

MATCHING THE BUSINESS OPPORTUNITIES AND THE LEASING PROCESS

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ABSTRACT

The Reindustrialization Program at the U. S. Department of Energy's Oak Ridge Operations (DOE ORO) is now in the mainstream of being a critical environmental management and restoration tool that can be used to reduce the cost, accelerate the time, and reduce the risk associated with the decontamination and decommissioning (D&D) of excess nuclear industry facilities. Equipment, materials, and buildings once viewed as liabilities can, via a Reindustrialization approach, be assets to facility owners and managers to extract D&D services for their inherent value. Corporations that are visionary have utilized excess assets to decrease current and future liabilities and improve their profit margin. The DOE ORO Office has taken the first visionary, large step in mining the assets at nuclear facilities and laboratories to offset the reduction in budget for environmental management tasks and at the same time, via this Reindustrialization Program, help stabilize the region's economy in the face of federal downsizing. The program has received rave reviews in the Wall Street Journal, New York Times, and the Engineering News Record, as well as in fact finding symposiums with the Atomic Energy of Canada Limited (AECL) and the Foundation for Innovative Enterprises in Obninsk, Russia. Categorization of available excess or underutilized assets, the delineation of the advantages for business expansion or relocation to the particular region, and a focused effort on the "best" use of the excess asset are the first steps in matching business opportunities for private sector commercialization and the resultant D&D fiscal relief for the property owner. Once private sector business opportunities are defined and an owner is ready to engage in leasing or the transfer of an asset, a roadmap of tasks to complete that ensure consummation of the lease or ownership transfer is key to meeting the demands of the private sector in a timely manner. Development of the asset inventory, identification of the business opportunity set for the impacted area, and a roadmap through the leasing process will be developed so that a facility owner and manager can mine the inherent value of their excess or underutilized assets to improve the bottom line of their organization or to accomplish D&D in an environment of reduced budget.

INTRODUCTION

The Oak Ridge Reservation (ORR) comprises approximately 35,000 acres of federally owned land and houses three major installations operated by the U.S. Department of Energy (DOE) in Oak Ridge, Tennessee. These installations are the Oak Ridge National Laboratory (ORNL), a research and development laboratory; the Y-12 Plant, a nuclear weapons facility; and the East Tennessee Technology Park (ETTP) (formerly the K-25 Site), a shutdown uranium enrichment facility with reindustrialization, environmental management, and waste management missions. The ORR, including the three installations, and the surrounding area are known as the Oak Ridge Complex. As budgets have declined in recent years and missions have changed, emphasis has been placed on reindustrialization or re-use of assets that were originally acquired for defense and research missions. Reindustrialization is a strategy to focus the vision adopted by DOE

ORO for concurrently using valuable resources to reduce the cost, reducing risk, and accelerating environmental remediation of the reservation.

This paper is divided into two main sections. The first section deals with the categorization of the available assets and the delineation of the advantages for business expansion or relocation. This is the first step in defining the available assets and the opportunity set that will create an advantage for the private sector.

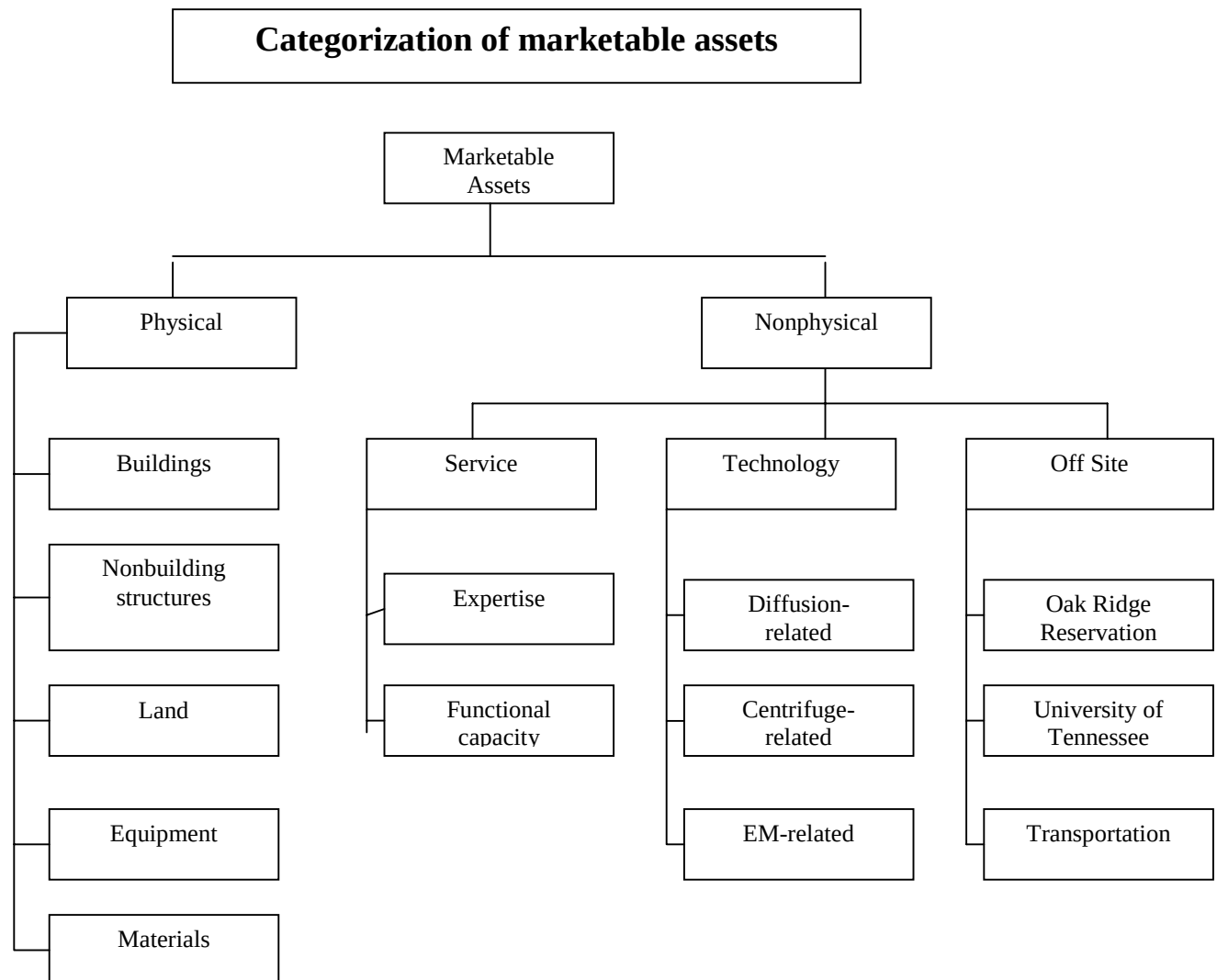
The second section of the paper focuses on the leasing process in terms of the steps and work tasks are required for consummation of a Reindustrialization lease at a DOE facility. DOE, the Community Reuse Organization of East Tennessee (CROET), and Bechtel Jacobs Company LLC have developed a project management approach to the leasing process.

ASSET CATEGORIZATION

A different mindset and view of the selected site and materials and equipment contained thereon is required to begin a Reindustrialization Program. Excess or underutilized buildings, equipment, and materials are not liabilities but in fact assets. These assets can be bartered for their inherent value to then provide a return to the owner. The owner can utilize the value for D&D services.

The Reindustrialization Program developed and currently being successfully implemented at DOE ORO first reviewed the asset base at the ETTP to identify inherent opportunities for attracting business while also helping reduce the cost, reduce the risk, and accelerate the environmental cleanup.

The assets at the ETPP were categorized using the following model:



PHYSICAL ASSETS

Buildings

ETTP consists of some 340 buildings. The largest buildings make up the following marketable assets:

- Five process buildings with a total of more than 11 million square feet
- A 473,000-ft² machine shop
- Over 200,000 ft² of space suitable for warehousing
- Buildings exceeding 100,000 ft² for use as office space
- Special-use facilities for laser, electronic, and analytical laboratory activities

A master building availability sheet and building data sheet were completed for each marketable building. This listing is constantly changing with the marketing effort as a result of direct contacts with various firms needing space or site information. The initial listings were developed as a starting point for the marketing process.

OTHER STRUCTURES (NOT BUILDINGS)

For ETTP to operate as a self-sustaining complex, an industrial infrastructure was established. This infrastructure represents both a physical asset and a functional capacity asset to be marketed as an operation unit. The existing operable infrastructure consists of the following:

- Water treatment plant and distribution system
- Electric power switch yards and distribution system
- Sewage treatment plant and collection system
- Fire protection system
- Central Neutralization Facility
- Communication systems
- Rail system
- Perimeter security fencing
- Barge facility
- Roads and bridges.

EQUIPMENT AND MATERIALS

In addition to facilities, there are many pieces of property, including equipment and materials, that are no longer needed. Some material is in process equipment, and some is readily available. The initial lists include equipment and properties such as:

- Over 6,000 electric motors
- Over 6,000 compressors
- Approximately 1 million feet of process piping
- Approximately 600 pieces of electrical switch gear
- Over 400 electrical transformers.

NONPHYSICAL ASSETS

In addition to the physical assets (i.e., buildings, equipment, and land) numerous nonphysical assets are vital to the complete success of Reindustrialization. These nonphysical assets can be divided into three categories: service, technology, and off-site. All of these assets can be transitioned to or used by the private sector. Once transitioned, they can be used to support other on-site businesses, or they can be used at other sites in or around Oak Ridge. These assets attract private companies to the site in two ways: (1) companies want to “own” the asset and develop businesses with it, or (2) companies want to locate nearby so they can make use of the asset as they develop their own businesses.

SERVICES

Under the Service category, assets exist as a result of performing tasks or work necessary to carry out ongoing DOE missions. These task-oriented assets include expertise in D&D; environmental monitoring; remediating facilities; treating waste; monitoring waste disposal; and managing inventory. To complete the existing Environmental Management mission, the following types of major activities are desirable:

- Resource Conservation and Recovery Act (RCRA) waste treatment and disposal
- Toxic Substances Control Act waste treatment and disposal
- Mixed waste treatment and disposal
- D&D of unusable buildings and structures
- Environmental restoration of contaminated soils and groundwater

Also under the Service category are assets that exist as a result of having built a functional capacity to support the DOE missions. These assets include the following:

- Detailed knowledge of the various utility systems, capabilities, and functions
- Water treatment
- Protection of property and personnel, including fire protection, medical services, physical security, and emergency response
- Testing and analytical services
- The Materials and Chemistry Laboratory Facility
- Hydrostatic and mechanical testing
- Manufacturing processes, including incineration, electroplating, and sheet metal fabrication
- Steam plant
- Air plant
- Auto and mobile equipment garage
- Nitrogen plant
- Paint shop
- High-efficiency particulate air filter test station
- RCRA waste storage

TECHNOLOGIES

Another category is Technology assets. These are nonphysical assets such as inorganic membranes, plating, and gas seals; assets related to centrifuge technology, such as motors, and lightweight, high-strength materials; and environmental management-related technologies, such as vitrification and groundwater remediation.

OFF-SITE AND OTHER FACILITIES (REGIONAL FACILITIES BEYOND ETTP)

The third and final nonphysical asset category is Off-Site. As an example, ORNL is a magnet for the private sector companies that want to commercialize ORNL technologies. The Oak Ridge Centers for Manufacturing Technologies (ORCMT) offer many user centers, including those for deployment of technologies. Technology 2020, the University of Tennessee, and other educational institutions are examples of nonphysical assets that will attract private industry to the site.

ADVANTAGES OF THE EAST TENNESSEE REGION

Why come to East Tennessee? First, the Knoxville/Oak Ridge/East Tennessee area is within a 500-mile radius of the major metropolitan areas of the eastern and central portions of the United States. Second, as far as transportation, it is a very easily accessible location. The region is within a one-day drive of 65 percent of the population of the United States at the main intersections of I-40, I-75, and I-81. National rail systems can be accessed by Norfolk Southern and CSX. McGhee Tyson Airport provides service to 1.2 million passengers per year and is within a 30-minute flight of the international hubs at Atlanta, Nashville, and Cincinnati. Local waterways connect to sixteen thousand miles of navigable water and barge traffic and have direct access to the oceans of the world.

Several major economic development and financial publications have offered even more reasons for locating in the State of Tennessee. The *Tennessee Economic Development Guide* has some interesting quotes from major publications. *Fortune* magazine says, "Tennessee is one of a dozen 'hot' magnet states...in moves that are redrawing The Economic Map." *Plants, Sites, & Parks*, one of the most prestigious siting magazines in publication says, "Tennessee ranks second among the 50 states as the most popular corporate destination." *Site Selection* magazine rates Tennessee fifth in favorable business climate. *Money* magazine rates Knoxville among the seven metro areas in the country having the lowest state and real estate taxes.

In any business relocation decision, state incentives are a key. Let's highlight selected portions of the Tennessee State Incentive Plan. There is no personal income tax on wages. There is no state sales tax on qualified manufacturing equipment, pollution control equipment, and raw material. There is no state property tax and no property tax on work in progress or inventories. There are investment tax credits, training grants, reduced sales tax on energy, fuel and water, and a warehouse and distribution tax reduction and this is by no means a comprehensive list.

Let's look at some of the key regional core competencies. There is the neutron-based science and technology and the advanced manufacturing technology group (the ORCMT) that has helped numerous companies throughout the entire country and has saved companies many millions of dollars. There is an integrated biological, environmental, and chemical science capability with development and demonstration of advanced technology; advanced materials syntheses, processing, and characterization; advanced computational and information science; environmental restoration and waste management technologies; special and hazardous materials handling, processing, and fabrication; science education and training; epidemiology and occupational medicine; and international radiation emergency assistance and training. These complex core competencies are linked with an integrated technology transfer program. There is an expansive list of core competencies, linked with a business-friendly technology transfer program whose mission is private sector business development.

Key partners are available to provide technology assistance to businesses locating in the East Tennessee region. These partners have as their goal your success. They include DOE ORO, CROET, ORNL, ORCMT, the University of Tennessee, the Oak Ridge Associated Universities, the Oak Ridge Institute for Science and Education, the Tennessee Valley Authority (TVA), and Technology 2020. Technology 2020 is particularly interesting in that one of the keys to future

development of any area is the ability to be able to control information flow in and out of the region across the entire world. The Technology 2020 group is spearheading the effort to install one of the most advanced telephone and data transmission switches available with Oak Ridge, a big plus for the region. TVA has its own set of incentives that businesses can avail themselves of if relocating or expanding to the region.

When a site, a business, a factory, etc., recognizes that there is a large cost associated with carrying underutilized assets, the first step is to do an accounting of the assets and the second is to review the business advantages within the effected region. By putting these two information sets together, you will soon find that a business will want to make your underutilized assets work for them to their businesses advantage! When that happens, you must, in order to be successful, be ready with a leasing process that has a project management base and is oriented to timely closure — closure that will respond to the private sector demand and return value to you from your underutilized assets.

PROCESS FOR CONSUMMATION OF A LEASE

Each lease is unique based on the aspects of the facility the client is leasing and the type of process being performed by the client in the leased footprint, which may contain land and/or a facility. Bechtel Jacobs Company has developed a standard list of requirements for Oak Ridge Complex leases; however, it is almost certain that the uniqueness of each client arrangement will necessitate adaptations. Under the Oak Ridge Reindustrialization leasing process, DOE and Bechtel Jacobs Company Reindustrialization account executives are responsible for addressing the standard and unique characteristics of each lease arrangement and bringing the lease to consummation. A computer network based Vision 2010 Reindustrialization Information System (VRIS) has been developed to maintain and track information regarding various clients, lessees, and potential lessees. Appendix A contains descriptions of major activities and terms used in the process to obtain a lease.

Memorandum of Understanding (MOU)

After the successful marketing of an asset, the first step in the process is for DOE, CROET, and the potential lessee to sign an MOU. The MOU serves to be the basis from which lease negotiations will be formulated and provides a basic framework for lease negotiations and other activities supporting the leasing process.

The MOU states that all three parties agree to negotiate, in good faith, toward an end objective to lease a specific piece asset for a defined use by the client. The MOU contains attachments including a map of the site area, land to be leased and/or an asset definition building drawing noting the lessee footprint.

Lessee Activity Milestones

When the MOU is signed, the DOE and Bechtel Jacobs Company account executives initiate internal and external activities required before the lease between DOE and CROET and the sublease between CROET and the client can be signed. These milestones are identified in Appendix 2. The information noted in Appendix 2 is maintained in VRIS by the Reindustrialization account executives. Most of these activities can be worked in parallel and do not require sequencing. It is imperative that the DOE and Bechtel Jacobs Company account

executive begin the required processes as early as possible, as some involve external agencies that require specified approval times. The standard list of activities can be segregated into the four categories of Operational, Regulatory, Site-Specific, and Lease Consummation requirements. A suggested sequence or priority that should be followed is listed below each activity requirement. Again, each lease is unique and may require revisions to this sequencing. The activities in each category to be reviewed and completed if applicable are as follows:

Operational Activity Requirements Sequence

- Create a Lease Activity Report (Appendix 2)
- Determine the desired occupancy date of the lessee
- Provide a footprint of the space to be leased to team members for use in various supporting activities
- Perform a Lease Cycle Cost Analysis to confirm a positive payout and cost savings to DOE
- Establish a desired lease signing date for DOE to lease to CROET
- Establish a desired lease signing date for CROET to lease to client
- Obtain a Building Inventory Condition Report (BICR) for the facilities proposed for lease
- Determine if classification issues exist and resolve as needed
- Provide the potential lessee, DOE, CROET, and Bechtel Jacobs Company account executives with a draft copy of a general lease
- Determine if modifications are required to the facility prior to client occupancy and initiate work orders to complete the modifications
- Prepare a listing of accountable assets to be leased by the client and transfer accountability for the assets to the client and have site property personnel conduct a “High Risk Property” review on any leased property items
- Prepare a list of consumable property to be used by the client

Regulatory Activity Requirements Sequence

- Complete an Environmental Review Checklist
- Notify EPA Region IV and the Tennessee Department of Environment and Conservation (TDEC) of DOE’s intent to lease the property
- Request preparation of a Baseline Environmental Assessment Report
- Request a National Environmental Policy Act review with required documentation
- Request National Historic Preservation Act review with required documentation
- Meet with the client to brief them on existing site permitted activities that may affect them and inform them of their need to review their regulatory requirements
- Prepare a Federal Occupational Safety and Health Act letter for DOE to transmit
- Determine if DOE permits are effected
- Conduct a regulatory briefing with lessee

Site Specific Activity Requirements Sequence

- If the building is currently occupied, develop a vacancy plan and vacate area
- Have the lessee complete a Hazard Evaluation Worksheet for the work that is to be performed by the client on the site
- Obtain site access for client personnel and visitor arrangements
- Notify Site emergency preparedness personnel of client presence and reach agreement of clients participation in emergency response activities
- Notify Plant Shift Superintendent's office of primary and secondary contacts for lessee

Consume the Lease

When all required activities are completed and CROET has approved the leasing activities, we can move to the final stage; that of lease consummation. The DOE lease to CROET is signed, and CROET then signs a sublease document with the tenant.

Two final steps are required:

- Prepare closeout documentation and transfer file to the established Record Control Point
- Transfer lessee servicing responsibility to the Bechtel Jacobs Company Reindustrialization team member responsible for lessee support

SUMMARY

DOE ORO has made significant progress since initiation of the Reindustrialization effort in February 1996. One of the major accomplishments of the Reindustrialization Program is the signing with CROET of over 40 leases with 20 district companies for underutilized space on the Oak Ridge Reservation. This paper has highlighted the means of categorizing regional business opportunities and the assets available at ETTP and the region, as well as provided a full description of the leasing process to help your organization develop and implement a successful Reindustrialization Program.

APPENDIX A

Descriptions of Major Activities and Terms

Lessee Activity Milestone Chart - An example of the chart is shown in Appendix 2. The chart is compiled and kept updated by the Account Executive. It assigns responsibility for various activities to Reindustrialization Team members and support personnel. It is updated weekly or as major milestones are completed.

Memorandum of Understanding (MOU) - The purpose of the MOU is to notify DOE, CROET, and the lessee that all parties have agreed to enter into negotiations and that DOE and the CROET will hold as a first option the specified space for the potential lessee during the negotiations. The MOU is not a legal binding document. Rather, it is a statement that all parties agree to negotiate in good faith toward a lease agreement.

Building Inventory Condition Report (BICR) - This is a document that delineates the condition of the facility or facilities requested to be leased. The assessment is performed by East Tennessee Technology Park (ETTP) personnel in the Infrastructure Management group. It is an attachment to the lease to serve as the document that identifies the condition at the time of the lease and is used to determine if the lessee returns the building to the original condition after the lease is terminated.

Lessee and Sublessee - The DOE leases property and facilities to the CROET who becomes the lessee. The CROET in turn sublessee the property to a private company who becomes the sublessee. Normally issues raised by a sublease will be handled by the CROET.

Accountable Property - These are items of capital and noncapital equipment that DOE requires accountability records to be kept on. These assets in the past have been under the custodial care of DOE's contractors. The objective is to identify the items being leased in order that the lessee can be identified as the custodian on Bechtel Jacobs Company property records.

Consumable Property - These are items of non-accountable property that the lessee may request for use in their particular operation. They may include office furniture, machine tools, office supplies, laboratory equipment, etc.

Environmental Review Checklist - This is completed by the sublessee with assistance from the Bechtel Jacobs Company Account Executive and the Reindustrialization Team member representing the regulatory area. This checklist is used to support a number of environmental documentation efforts, i.e., the NEPA, and the Baseline Environmental Assessment Report.

Baseline Environmental Assessment Report (BEAR) - The reference regulation for this is found in Section 120(h) of the Comprehensive Environmental Response, Compensation, and Liability Act. The document identifies any known hazardous materials that are present, stored, or have been released per 40 CFR 373 on the Site. This document is sent to the State and EPA for their review. The Reindustrialization Team member representing the regulatory area will coordinate the preparation of the report once they receive input on the Environmental Review Checklist from the Account Executive.

National Environmental Policy Act (NEPA) Documentation - Each potential lease/sublessee is reviewed to determine the potential environmental impacts associated with the activities proposed by a company leasing facilities. Once the potential impacts are identified, the appropriate level of NEPA documentation (a categorical exclusion, environmental assessment, etc.) is prepared. NEPA considers impacts to land, historic resources, and the human environment. This is prepared by the Reindustrialization Team regulatory area contact and signed-off on by DOE.

National Historic Preservation Act (NHPA) Documentation - Each potential lease/sublease is reviewed to determine if the lessee's activities will cause an effect on DOE's historic resources. These historic resources include a number of buildings at the Oak Ridge Reservation Sites, as well as, archaeological resources that may exist in the sub-surface. Based on this review, the appropriate level of documentation is prepared for DOE approval and in certain instances approval by the State and the Advisory Council on Historic Preservation. This is written documentation from the Bechtel Jacobs Company Reindustrialization Team regulatory area expert to DOE. The State of Tennessee Historic Preservation Officer may also need to concur on certain documents.

Federal Occupational Safety and Health Act (OSHA) Letter - This is a letter sent by the DOE Office of Environment, Safety and Quality to the Area Director, U.S. Department of Labor/OSHA notifying them of the intent to lease. The letter contains information on the facility to be leased and operations of the lessee. The purpose of the letter is to inform the Area Director that private sector activities are soon to begin on the site and that OSHA oversight will be required.

Hazard Evaluation Worksheet - A review of the proposed operations by the lessee is conducted by the Site Facility Safety group. The firm leasing a facility completes a Hazard Evaluation Worksheet. Written documentation is received from the Site Safety group indicating if the lessee's operations are within the safety program of the Site or if modifications to the Site Safety Plan are needed.

Vacancy Plan - If the facility is currently partially occupied, a vacancy plan must be completed. The plan indicates where the current occupants will be moved and what the cost is to move the occupants. Vacancy dates must be in conjunction with the planned occupancy dates of the lessee and need to be developed early in the process.

Close Out Documentation File - When the lessee occupies the facility, the Bechtel Jacobs Company Account Executive is responsible for finalizing the lease file. All significant correspondence is collected in a single file and transmitted to the Bechtel Jacobs Company Account Executive responsible for handling onsite tenants.

High Risk Property - The DOE has identified specific items of property to be designated as "High Risk " items. Personnel are trained to perform the review and identification of such items. High Risk items must be leased or released with restrictions.

APPENDIX B

OFFICIAL USE ONLY (11/23/99) Lease Activities Report

Facilities Included:

Proposed Lessee:		DOE Acct Exec:		Bechtel Jacobs Acct Exec:	
Activity	Responsible Person(s)	Start Date	End Date	Comments	
1. MOU Signing with Map/Footprint/Bus. Description					
2. Estimate & Validate Lease-Cycle Cost					
3. Environmental Review Checklist					
4. Occupancy Date Determination					
5. Hazard Evaluation Worksheet					
6. Brief Appropriate Site Management					
7. CROET Reuse Committee - Approval					
8. EPA/FFA Notification Letter					
9. Vacate Facility Footprint					
10. Capital & Accountable Property Lists					
11. High-Risk Property Review					
12. Lease Negotiation Time Frame					
13. BICR with Map (Final Footprint)					
14. Electric Metering Resolution					
15. Water Metering Resolution					
16. Steam Metering Resolution					

Proposed Lessee:	DOE Acct Exec:			Bechtel Jacobs Acct Exec:
Activity	Responsible Person(s)	Start Date	End Date	Comments
17. Complete Facility Work for Final Footprint				
18. Effect on DOE Permits - Actions Required				
19. BEAR & Risk Assessment				
20. NEPA Review				
21. NHPA Review				
22. Transmit to Lessee Example of DOE/CROET Lease				
23. DOE/CROET Lease Signed				
24. CROET/Tenant Lease Signed				
25. Service Rates Forwarded To Lessee				
26. Utility Estimates Forwarded to Lessee				
27. Property Custodian Transfer - Lease Attachment				
28. Site Access/Badging				
29. Notify PSS of Lessee Contacts				
30. Tenant Environmental Briefing				
31. Sewer Permit Signed				
32. OSHA Letter Forwarded				
33. Classification Issues Resolved				
34. DOE OCC Environmental Permit Review				
35. Obtain Finalized-Lease Concurrence from OCC				
36. Building Walkdown (Just Prior to Occupancy)				

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Proposed Lessee:	DOE Acct Exec:			Bechtel Jacobs Acct Exec:
Activity	Responsible Person(s)	Start Date	End Date	Comments
37. File Closeout/Transfer Meeting				
38. Other - Or Lease-Specific				