



L.A. Military Base Swaps Land for Facilities

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Got a hankering to live near an Air Force base?

A development team consisting of San Francisco-based Catellus Development Corp., Los Angeles-based Kearny Real Estate Co. and Morgan Stanley Real Estate Fund IV, hopes so. The group is expected to break ground today on a new facility designed to replace the outdated and seismically unsafe buildings at the Los Angeles Air Force Base in El Segundo, Calif., an aerospace center just south of the Los Angeles International Airport.

In return for building the facility, which will cost an estimated \$115 million, the developers -- rather than getting paid for the project -- will get nearly 60 acres of land at the base, where it plans to build two gated communities totaling about 1,030 townhouses and condominiums. The nearby city of Hawthorne, which has agreed to annex the residential development from El Segundo, plans to put the property in a redevelopment area, making the developers eligible for \$25 million in proceeds from tax-increment bonds.

(The \$400 million residential project may be scaled back, the result of a settlement agreement the development team was expected to sign yesterday afternoon with Guy Hocker, a local real-estate broker who threatened to file a lawsuit to halt the project. Mr. Hocker, a former mayor of Hawthorne, opposed the residential project because of its density and the expected traffic and strain on city services.)

"We're modernizing the Air Force base in an effort to save it and the jobs there," says Jeff Dritley, managing partner of Kearny Real Estate. "This is the first and only transaction to date where a branch of the military is swapping excess land for new facilities. I think, depending on how successful this is, the military will view this as a way to deal with the old or excess facilities they have."

The development-for-land deal, supporters say, will help prevent the shuttering of the Los Angeles Air Force Base as the Pentagon prepares for another round of military-base closures in 2005. The construction of a new research-and-development facility at the Los Angeles base is a defensive move -- and one of many measures being taken by communities that have vulnerable military bases within their jurisdictions -- designed to keep the installation off the chopping block.

A spokeswoman for the Los Angeles Air Force Base declined to comment on what the new facility might mean in the base-closure process.

By the end of this year, U.S. Defense Secretary Donald Rumsfeld will issue the criteria that will be used for making recommendations for closing military installations in the U.S. Secretary Rumsfeld has indicated he wants to trim up to 25% of the 6,000 or so domestic military installations. By May 2005, Secretary Rumsfeld will issue the list of military installations he is recommending for closure to the Defense Base Closure and Realignment Commission. The nine-member commission, which will be appointed by President Bush by March 2005, will then make its closure recommendations to the President for approval in early September of that year.

The previous four rounds of military-base closures shuttered 97 major bases and hundreds of smaller base realignments and closures, which have saved the Defense Department about \$30 billion, according to a report by the U.S. General Accounting Office, Congress's investigative arm.

"A number of states have started funds to help improve the infrastructure around military bases to bolster the chance that those bases won't be closed," among other efforts, says Harry Kelso, a Richmond, Va.-based attorney and a military-base-reuse consultant. "But there's no facility that the Secretary of Defense and the

commission won't look at."

Los Angeles Air Force Base has long been considered a target for closure. Located amid office parks, warehouses and two gated residential neighborhoods, the base houses no runways or military barracks. It simply consists of an 835,000-square-foot campus that's home to scientists and engineers who do research and development for missiles, rockets, satellites and other such systems and equipment for the Pentagon.

For Los Angeles Air Force Base, the development project is also expected to head off overtures being made by several cities, including Albuquerque, N.M., Colorado Springs, Colo., and Omaha, Neb., to lure the base's space and missile-systems research-and-development unit to their jurisdictions.

Currently, the Los Angeles Air Force Base supports nearly 65,400 direct and indirect jobs, which generates a \$3.3 billion payroll for all workers, according to Los Angeles County Economic Development Corp. Moreover, the activities and jobs generated by the base pumps about \$247 million in taxes annually to state and local coffers.

Mr. Hocker, who had concerns about the density of the residential project at the Los Angeles Air Force Base, doesn't believe the overall development project will save the base from closure. "The idea that Hawthorne can singularly save this Air Force base is naïve," Mr. Hocker said last week before reaching a settlement with the developers. The base "may be on the [closure] list already," he said.

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