing unit per 2,000 square feet of land. The limitation does not apply to the repair or replacement of existing residential units damaged or destroyed by fire or other disaster, provided that the total number of housing units does not increase. In effect, Measure A limits development at Alameda Point to 21.8 dwelling units per acre. The primary public justification for passing the measure in 1973 was to stop the conversion of Victorian houses into apartments and condominiums. In practice, Measure A resulted in little development activity in the City.

Just as Measure A limited the allowable residential density at Alameda Point, City of Alameda Resolution 13643, passed three decades later in 2003 as a requirement for

future land planning activities, limits funding options for Alameda Point municipal services. As it applies to Alameda Point, this resolution, called the fiscal neutrality policy, requires that the cost to the City of providing municipal services (e.g., police and fire services) are paid for by revenues created by the redevelopment project coupled with an assessment district or a community facilities district. Essentially, the intent of fiscal neutrality is that whatever gets developed at Alameda Point pays for itself with no burden on the City's General Fund.

Prior to SunCal Companies' involvement with Alameda Point, from 2001 to 2006 Alameda Point Community Partners (APCP) was the first developer group to attempt to redevelop Alameda Point. The key developers comprising APCP were Shea Homes and Centex Homes. APCP's efforts resulted in a Preliminary Development Concept plan (Roma, 2006) in line with the goals of the City's fiscal neutrality mandate. The Navy recognized the PDC's development program of residential and commercial uses, balancing both fiscal neutrality and allowable Measure A residential densities. Further, the PDC committed the developers to cleaning up soil and groundwater contamination to the standards enabling developers to achieve PDC levels of development. Though the United States Navy is ultimately responsible for the physical cleanup of the site, three agencies, the State Department of Toxic Substance Control (DTSC), the Regional Water Quality Control Board (Water Board), and the United States Environmental Protection Agency (EPA), have regulatory oversight over the extensive cleanup efforts at Alameda Point. Because of the complexity of the physical cleanup and interaction and oversight of

the regulatory agencies, getting assurance from the Navy to clean up the site to certain standards gave the developer at the time a comfort level in moving a development plan forward. The Navy has told the City and SunCal that if SunCal wanted to build a project requiring additional cleanup beyond what the Navy has committed to in the PDC, it would be the responsibility of SunCal to spend the extra money.

In addition to cleaning-up the former base, the City expects any future developer to raise site elevations in anticipation of a future rise in the sea levels. In 2009, the City's Engineer and Planning Services Manager wrote a memo that said the City and the City's Developer of Alameda Point must prepare for sea level rise and flooding at Alameda Point. The departments determined that a development plan at Alameda Point should plan for sea rise of 18 inches over 50 years. The City's position relies on Bay Conservation and Development Commission (BCDC) data, which gives regional legitimacy to the City's policy. The BCDC has regulatory responsibility over shoreline development in the San Francisco Bay. In addition to its planning and permitting authority over shoreline development in the San Francisco Bay, BCDC is taking on a prominent role in the area of sea rise because of global warming, reporting potential sea rise projections over the next 100 years. Such a role is evolving and is likely to give BCDC even greater permitting authority over properties potentially affected by a given level of sea rise in the San Francisco Bay.

In addition to the City's flood mitigation policy, PDC cleanup limitations, fiscal neutrality, and Measure A, the California Public Trust doctrine that delineates what

public uses are permitted on salt marsh, tide, and submerged lands further affects the property. Over a century ago, the United States Supreme Court issued a ruling on tide and submerged lands, finding that it is a title held in trust for the people of the State that they may enjoy the navigation of the waters, carry on commerce over them, and have liberty of fishing (*Illinois Cent. R.R. Co. v Illinois*, 1892). In 1913, the State of California granted over 1,000 acres of tide and submerged lands held in public trust to the City of Alameda. Under State law, private ownership of trust land is prohibited and it is the City's responsibility to act as landowner and trustee of the land on behalf of California's citizens to ensure that uses of the land are for commerce, navigation, and fisheries. The current property set aside as trust land covers most of the Alameda Point property. However, the Governor of California signed Senate Bill 2049 introduced by Senator Don Perata in 2000 which will allow for land to be swapped from outside the trust to inside the trust at an approximately 3:1 ratio. The California State Lands Commission (CLSC) must approve the transfer.

The final policy layer that affects development at Alameda Point is the 1999 United States Fish and Wildlife Service Biological Opinion regarding two endangered species – the California least tern and the California Brown Pelican. The Biological Opinion affects developable land to the northwest of the Fed-to-Fed parcel, labeled “Not a Part” on Figure 3-1, set aside through a Public Benefit Conveyance for a Sports Complex, the Northwest Territories, and a strip of valuable non-tidelands trust land directly east of the Fed-to-Fed parcel. Areas of new development, height, lighting, and

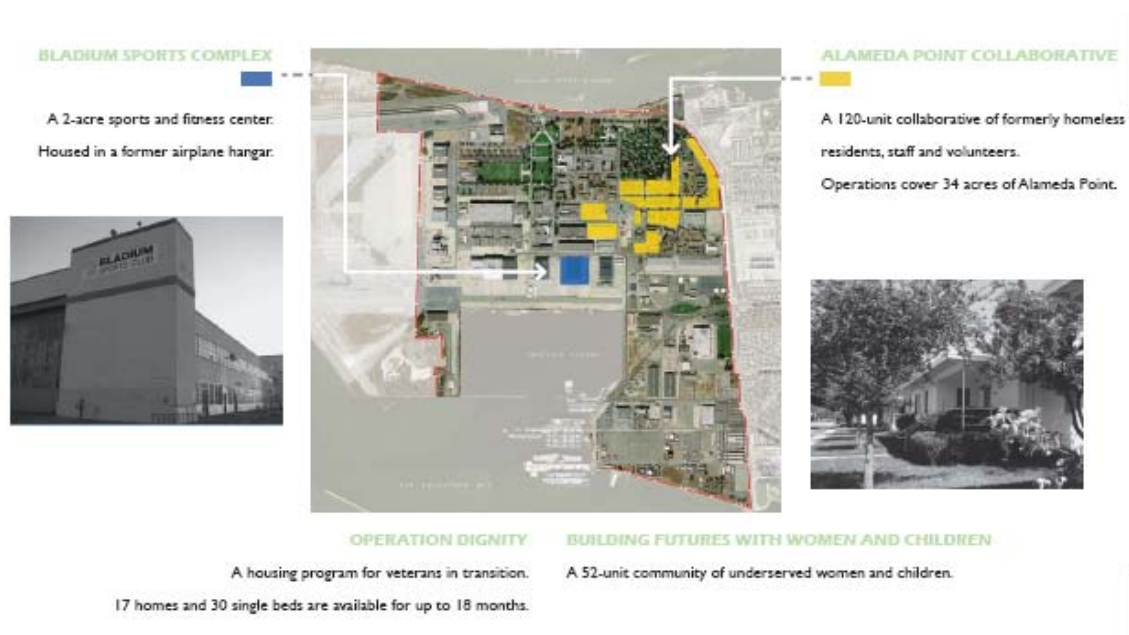
other restrictions apply to these areas. The restrictions are in place primarily to protect the least tern from predators. The least tern is a bird species that has managed to thrive and breed in cracks found in the former runways that comprise the Fed-to-Fed parcel.

### Agreements

Several agreements into which Alameda entered even before the base transferred out of military use also have an effect on what can be done with Alameda Point. The first of which is the 1995 Standards of Reasonableness for Homeless Uses at Alameda Naval Air Station, as amended. As required by the Federal Base Closure and Community Redevelopment and Homeless Assistance Act of 1994, the ARRA, County of Alameda, and Collaborative entered into the 1995 Standards of Reasonableness for Homeless Uses at Alameda Naval Air Station (1999), as amended. The Collaborative, a united group of shelter providers for homeless individuals, includes the Alameda Point Collaborative, Operation Dignity, and Building Futures with Women and Children. The Collaborative's 186 residential units and support facilities are spread out across the site (see Figure 3-2), occupying more than 25% of the first phase of SunCal's development at Alameda Point. The Collaborative has a sublease that permits it to lease the property for over half a century as opposed to the Bladium lease, which allows for extension options through 2035. The only other current tenant with long-term lease rights at Alameda Point is the Bladium. The Bladium is a large-scale Sports and Fitness Club that occupies a seaplane hangar within the plan area as shown in Figure 3-2. Bladium is also unusual in that it is the only commercial tenant, out of more than 60 commercial tenants, at Alameda Point



that has a mechanism in its sublease from the ARRA that affords it potential long-term rights to stay at Alameda Point. Namely, in accordance with the LIFOC (2000) terms, Bladium has the “right of first refusal” through 2035 to purchase its property at a fair market value when the federal government conveys the land to a private developer. The effect of the Bladium and Collaborative on redevelopment at Alameda Point is that land plans must either plan around their parcels of land or, with their approval, a developer must relocate those uses.

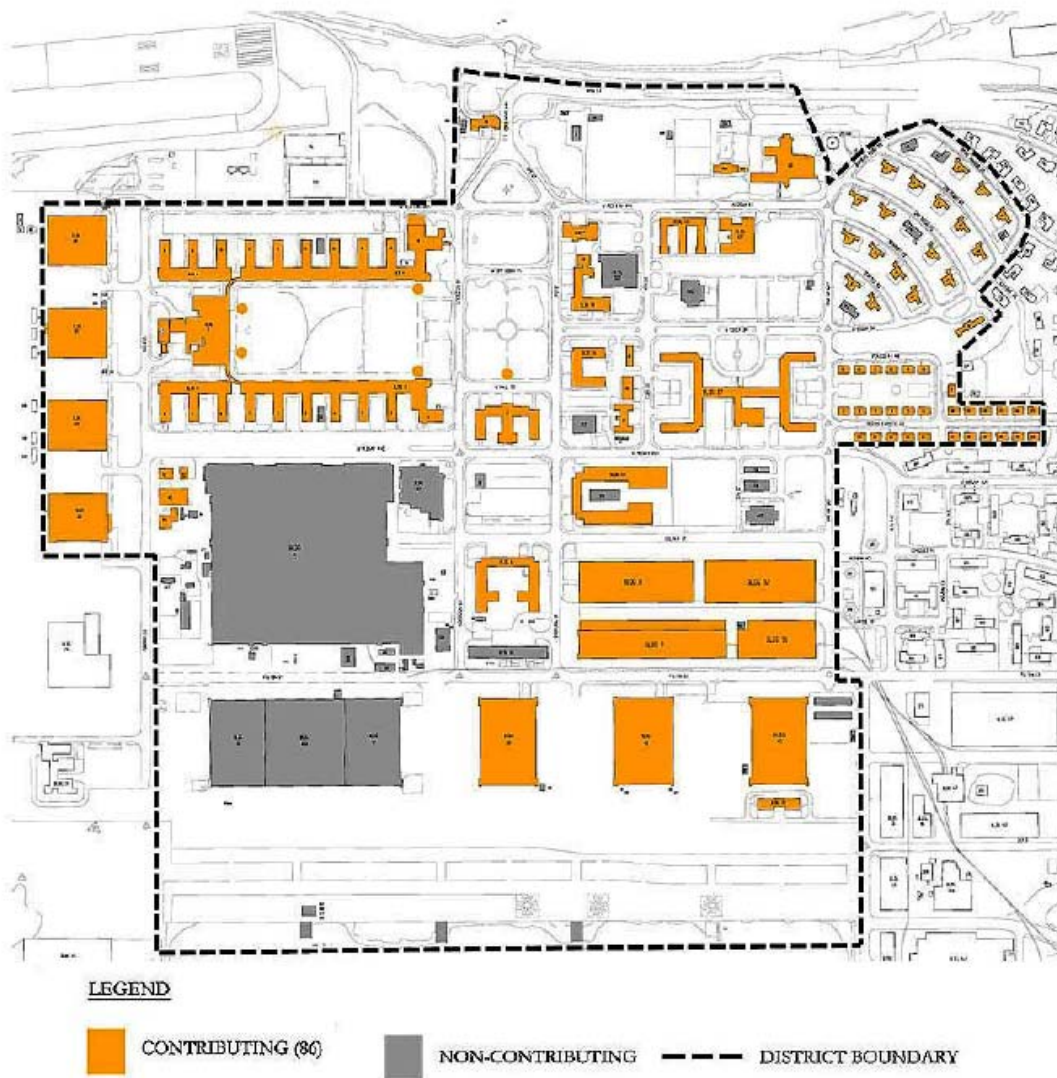


*Figure 3-2.* Bladium and Collaborative location. (SunCal Companies, 2008, p. 13)

The third agreement effecting future development at Alameda Point is related to the preservation of historic resources. In 1992, the Navy hired architectural historian Sally Woodbridge who identified over 80 buildings at Alameda Point eligible for listing in the National Register. The Navy and the California Office of Historic Preservation

(OHP), led by the California State Historic Preservation Officer (SHPO), concurred with Woodbridge's (1992) findings and formally listed the district as being eligible for the National Register. In 1999, two years after the base closed in 1997, the United States Navy, the Advisory Council on Historic Preservation, and the SHPO entered into a Memorandum of Agreement (MOA) consistent with section 106 of the National Historic Preservation Act. The City of Alameda also signed the agreement as a concurring party. This agreement detailed the breakdown of different levels of use, caretaker maintenance, leasing, and disposal of historic properties on the base. It required the Navy to prepare and submit a National Register Nomination for the Historic District that the Woodbridge (1992) report identified. This historic district would consist of 87 buildings, one of which has burned down and six that have been approved for removal by the Navy, OHP, and Advisory Council on Historic Preservation under a previous MOA in 1996. According to the Woodbridge report, these buildings are individually insignificant from a historic

standpoint, but significant as a district (see Figure 3-3).



*Figure 3-3. Historic District. (Page & Turnbull, Inc., 2005, p. 5)*

The fourth agreement provides the City of Alameda with leasing responsibilities related to Alameda Point. As previously mentioned, in 2000, the United States of America and the ARRA entered into a Lease in Furtherance of Conveyance (LIFOC), as amended. The term of this agreement is 50 years, starting June 2000. Among other

provisions, the LIFOC assigns full responsibility for operation, protection, maintenance, and repair of the former NAS, Alameda. These responsibilities include firefighting, repair of buildings, grounds maintenance, utilities repair, and administrative costs. In return, Alameda Point building sublease revenue goes back to the ARRA for offsetting the costs of public investment. Public investment includes historic preservation, utility construction, demolition, and planning for the redevelopment of the property.

The fifth agreement requires that 25% of housing at Alameda Point be made permanently affordable. In 2001, the City, the CIC, the ARRA, the Housing Authority, and Catellus Development Corporation settled a lawsuit with Renewed Hope Housing Advocates, an Alameda housing advocacy group, and Arc Ecology, a San Francisco organization that is a watchdog over base conversion. The Renewed Hope settlement agreement, a result of a challenge by Renewed Hope and Arc Ecology of an Environmental Impact Report prepared to analyze properties part of the former NAS, Alameda, requires that 25% of new housing at Alameda Point be available to and occupied by very low, low, and moderate-income households. Ten percent of these housing units will be permanently affordable to households with incomes below 80% of the median income. The remaining 15% will be made affordable under California Health and Safety Code § 33413(b)(2) to families of low or moderate-income with 40% (6% of the total) of those units available to very low-income families.

The sixth agreement, though not final, puts a price tag on the Alameda Point property. In 2004, the Navy and the ARRA prepared a Summary of Acquisition Terms

and Conditions for the Conveyance of the NAS, Alameda between the United States of America, acting through the Department of the Navy, and the Alameda Reuse and Redevelopment Authority (2004). This term sheet recognized the relationship between the City's development partner at the time, APCP, and the ARRA and the ARRA's ability to enter into an Economic Development Conveyance Memorandum of Agreement Amendment with the Navy. The term sheet covered several hundred acres of land less than what was covered by the SunCal Initiative and set the purchase price of the land at \$108.5 million. Of that amount, \$40.3 million would go towards continuing environmental remediation work. The remaining \$68.2 million, plus interest, would be paid in installments of \$78,115 for constructed housing units from 550 through 1,147 units and then \$89,211 per unit for units 1,148 and above.

The final agreement is related to Alameda's traffic impacts on Oakland. In 2004, the City of Alameda, the City of Oakland, the Oakland Chinatown Chamber of Commerce, and Asian Health Services signed an agreement regarding cooperation to study and mitigate traffic and related impacts in Alameda, Oakland, and specifically in Oakland Chinatown (or Chinatown). Chinatown is the Oakland community that receives traffic coming into and going out of the west side of the City of Alameda through two underwater tubes. Chinatown initiated this agreement (2004) after the City of Alameda certified the 2003 Alameda Point General Plan Amendment Environmental Impact Report (LSA Associates, Inc., 2002). The Alameda City Council found that there would be significant impacts to service levels around the Chinatown area. As a result, the

Oakland Chinatown Agreement includes many details about collaboration between Alameda and Oakland Chinatown with regard to transportation issues and mitigations, limitations on number of residential units allowed at Alameda Point, and funding responsibilities of improvements. The settlement requires the formation of an Oakland Chinatown Advisory Committee (OCAC) that would advise both the Alameda and Oakland Planning Commissions and City Councils on future development and environmental review of projects within Alameda Point and Downtown Oakland. The settlement also requires that future project-specific EIRs will include a transit-oriented project alternative with a higher density regardless of whether or not it is compliant with the City's Charter, zoning ordinance, or general plan.

#### Summary

In this chapter, I focused on the Alameda Point case. I presented the land entitlement history of Alameda Point starting with the Base Reuse Plan and ending with the current density bonus plan for Alameda Point. I divided issues that affect redevelopment of Alameda Point into two categories – policy and agreements. The policy issues include Measure A's maximum densities, environmental remediation set by the PDC, sea rise as a result of global warming and its effect on grading, lands to be placed in a trust, and endangered species habitat. The agreements discussed established long-term leases on the property and a historic district, provided the City of Alameda with leasing responsibilities at Alameda Point, replaced a 25% affordable housing requirement on the property, set a purchase price for Alameda Point, and gave Chinatown some legitimate

interaction with future developers as it relates to traffic. As seen in the Chapter 4 analysis, the above issues are at the heart of the redevelopment effort at Alameda Point.

## Chapter 4

### ANALYSIS

This chapter begins with an analysis of the themes found in the base reuse cases discussed in Chapter 2 and the Alameda Point case. Chapter 4 then analyzes additional unique aspects of the Alameda Point case.

As discussed in Chapter 2, previous successful base reuse projects had community support, employed creative and adaptive financial strategies, and were directly or indirectly seen as a public benefit by the community. The two examples of unsuccessful base reuse efforts had elements of divisiveness within the community or among the involved stakeholders. Both of these examples also affirmed that the inability of community leaders to garner community support can stall military base redevelopment efforts.

Community support seems to be essential for the successful redevelopment of Alameda Point. The only reuse plan the City Council officially approved for Alameda Point was the 1996 Base Reuse Plan (EDAW, Inc., 1996, January 31). The Base Reuse Plan had less than half as many residential units as the current density bonus plan that SunCal has proposed and the City has denied. In fact, according to the July 20, 2010 staff report, staff recommended approving a resolution to deny SunCal's application for the density bonus plan. The deputy City Manager Jennifer Ott cited a lack of community support as one of the key reasons for not moving forward with the plan (J. Ott, personal communication, January 28, 2009). The lack of community support she found was



proven by the defeat of the Measure B plan that has the same residential densities as the density bonus plan. Measure B failed at the polls with 85% of those participating in the election voting against it. As Chapter 2 revealed from the case studies illustrating successful base reuse, community support is key to redeveloping a former military base.

At Alameda Point, creative and adaptive financial strategies that have been important in other reuse cases are limited in part by the fiscal neutrality policy described in Chapter 3. This policy requires that there is no net impact on the City's General Fund by the future public services required for the Alameda Point community. To assure fiscal neutrality at Alameda Point, the City of Alameda hired Economic Planning Systems (EPS) to prepare an analysis of how development at Alameda Point would pay for its own public services. Expenditures include police and fire costs, public works costs, and planning and building services costs. Revenues include property tax, sales tax, and gas tax. The December 2008 report revealed that during the 15-year project buildout, some years would see annual shortfalls of \$12-\$13 million. At buildout, EPS estimated an annual shortfall of \$2 million.

To account for the shortfalls, the project imposes additional assessments on homeowners and businesses within Alameda Point to make up the difference or the developer can make up the shortfall out of pocket. In either case, the costs associated with the project are making it increasingly unattractive for future redevelopment. And, because actual ongoing costs cannot be known for certain until they occur, the additional risk the developer must take adds an additional burden that shifts risk away from the City

and on to the developer and its investors, further contributing to the difficulty of base redevelopment at Alameda Point.

The final element found across the cases of successful base reuse was community benefits. The community benefits specifically outlined in the Reuse Plan, listed in Chapter 3, are arguably not all included in the Alameda Point density bonus plan. Specifically, the “One Island Character,” “Small Town Feeling,” and “Respect for History” themes could be viewed by project opponents as not adequately addressed in the current plan for Alameda Point. As viewed from a Measure A standpoint, the “One Island Character” community benefit is inconsistent with the recently denied density bonus plan for Alameda Point. Since Measure A’s passage in 1973, developers have built up Alameda according to the Measure A mandate described in Chapter 3. The current proposed plan for Alameda Point provides for densities above what Measure A allows for the rest of the island, taking away from the “One Island Character” concept, a project opponent could argue. The density bonus plan is also inconsistent with the goal of achieving a “Small Town Feeling” because the plan creates a City within a City with a balance of retail, office, housing, schools, a grocery store, and transit opportunities, a project opponent could also argue. From a “Respect for History” standpoint by a strict preservationist, the density bonus plan does not preserve all 80-plus buildings identified in the Sally Woodbridge (1992) report discussed in Chapter 3. Only about 50% of the buildings identified are preserved.

As found in cases of unsuccessful base reuse efforts, elements of divisiveness within the community or among the involved stakeholders and lack of leadership contribute to unsuccessful base reuse. According to City staff, the Measure B election results clearly indicate cohesion in the community against redeveloping Alameda Point at residential densities in excess of Measure A's limits. The stakeholders, however, are divided because many of the topics discussed in Chapter 3 are mutually exclusive. For example, if all the buildings described in the Sally Woodbridge (1992) report are adaptively reused, little affordable housing can be provided by a developer at the site as the Renewed Hope settlement agreement hopes to achieve. Also, if a developer does propose a Transit Oriented Development, as the Oakland Chinatown Agreement describes, residential density must be around a transit hub, and the mandates found in Measure A are not followed.

Unlike the successful case studies found in Chapter 2 primarily led by a public body, the City of Alameda has relied on developers, first with APCP and then with SunCal, to run the redevelopment of Alameda Point after unsuccessfully trying to redevelop the property based on the City-led Reuse Plan. While complex, large-scale redevelopment projects like Alameda Point may benefit from the expertise of a professional land development company, without complete City Council support or leadership, redevelopment will continue to stall. Lack of support as found in the cases of unsuccessful redevelopment of former bases in Chapter 2 must be overcome for base reuse to be successful.

In addition to those items suggested by the previous base redevelopment efforts, Alameda Point poses additional issues including environmental cleanup uncertainty, property conveyance procedures, land use economics, and the obligations on the property. These are additional contributing factors that have made redevelopment of the site stagnate.

### Environmental Cleanup

Past uses of Alameda Point include such industrial ones as a landfill, an Army base, an oil refinery, and most recently a Navy base. The operations at the Naval base included aircraft construction and maintenance during a period of American history when there was little environmental oversight. Consequently, Alameda Point is heavily contaminated with byproducts from base practices such as dumping drums of petroleum-based products directly into the ground. Even something as nondescript as the dials found on aircraft instrument panels are responsible for the contamination. The dials were layered with radium paint that has manifested into radioactive waste found in the old sewer system beneath the base. From lead-based paint and asbestos found in the nearly 300 structures and infrastructure at Alameda Point to contaminated groundwater plumes and soils contaminated with petroleum hydrocarbons and heavy metals, Alameda Point is an environmental nightmare. The *East Bay Express* reports that cleanup

operations across the base have resulted in 63,000 pounds of jet fuel being pumped out the ground in one site alone...the Navy has hauled away huge amounts of debris and expects, when the project is completed, to have taken out a

total of 25,000 cubic yards — enough to fill a football field to a height of 14 feet.

(Kelly, 2008, p. 3)

In order to tackle the cleanup, the Navy divided the site into Operable Units (OUs) shown in Figure 4-1. There is also a cleanup schedule, part of the yearly Site Management Plan (SMP) published by the Navy (2009), which the Navy uses to organize its cleanup activities. It is the only comprehensive official cleanup schedule that exists. Because redevelopment cannot occur until the land and groundwater are cleaned to meet a residential or commercial standard, this schedule is the key to understanding how a phased development project will occur. The concept is that as land is cleaned, the Navy will convey it to the ARRA. The ARRA will then convey the land to a private developer. The developer will then begin the demolition of existing buildings and infrastructure. Next, the developer will build horizontal improvements, including new infrastructure and public amenities before selling off the improved land to home and commercial builders for all vertical construction.

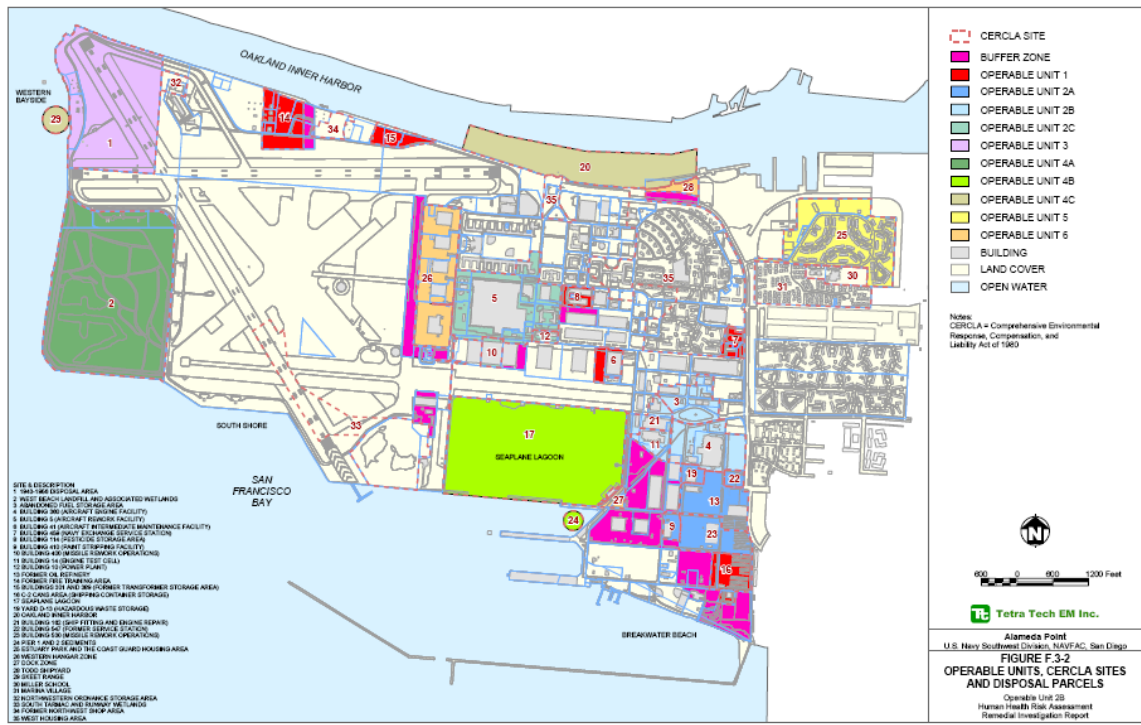


Figure 4-1. Environmental conditions map. (Tetra Tech EM, Inc., 2003)

After SunCal Companies took over as the City’s redevelopment private partner in the summer of 2007, the Navy released a 2008 Final Amendment to the Site Management Plan dated September 20, 2007. On September 14, 2009, the Navy released the most recent Amendment to the Site Management Plan for 2010. Table 4-1 is a table I prepared based on the two SMPs. The table shows when the remedial (cleanup) actions will be complete for various OUs, thereby making the land available to transfer to a private developer.

Table 1-1

*SMP Comparison Table*

Area	2008 SMP	2010 SMP
OU-1 Site 14	4/28/2010	12/19/2009
OU-1 Sites 6,7,8,16	11/26/2010	8/18/2013+
OU-2A Sites 9, 13, 19, 22, 23	10/12/2012	7/31/2014+
OU-2B Sites 3, 4, 11, 21	4/24/2013	12/24/2017+
OU-2C Sites 5, 10, 12	11/18/2013	6/16/2017+
OU-3 Site 1	1/7/2011	4/28/2015+
OU-4A Site 2	3/9/2012	10/1/2016+
OU-4B Site 17	4/7/2009	4/20/2011+
OU-4B Site 24	10/27/2011	1/13/2012
OU-5 OU-05/IR02 Groundwater	9/13/2010	10/5/2013+
OU-6 Site 26	11/27/2009	6/12/2010
OU-6 Site 27	11/3/2011	6/24/2014+
OU-6 Site 28	12/21/2010	12/2/2014+
Site 32	6/8/2012	12/27/2014+
Site 34	9/23/2011	2/14/2013+
Site 35	8/9/2010	1/5/2011

The dates in the 2010 SMP column in which the cleanup will be later than expected appear in italics. In addition, I put a plus sign by the dates under the 2010 SMP column indicating sites at which the variance between the 2008 SMP is greater than one year. This comparison shows that only one site is on track for a timely cleanup and conveyance. Over 75% of the sites shown are one or more years behind schedule. In the case of sites OU-2B, OU-3, and OU-4A the Navy has pushed the schedule out more than four years.

Much of the land is not fully characterized from an environmental standpoint and the Navy is constantly uncovering new contamination, which also adds to the delays. Also, as the Navy schedule changes, its budget needs change. Increasing the cleanup budget is challenging because Congress must approve the additional funds. As of winter 2008, according to the *East Bay Express*, “The Department of Defense has spent \$381 million on remediation, and the budget for the fiscal year is \$41.5 million” (Kelly, 2008, p. 3). The uncertainty of when the land will be available for redevelopment makes redevelopment a challenge from a practical standpoint because the land cannot be built upon until it is clean.

#### Real Property Conveyance

Originally, it was going to be simple. The ARRA had a No-Cost Economic Development Conveyance Memorandum of Agreement (No-Cost EDC) deal with the United States of America, acting through the Navy, on the condition that the City developed the Reuse Plan. When the Reuse Plan went dormant during the Bush



Administration and the ARRA selected APCP to be the City's development partner, the partners prepared a plan with different intensities of land uses than had been sought through the Reuse Plan. The new planning effort negated the No-Cost EDC deal with the Navy. This stream of events led to the public-private team of the ARRA and APCP agreeing to a market rate \$108.5 million purchase price through a For-Cost EDC with the Navy. APCP quickly withdrew this offer in 2006 when market conditions made APCP take another look at the project financials and walk away.

In addition to For-Cost and No-Cost EDCs, as they have come to be called, the Navy, like the other branches of the military, can also elect to auction former military bases off to the highest qualified bidder. SunCal Companies picked up the 167-acre former Oak Knoll Naval hospital through an online auction at a purchase price of \$100.5 million in 2006 (Ginsberg, 2007). This process is very straightforward. A number of bidders are prequalified to assure their ability to meet the conditions of the auction, the clock starts, and the military grants the property to whoever bids the highest amount of money.

With the Obama Administration now in its second year, a halfway point between a No-Cost EDC and a Market Rate For-Cost EDC exists. This new deal structure is evidenced by the recent deal struck between the Navy and San Francisco with their private development partner Lennar Corporation. The Navy, under the Bush Administration, wanted \$250 million for the Treasure Island property. Lennar and the City said they would pay \$22 million for the 10- to 20-year residential and commercial

redevelopment project. According to the *San Francisco Chronicle*, the Navy and the City, with its private development partner, hammered out a deal in which the City, with its private development partner, paid at a rate of \$5.5 million per year for 10 years with the Navy receiving an additional payment of up to \$50 million if the project reaches an 18% return (Greene, 2010).

The current offer for Treasure Island and the varying methods of conveyance illustrate a deal structure only found in real estate transactions with the United States military. In other real estate transactions, two parties act in their self-interest to get the best deal on a parcel of real property. In the case of Alameda Point, three different federal administrations have enabled three different methods of conveyance, no-cost EDC, for-cost EDC, and public auction, since the base first closed. The ability of the federal government to use at least three different conveyance methods to dispose of surplus property provides a level of uncertainty to the parties looking to benefit from the exchange of property, in this case the ARRA and the developer. As parties whose interests may not align, this uncertainty leads to unease between the developer, the local reuse authority, and the military.

I have demonstrated through this analysis so far that uncertainty is difficult to overcome with regard to conveyance and environmental cleanup. Next, I analyze the land use economics, formed by the physical and policy constraints, to see if they have a direct effect on the potential by a developer and the ARRA to redevelop Alameda Point.

## Land Use Economics

Redeveloping infill property is very expensive because typically the existing site needs to be cleaned up, torn down, and then mitigated for future land uses before a developer can build anything. Additionally, developers of infill property must often overcome long-held community values, both political and economic. I analyze the physical and policy constraints at Alameda Point to see the effect on the economics.

### *Physical Constraints*

According to the Alameda Point cash flow (SunCal Companies, 2010) prepared by SunCal for a Measure A-compliant plan that would cure the company's default initiated by the City, demolition, site preparation, and grading costs are over \$210 million. The figure represents over 35% of the total direct costs to develop the site and is nearly fixed regardless of the intensity of redevelopment of the site. The reason the cost is so high is because of the sheer number of buildings that must be taken down, the existing infrastructure that must be replaced to meet City code, and the amount of fill required to lift the site out of any future flood plain. The potential for global warming alone will require generating, through import or onsite excavation, millions of cubic yards of fill material.

In addition to the baseline improvements that must be made because Alameda is an island, all traffic funnels into underwater tubes and onto bridges. A traffic study performed by transportation consultant Fehr & Peers Associates (2008) for the City led to the conclusion that two major improvements are anticipated in order to accommodate

development scenarios at Alameda Point. The improvements are a relocated ferry terminal and a bus rapid transit system that extends from Alameda Point through the rest of the City and into neighboring Oakland. Fehr & Peers Associates estimated that the two major improvements, along with other minor improvements, cost nearly \$100 million. Along with the demolition, site preparation, and grading costs, this figure represents over 50% of the total direct costs.

Finally, the cost of doing nothing at the site is also unusual in that it goes beyond interest payments or assessments. Taking control of the property also means taking control of all the costs associated with leasing the property, such as maintenance and infrastructure. While in theory leasing out existing properties to generate revenue to help pay for future costs of redevelopment seems like a win-win scenario, next I demonstrate that this is not a fiscal reality at Alameda Point.

According to the ARRA Lease Revenue Cash Flow (2008-2017) presented to the ARRA on March 4, 2009, the 2008-09 revenue generated from leases at Alameda Point totaled \$11,972,774. The cost during that same time period associated with maintaining the base's infrastructure and paying off loans against the property was \$14,635,565. That is over a \$2.5 million shortfall for which the City is responsible, as detailed in the LIFOC (2000). Aside from such normal costs associated with keeping the former base inhabitable, emergency costs also add up. According to a December 2, 2009 City Council report, the clean-up cost for an old medical depot that accidentally burned down was over \$2 million (Gallant, 2009). With over 300 other structures in various states of disrepair,

and the associated decaying infrastructure, it is likely emergency costs will continue to rise.

All of the above physical constraints add up to a proforma that falls short of the 22-25% unleveraged rate of return required by the ENA between SunCal Companies and the ARRA as well as what is the current mark of 18% set by the redevelopment effort at Treasure Island. According to the April 8, 2010 business plan, a 3,700 residential unit plan only yields a 14.6% return. When seeking investment dollars loaned based on an expected internal rate of return (IRR), a common financial measure used to compare the profitability of competing investments, the Treasure Island deal is much more attractive to an investor. And, in constrained capital markets where there are not many investors, better deals get financed first with riskier deals getting left behind. From a public policy perspective, this financial reality must be incorporated into decision-making in order for redevelopment to occur because these types of projects are too expensive to be built without borrowing money from investors. And, investors will not allow their funds to be used for redevelopment unless there is a return on their investment.

#### *Measure A Policy Constraint*

The 3,700 residential unit project is the maximum density that can fit onto the site because of Measure A limitations and other site constraints (SunCal Companies, 2010). Measure A only allows for a built density of approximately 19 dwelling units per acre. Because Measure A only allows single-family residences or duplexes, housing will start in the mid-\$750,000s under a Measure A-compliant plan. Measure A's density limit

operates also to limit the number of people who can afford mortgages in the proposed new development. With high housing prices, sales will be slow, thereby reducing the builder's cashflow. When a builder's cashflow is impacted by houses that cannot sell at a prescribed yearly rate, the builder's investors' rate of return goes down and investors stop investing in the housing project. In effect housing sits, providing no revenue to help increase the rate of return to attract investors in order to continue to build out the project. Not only does diversity of housing (i.e. housing that ranges from condominiums to detached single-family residential units) create housing that starts in the \$500,000s, instead of the \$700,000s, and fix the problem of slow absorption, but diversity of housing also allows for higher densities that trigger small incremental amounts of investment per unit. In other words, the costs are essentially fixed, so at a certain hurdle, every extra unit that can be built on site costs only a small amount to build, but generates a significant amount of extra profit (SunCal Companies, 2010). From a public policy perspective, not only is affordable housing an important element of a diversified city where citizens of multiple incomes levels can live and work, it is also important because affordable housing creates a range of housing that can be occupied more quickly with less housing that lays dormant and breeds crime and decreased property tax revenue to the City.

Measure A also negatively affects the creation of Transit Oriented Development and increases the demand for parking, hence making transit less viable (SunCal Companies, 2010). In effect, Measure A precludes housing from being clustered in multiple stories, which would maximize the number of residential units within a half-mile

walk of transit – the distance recognized to be the maximum the average person will walk to pick up public transit (Schlossberg & Agrawal, 2007). Measure A also increases the amount of parking spaces at Alameda Point because of the City’s zoning code.

Considering the 3,700 single-family units proposed under a development plan that complies with Measure A, Alameda’s zoning code would require parking for 7,400 vehicles. By increasing the number of parking spaces, Alameda’s zoning code makes it less likely that the development project could support efficient mass transit service.

### Obligations

The final proposition that may contribute to the unsuccessful redevelopment of Alameda Point is the obligations that come with the property. Such obligations can be challenges with regard to creating a cohesive master land plan. The obligations may impose a burden on the property that cannot be corrected by increased revenue as a result of the burden. I analyze Section 106 and the Renewed Hope Settlement Agreement land planning issues as well as the effects of the Standards of Reasonableness and Bladium sublease on redevelopment of the property.

Figure 3-2 illustrates the effect of the Standards of Reasonableness, which provides for 200 units of housing for formerly homeless persons at Alameda Point. Because the Collaborative’s facilities are scattered around the former base, they get in the way of a comprehensive land plan. However, the Collaborative is open to onsite relocation. The new challenge raised by a relocation strategy is that the nature of the Collaborative’s grant funding requires replacement facilities being built before moving.

Effectively, the requirement means that the first activity to take place to redevelop Alameda Point is 186 new residential units, administrative support services, and any other negotiated improvements must be built in place, including infrastructure improvements, without any revenue generated. Building replacement facilities before constructing homes for sale would be a financial problem for any developer, resulting in high costs before realizing any revenues and stalled redevelopment.

Another challenge associated with the Collaborative is that its operation requires that hundreds of formerly homeless individuals live and potentially work at Alameda Point. Even if the Collaborative relocates, the existence of housing for the homeless makes it difficult for the builder to market expensive houses in the same neighborhood, again stalling redevelopment.

While the Collaborative can be viewed by a future resident of Alameda Point as a negative attribute to the current site, the Bladium sports club is a positive attribute at the Stapleton redevelopment project outside Denver, Colorado. Like at Stapleton, the Bladium secured its place at Alameda Point at the very beginning of the base's closure, and secured a lease with the right of first refusal. This lease insured that the Bladium would have the option to stay at Alameda Point regardless of the development plans for the base. With that security, the Bladium made millions of dollars of upgrades to the old seaplane hangar it currently occupies. Any attempt by a developer to relocate the Bladium will require guaranteeing its future placement within the Alameda Point



community as well as covering, at a minimum, any costs required to move it onsite and upgrade the facility to its current standard.

Like the Bladium, historic preservation through the Section 106 process is a benefit to a surrounding neighborhood when the preservation adds a beautifying historical element that would otherwise be impossible to recreate. At Alameda Point, however, the locations of the historical buildings do not allow for a comprehensive development plan. Additionally, reusing WWII-era industrial buildings within a future residential neighborhood is challenging. Truck routes, hours of operation, and excessive noise from uses that will occur in such buildings all affect the marketability of the buildings themselves as well as the surrounding neighborhood. The Alameda Point analysis assumed no profit from the buildings because the cost to upgrade the buildings and associated infrastructure is equal to their revenues.

Finally, the 25% affordable requirement, obligated by the Renewed Hope settlement agreement, creates two problems. First, it is difficult for the developer to recoup all the costs associated with selling houses at mandated affordable prices. For a project with a tremendous amount of upfront costs like the one at Alameda Point, building 25% of the developable property for housing that will not generate any profit is a financial challenge and stalls redevelopment of the site. Second, especially in the first phase of the project, having 40% of the neighborhood affordable affects the marketability of the market rate units. Potential buyers will know their homes are priced artificially high to subsidize the 40% affordable or free units. Future buyers will also look toward

future resale and will have to factor in that their home will have comparables priced artificially low because of deed restrictions on the affordable units.

### Summary

In this chapter, I began with a discussion of themes from the literature review that were present in the Alameda Point case. In successful base reuse projects, the themes are community support, employing creative and adaptive financial strategies, and redevelopment directly or indirectly seen as a public benefit by the community. In unsuccessful base reuse efforts, elements of divisiveness within the community or among the involved stakeholders and lack of leadership were contributors to the lack of success.

In the remainder of this chapter, I identified four additional issues that may have caused the redevelopment of Alameda Point to be unsuccessful, the unpredictability of environmental cleanup by the Navy; the uncertain structure of conveyance procedures between the Navy by the local reuse authority and its development partner; the land use economics dependent on physical and policy constraints; and the affordable housing and current lease obligations on the property that limit land planning, marketability, and successful cashflow modeling.

The next chapter begins with an expansion and conclusion of the Chapter 4 analysis. I also present recommendations for public-private partnerships and for future analysis. Finally, I offer a learned approach to base reuse and conclude with some broad implications of the redevelopment of land with existing uses.

## Chapter 5

### CONCLUSIONS, RECOMMENDATIONS, AND LESSONS

#### Conclusions

The analysis shows that while there was enough community support to have the City Council approve both the 1996 Reuse Plan as well as its associated Environmental Impact Report, City and community support has been lacking for the more recent redevelopment efforts. At some point, the community supported some kind of redevelopment activity at Alameda Point. However, based on staff's conclusion and the Measure B election results, there is little community support for SunCal's plans for Alameda Point.

I also found that employing creative and adaptive financial strategies was key in successful former base redevelopment projects in the literature review. In the case of Alameda Point, the strategies are stymied by the City's approved policy of fiscal neutrality. This policy, created to protect the City's General Fund from any raids by the redevelopment of Alameda Point, creates uncertainty for future investors and builders who are the key to redeveloping the site. Alternatively, future residents can be taxed more to make up the difference in the General Fund. However, this policy can be equally unpopular to potential homeowners as well as politicians and policymakers who are keenly aware that raising or creating taxes is unpopular.

The final theme in successful base reuse projects was the creation of community benefits from redevelopment activities. While the current SunCal plan for Alameda Point

provides for many community benefits, specifically listed in the original Reuse Plan, it arguably does not provide for all them. Specifically, the “One Island Character,” “Small Town Feeling,” and “Respect for History” could be interpreted by an opponent as not part of the SunCal plan.

While Alameda Point did not share the themes that make base reuse successful, it did share, to some degree, the themes that were common in unsuccessful base reuse efforts. As found by staff in their interpretation of the Measure B election results, there was cohesion among the Alameda electorate against the SunCal initiative Plan and the leadership of the city, its City Council, voted unanimously to remove SunCal as its development partner. Failure of the relationship between the City and SunCal was the next step.

In the remainder of Chapter 4, I illustrated that in two years, the Navy has altered its cleanup schedule and now includes delays across nearly the entire site of anywhere from one to four or more years. A four-year delay would equate to the loss of the entire first phase of planned development at Alameda Point, according to the Alameda Point Master Plan dated March 22, 2010. The first phase includes over 1,000 residences, relocation of the Collaborative, 450,000 square feet of commercial or other uses, parks and open space, adaptive reuse, and transit improvements.

The Navy’s conveyance procedures have moved from charging nothing for the property to a current negotiated sum based less on market value and more on the necessity of transferring property. However, there are no guarantees as to the Navy’s

final stand on conveyance as it changes through Administrations. Also, when terms become favorable to a local jurisdiction, the negotiation between the local jurisdiction and developer becomes fiercer so the jurisdiction can extract the most perceived value from its asset to protect its own financial interests. This structure has proven challenging in the successful reuse of Alameda Point.

The physical constraints of the site, especially the cost to demolish existing buildings, install all new infrastructure, raise the site with fill to protect against sea rise from global warming, and the major transportation improvements, particularly the relocation of the ferry and construction of a bus rapid transit system throughout the City, all make the development of the site cost-prohibitive unless a degree of development is allowed to support these types of investments. Even doing nothing is cost-restrictive because there is evidence that the site is a drain of at least \$2 million of the City's resources annually.

The cost-restrictive policy constraint of the site due to Measure A as well as the City's fiscal neutrality policy, limits sources of revenue for the site and makes the developer responsible for funding public service shortfalls. The practical implication of Measure A on land use planning is that there are a finite number of units that can physically be constructed. With costs that are nearly static regardless of the intensity of the use at Alameda Point, the only way to make enough revenue to support development of the site is to hope that market conditions will be such that housing values will be much greater than those of today. The reality is that hope cannot be financed, especially in a

depressed economy. And, as was discussed in Chapter 4, a financeable project is the key to redeveloping the site for the City and Developer. With regard to fiscal neutrality, there is no certainty about what future services the site will require so underwriting potential additional costs the City might apply to Alameda Point, at the expense of the project area, is challenging. What is known, referenced in the City's fiscal report, is that the City must subsidize the project at \$2 million per year in the best case scenario and over \$10 million annually in other years.

The obligations on the property have a significant effect on the first phase of development when the greatest revenue source to fund future build out of the site is hindered by the fact that 40% of the housing units must be affordable for low-income households and formerly homeless people. Thus, in the best case, the spread out existing Collaborative housing and Bladium building can be relocated. In both instances, the developer must negotiate an agreement. In the case of the Collaborative, the funding is dependent on site specific usage for which the Collaborative must continue to qualify, in any proposed new configuration, to continue operations. Master planning around the buildings is impractical because the buildings occupy the majority of the first phase of the project and little land would be available to develop if the Collaborative chose to stay in place.

#### Recommendations

The significant challenges that the public-private partnership of the ARRA and a developer of Alameda Point face could help inform other public-private partnerships. For

example, if the Collaborative had been consolidated when they were first given subleases to the property by the Navy, the redevelopment challenge of land planning around them would be minimized and redevelopment expedited. Or, if SunCal and the City had taken a different route rather than the initiative or put together a scaled down initiative that City leadership would have stayed behind, perhaps redevelopment of Alameda Point would still be moving forward.

An additional case study from this work is a multi-case designed study that analyzes the successes and failures at Treasure Island, Alameda Point, and Concord Naval Weapons Station. Their close proximity to one another and ability to make a profound effect on how and where people live in the San Francisco Bay Area makes such a study beneficial. With an EIR due out this fall and term sheet with the Navy complete, Treasure Island is the furthest ahead. Concord Naval Weapons Station is just wrapping up its planning process and is engaged in its EIR preparation. I recommend performing an analysis comparing and contrasting the various communities' involvement with the project sites, the local policies, physical constraints and timing with regards to conveyance. It will take two more single case studies of each remaining base and one final case study comparing all three to do an adequate job of a multi-case designed study.

#### Lessons

I have learned a number of lessons over the last three years of working on Alameda Point as the Forward Planner assigned to work on the redevelopment of the former base. Two lessons are especially important for public and private entities involved

or potentially involved in base reuse planning. First, it is a waste of time and money to create a plan that the citizenry supports if it cannot be financed because it will never be built and will set redevelopment back any number of years. The planning effort up to SunCal's involvement created plans that the citizens of Alameda seem to support and have now become part of their shared vision for Alameda Point. However, in large part due to the complex existing conditions, previous plans have proved infeasible. SunCal proposed a plan that is arguably unpopular, but could be built. A public uproar against the project and SunCal's eventual dismissal from the City ensued. This outcome illustrates the necessity of developers working with the City's leaders, and through the community, and coming up with a reuse plan that can be financed and constructed that provides enough public benefits that the citizenry is supportive. Of particular importance is that leaders, community members, and developers stand behind this plan since it may take many years and local government authority cycles for the plan to be completely built out. And, during the beginning stages of redevelopment, once this plan runs through the CEQA process, project approvals and conveyance needs to be expedited to keep the project's momentum moving forward. Thus, the project will hopefully move forward in an economic climate similar to that when the plan was originally conceived. This redevelopment process can only be accomplished with local leaders enduring to support the plan and guiding it through the lengthy redevelopment process.

Second, Alameda Point is a nightmare from a redevelopment perspective. Nearly every type of permit and approval that exists for developing property is required to build



out a project there. However, getting past the site's construction challenges is less significant than the political challenges of engaging a community that lacks common goals. In this vein, I recommend that others involved in the redevelopment process go into every interaction with the community understanding that public property is sacred to the local citizenry and it is the job of those involved in its redevelopment to show respect of that fact through their redevelopment practices. Clearly, the citizens of Alameda have come to feel that SunCal did not respect the goals of their City. In the words of Boyd Gibbons (1987) in his book, *Wye Island*,

Pitted in opposition are two fundamental prerogatives that Americans rightly cherish: to keep one's neighborhood familiar and unchanging, and to improve one's life by moving on. The resolution of these conflicts, therefore, is less a matter of determining natural and physical limits of the environment, than it is a balancing of human aspirations and values. (p. 226)

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