Lessons Learned: The Grand Junction Office Site Transfer to Private Ownership

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ABSTRACT

The U.S. Department of Energy Grand Junction Office (DOE–GJO) in Grand Junction, Colorado, has played an integral role within the DOE complex for many years. GJO has a reputation for outstanding quality in the performance of complex environmental restoration projects, utilizing state-of-the-art technology. Many of the GJO missions have been completed in recent years. In 1998, DOE Headquarters directed GJO to reduce its mortgage costs by transferring ownership of the site and to lease space at a reasonable rate for its ongoing work. A local community group and GJO have entered into a sales contract; signing of the Quitclaim Deed is planned for February 16, 2001.

Site transfer tasks were organized as a project with a critical-path schedule to track activities and a *Site Transition Decision Plan* was prepared that included a decision process flow chart, key tasks, and responsibilities. Specifically, GJO identified the end state with affected parties early on, successfully dealt with site contamination issues, and negotiated a lease-back arrangement, resulting in an estimated savings of more than 60 percent of facility maintenance costs annually. Lessons learned regarding these transition activities could be beneficial to many other sites.

INTRODUCTION

The U.S. Department of Energy Grand Junction Office (DOE–GJO) was originally established in the 1940s, as part of the Manhattan Project to procure uranium for top-secret weapons projects. Over time, the GJO site housed two pilot uranium-ore milling plants, conducted the National Uranium Resource Evaluation program, and then became a leading DOE office involved in restoration of properties contaminated with uranium mill tailings. Many of the GJO larger missions were completed in the 1990s, resulting in several long-term projects and fewer staff members and the need to occupy less space. Long-term missions for GJO include the Long-Term Surveillance and Maintenance Program, Uranium Mill Tailings Remedial Action (UMTRA) Ground Water Project, and the newly assigned Moab Millsite Restoration Project.

More than 30 buildings, primarily office, warehouse, shop, and laboratory space, occupy the 54-acre GJO site (see Figure 1). In 1998 as part of DOE's ongoing mortgage-reduction effort, DOE decided that the GJO site should be transferred to non-DOE ownership and that space needed for GJO continuing missions should be leased instead. It was agreed in 1999 that the GJO site would be transferred to the local community for economic development purposes to compensate the community for the economic loss from downsizing at the site during recent years. A nonprofit corporation, the Riverview Technology Corporation (RTC), was formed representing the City of Grand Junction, Colorado, and Mesa County to acquire the DOE property and save jobs by being a less expensive landlord than DOE. Negotiations for the transfer began in fall 1999, and the site is on track to be transferred by February 16, 2001.

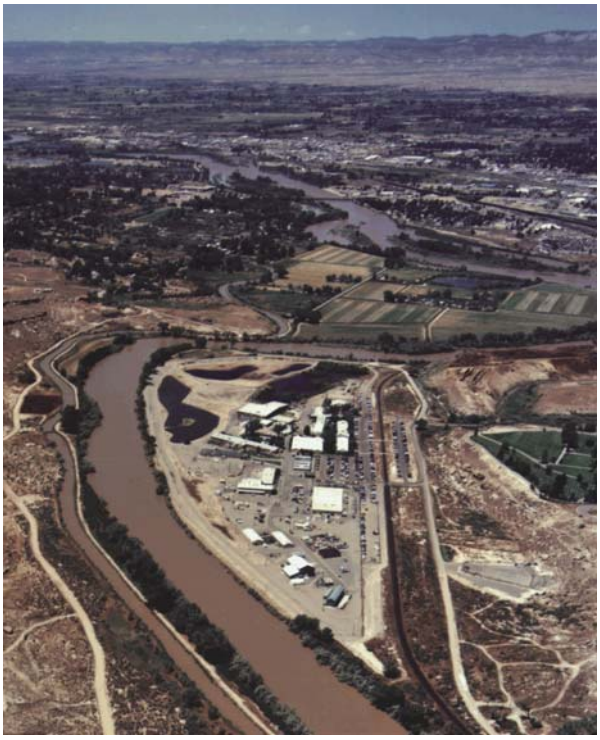

Figure 1. The U.S. War Department purchased the present DOE Grand Junction Office site (triangle of land in foreground) in 1943 to procure uranium for the Manhattan Project being conducted by scientists at Los Alamos, New Mexico. Currently, the facility manages DOE environmental remediation projects.

The Offer to Purchase contract was signed on December 4, 2000. The acreage to be transferred to the local community is approximately 46 acres; 8 acres of the site will be transferred to the U.S. Army Reserve in fiscal year 2001.

MAJOR ACTIVITIES AND LESSONS LEARNED

Serious efforts by both parties to achieve site transfer have been ongoing since the formation of the RTC. DOE designed a "Bridge to the Future" critical-path schedule to track site transition activities. Activities in the schedule include

- Preparation of a *Site Transition Decision Plan.*
- Review for Atomic Energy Act Section 161(g) applicability.
- Determination and DOE review of the fair market value of the GJO site.
- Performance of a cost comparison (lease versus own) of office space.
- Review of National Historic Preservation Act (NHPA) applicability.
- Submittal of a Request for Deferred Remediation to the State of Colorado.
- Preparation of National Environmental Policy Act (NEPA) documentation.
- Conduct of formal negotiations.
- Finalization of real estate transfer documents.

The list of activities grew with the accumulation of knowledge and consisted of more than 262 general tasks. The schedule provided a framework for tying together critical activities and integrated thoughts with actions to provide a communication vehicle for team input and concerns.

Site Transition Decision Plan and Determination of Legal Authority

The 20-page Decision Plan presented a decision process flow chart that identified key tasks, decision points, and responsibilities for actions leading toward or away from the site being transferred to the local community. The Decision Plan was used to obtain agreement with numerous DOE entities that a systematic, logical approach should be used to determine who should own the site.

A major decision was the determination by the DOE legal staff regarding the applicability of Atomic Energy Act (42 *United States Code* 2011 *et seq.*) Section 161(g) to transfer of the GJO site. This legal authority, one of several the Department has for transferring property, gives DOE the option to not use the standard Government Services Administration (GSA) federal property transfer rules. A determination that this law is appropriate for transferring the GJO site to a private entity would open the door for DOE and the community to formalize their plans. The attorneys felt the act was the appropriate legal authority to use in transferring the site.

As a best management practice, DOE screened the property as surplus to determine interest by other federal agencies following guidance in the Federal Property Management Regulations (Title 41 *Code of Federal Regulations* Part 101). No other federal agency expressed interest in the site. The Decision Plan identified numerous other tasks whose outcomes could influence the community's willingness to take the site. DOE had worked with the community ad hoc group long enough to know that the community wanted the site essentially for free, wanted no contamination remaining on the site (with the exception of surface water and ground water), and wanted a guaranteed long-term tenant, the local DOE office and its contractors.

The intent of the Decision Plan was to ensure that the decisions being made were in the government's best interest, but it also clearly identified which decisions were critical with regard to perceived community acceptance. For example, if the decision on preservation of historic site structures did not allow modifications to or destruction of buildings, or if the remaining contamination on site necessitated extremely strict controls on new construction or existing building modifications, the potential buyer might not be interested. Likewise, if DOE internally determined that it must be paid fair market value for the site, the local DOE office need not enter into negotiations with the community.

While making these decisions, the local community was kept informed of DOE's positions. Formal negotiations did not begin until many of the key internal DOE decisions had been made. Once the go/no go decision was made regarding the community, the overall critical path schedule became more focused, and numerous tasks related solely to transfer to the private entity were incorporated into the schedule and planning effort.

Determination of Fair Market Value

DOE–GJO procured the services of a local certified appraiser to perform a market appraisal of the site. Once the appraisal was completed, DOE management questioned if only one appraisal was adequate and discussed obtaining a second opinion, as had been done by real estate staff members at other DOE sites. Because GJO had not allowed time for another appraisal, a

compromise was reached within DOE to have a federal appraiser (a consultant to the Western Area Power Administration) review the appraisal. If the federal appraiser detected flaws, another appraisal would then be considered. No flaws were identified, and the commercial appraisal was accepted. GJO went a step further and also had GSA review the appraisal as a planning step in case DOE chose to have GSA conduct a public auction of the site. Again, the appraisal was accepted. DOE also kept GSA on board as an advisor during the site transfer process. If negotiations with the RTC faltered, GSA was ready to auction the site to the highest private bidder.

Cost Analysis: Lease Versus Own

The local DOE office considered leasing office space in the community so that assigned missions could be accomplished more efficiently. GJO conducted a cost analysis to compare the estimated cost of owning and operating the site with the cost of renting various properties in the community. The GJO site appraisal used comparable commercial properties in the local area as part of the market value determination. DOE concluded several factors from these data: (1) no space was available in the community of comparable size, (2) office rental space was limited and usually with low square footage, (3) the number of offices that would be needed were scattered among buildings throughout the city, and (4) satisfactory office space was commanding a fairly high price. An option that DOE dismissed was procuring or constructing a new office building for GJO use.

Numerous factors contributed to why the existing site location made sense as space to lease back by DOE. Federal staff and contractor staff are co-located in several buildings. DOE has a state-of-the-art communication system for the buildings that includes telephone switching gear and a computer networking system. DOE was interested in a lease for a 6-year term. Estimated DOE costs for site ownership totaled $28.36 per square foot per year. Ownership included placing all buildings except the three needed for ongoing missions in “safe shutdown” status. Comparable rental rates in the city ranged from $5.50 to $20.00 per square foot, with most office space renting for more than $12.00 per square foot. A single structure with the 50,000 square feet needed by GJO personnel was not available. DOE successfully negotiated with the RTC for an average of $8.00 per square foot per year for the space it needed at the GJO site. In DOE’s opinion, this rate was at the lower end of the rate for available space elsewhere in the community and was significantly lower than predicted operating costs for the site under continued DOE ownership.

As a reality check, GSA was contacted regarding lease rates in the community for Federal Government office space. The lease rate for office space ranged from $13.48 to $16.71 per square foot. In this instance, adequate space for 23 DOE staff members could be located, but the cost was still too high. DOE’s final analysis included the “loss” of revenue from not receiving the $1.135M market value for the site but still predicted savings of more than 60 percent annually when compared with predicted ownership costs, or an average of roughly $1M per year.

National Historic Preservation Act Review

During site transition, the GJO site was designated as a historic district under the National Historic Preservation Act. Because the site was to be transferred and the potential buyer did not want to be restricted by what it could or could not do with structures on the site, DOE proposed to the Colorado State Historic Preservation Officer (SHPO) that the site history be recorded in a document, buildings be captured in photographs, and a summary of the site's history would exist as an interpretive sign located at the site, as well as in booklets available in local libraries. The SHPO agreed to the recordation and historic documentation by signing a Memorandum of Agreement with the local DOE office. Future owners of the site may do whatever they please with the site structures.

Native American tribes in the region known to have inhabited the Grand Junction area in the past were notified of the pending site transfer. Photographs and maps were provided to tribal environmental contacts to assist them in determining the existence of any historic, sacred, or religiously significant areas associated with the site. The tribes identified no such areas.

Request for Deferred Remediation and State of Colorado Approval

The lengthiest critical task was obtaining buy-in from the State of Colorado to transfer the site to private ownership under the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA) Section 120(h) requirements before all remediation was completed. CERCLA regulations require that the State of Colorado approve a Request for Deferred Remediation to allow contaminated material to remain on the site. Negotiations with the State of Colorado regarding the Request for Deferred Remediation involved technical analysis and commitment from DOE that the public would be protected from contaminated surface water and ground water on the site. This process required DOE to enter into an enforceable agreement with the State of Colorado to ensure DOE's commitment to provide institutional controls, monitoring, and remediation of the site's contamination according to a remediation plan. The Request for Deferred Remediation and related documents were also subject to a 30-day public comment period. GJO's use of its Long-Term Surveillance and Maintenance Program in overseeing future activities greatly facilitated the review by the State of Colorado.

Specific areas of contamination remaining at the GJO site include several surface water expressions, the alluvial ground water system, and two small areas of subsurface soil contamination. All contamination is from uranium mill tailings contamination associated with previous site activities. The ground water underlying the entire site and associated surface water expressions (two ponds and a perennial wetlands area) are being remediated through natural attenuation and are expected to meet regulatory thresholds within 50 to 70 years. Contaminants currently exceeding regulatory limits include uranium, radium, arsenic, molybdenum, selenium, nitrate, sulfate, chloride, and total dissolved solids. In addition, two pockets of soil contamination remain under two buildings to be leased back by DOE for its use. The soil contamination has elevated concentrations of radium and uranium. Once the buildings are not needed for DOE purposes, the buildings will be demolished, contaminated soils will be removed, and the soils will be disposed of at an existing uranium mill tailings disposal site.

At the GJO site, DOE placed deed restrictions on use of surface water and ground water and disturbance of soils in contaminated areas and required that the new owner notify DOE if the site were sold. Final review by the State of Colorado is nearly complete, the public comment period is scheduled, and State of Colorado approval is expected by February 15, 2001.

Another related issue was the existence of elevated levels of radioactive material in the site's analytical chemistry laboratory building. Because DOE has an ongoing need for the laboratory and initial investigations showed low levels of radioactive material in the structure, GJO proposed use of a regulatory-approved risk-based approach to determine if the materials posed a health risk. A team of community, State of Colorado, DOE, and U.S. Environmental Protection Agency representatives was created to collaborate on the risk-based approach. This group eventually achieved consensus that the radioactive materials were within acceptable health-based limits when a risk-based approach was applied rather than a regulatory standard. This approval allowed continued use of the building and saved money for the Federal Government by deferring building decontamination or demolition until some time in the future if or when laboratory services are no longer needed.

National Environmental Policy Act Documentation

An Environmental Assessment (EA) was prepared according to NEPA guidelines, but an innovative approach was used. Because DOE had no real control over future land use, it was impractical to select a specific future-use scenario and evaluate potential impacts with such a hypothetical situation. Rather, the "transfer from DOE ownership" alternative was evaluated in a more general and qualitative manner. A possible use of the site that could have numerous adverse environmental impacts was development of a gravel quarry. This worst-case use was compared with historic federal uses of the site. No detailed data were developed for the future uses, but the alternative was evaluated qualitatively for environmental impact. The NEPA process provided a means to consider the ***potential*** consequences of the proposed action, in this case, a real property transfer. The NEPA process included a 30-day public comment period; no comments were received. Other governmental entities were given the opportunity to offer input on the consequences of the proposed actions as a result of the NEPA process. No input was received.

Negotiations

The RTC named a three-person negotiation team from its 12-member volunteer board. DOE also named a three-person negotiation team and selected several advisors, including DOE real estate personnel and the GJO Deputy Manager. A recommendation was made to the local DOE office that the negotiation team report to the GJO Manager, who would make decisions for the team. The local DOE office chose instead to have the GJO Manager actually be the lead negotiator. GJO's supervising office, the DOE Albuquerque Operations Office, had been delegated authority by DOE Headquarters to transfer the site and formally passed the authority on to the local office. The GJO Manager was given the authority to negotiate all aspects of the transfer and consulted regularly with the DOE Albuquerque Operations Office and DOE Headquarters. The GJO staff attorney was a member of the GJO negotiation team and consulted with other DOE Albuquerque

Operations Office attorneys. The other member of the DOE negotiation team was a member of the GJO technical staff.

Before the start of formal negotiations, both negotiation teams agreed to an activity that was rather unprecedented. DOE offered to bring in a consultant to provide negotiation training for ***both*** sides. The training was held for 2 days and consisted of defining each party's goals, objectives, and negotiation strategies. While the technical and legal aspects of negotiation were learned, the greatest benefit was to have both negotiation parties in a room together, often role-playing, and getting to know the human sides of one another.

The Real Estate Transaction

The actual real estate transfer was obviously of paramount concern to both parties; early and consistent significant legal involvement was a necessity. Easements and rights-of-way had to be identified and reviewed, and mineral rights had to be considered. The RTC had virtually no funding with which to perform the tremendous task of receiving the GJO site. For legal support, the RTC negotiation team relied upon City of Grand Junction and Mesa County attorneys. This arrangement could have proven cumbersome, but the bylaws of the RTC clearly stated that the City and County must approve all decisions made by the RTC related to the transfer. Therefore, this arrangement was more efficient than having a private attorney work the issues and then still needing local government legal review. The city and county attorneys were quite involved in reviewing the Offer to Purchase, Quitclaim Deed, and lease (from the RTC to DOE for office space). This effort required a significant amount of time by these two individuals, particularly because their regular jobs are not typically accomplished within a 40-hour workweek. DOE had not adequately estimated the time it would take for DOE attorneys and City and County attorneys to argue details of contract language, but the time consumed was understandable.

Personal Property

Personal property disposal at the GJO site was also an issue. Because DOE needed only three buildings to continue its missions, site transfer was an appropriate time to reduce the personal property inventory to what was needed solely for the missions. The local DOE office had conducted public auctions of excess personal property as needed during the past several years. These auctions typically cost the local office administratively as much as the Federal Government profited from them. GJO had legal authority to transfer excess personal property to the local community with the site and decided to do so. DOE and contractor staff first identified all property (e.g., office, laboratory, and field equipment) necessary to conduct ongoing missions. All other property was then screened using DOE's standard excess property process. Other DOE or federal sites did not want most of the property, and remaining equipment was transferred to the RTC for no consideration. The transferred personal property totaled about $250,000 in depreciated value.

OTHER LESSONS LEARNED

The process of transferring a federal site to the private sector is complex and can be fraught with pitfalls. The GJO site is on track for a successful transfer, but there were moments when the

outcome was less sure. GJO has identified some additional lessons learned as food for thought in future real property transfers by federal agencies.

End State Buy-In

Management at all levels must agree up front as to the end state of the facility. Although this seems easy enough, the end state, if stated too simply, will result in different interpretations by DOE decision-makers and can lead to chaos. A prerequisite to reaching a common understanding is, of course, identifying the management individuals in the DOE system who are part of the decision-making process and will involve themselves or their departments in your process. Each manager must buy into the agreement on the end state definition, once the definition is understood. GJO's end state was essentially to transfer a small portion of the site to the U.S. Army Reserve and the balance of the site to a local community entity representing the city and county. The location of leased space for continued DOE missions would be based on economic analysis.

Make the Site Transition Process a Project

Any site transfer will likely include many tasks that fall within the broad categories of real property and personal property disposition; waste management and environmental compliance (e.g., National Environmental Policy Act, National Historic Preservation Act, and permits); site remediation requirements; and both federal and contractor personnel planning. The GJO site transfer, unlike DOE sites that are closing, did not have many activities tied to personnel planning, contract closeout, and staff reductions. However, the GJO site transfer process did include a critical path schedule consisting of more 262 tasks. Depending on the complexities of each individual site transfer, the number of tasks could increase significantly compared with the number of GJO site transfer tasks. Guidelines for site transition should include

- Follow good project management practices.
- Identify scope, baseline schedule, and baseline budgets.
- Identify resources to manage and perform each task.
- Establish and understand logic ties among tasks; this activity can be a monumental effort but it will result in a clearer understanding of project details.

A project manager should be appointed with the authority to maintain schedule and budget commitments. The project manager should have an exceptional working relationship with the lead negotiator, if the site transfer relies on a sales negotiation. The local DOE office should obtain delegation of the sale negotiation to the local office level.

A site transfer project that is well structured and formalized by scope, schedule, and budget still requires maintaining as much flexibility as possible. As the site transfer project progresses and matures, conditions, goals, and objectives will change. Changes are inevitable if negotiation is the vehicle for transfer of a site to a local community entity and are even more probable if there is ongoing environmental restoration. An established project baseline will be invaluable in managing change.

GJO established a dual path to accomplish transfer of the site by the DOE Headquarters-controlled milestone date, even if negotiations with the community faltered. GSA was fully on board and had completed preliminary planning to sell the site at a public auction if negotiations failed. DOE and GSA had conducted a screening, via several large regional newspapers and GSA's Internet website, to establish if there was potential interest from the private sector in acquiring the site. GSA received roughly a dozen expressions of interest, predominantly from developers. DOE was able to use the option to sell the site at public auction as a negotiation tool with the RTC. Although all involved entities preferred that the community group acquire the site, DOE had a valid second option with a GSA auction. This option was helpful during times when the community alleged that the site had little worth because of functional obsolescence and touted that no one else would ever consider taking over such a property.

Understand Internal Requirements

DOE has the ability to be creative and to achieve mortgage reduction while working in the best interest of the government. However, many internal requirements intended to ensure accountability could actually hinder the site transfer process if the requirements are not fully understood. Site management must have access to subject matter experts in many fields to accomplish a timely transfer. The site transfer team must meet frequently, and each member must provide a status report on assigned tasks. Peer pressure to make timely progress on interrelated tasks is a useful tool.

CONCLUSIONS

On December 4, 2000, the Secretary of Energy celebrated with the local community and GJO at a ceremony involving the signing of the Offer to Purchase contract (see Figure 2). The State of Colorado is on schedule to approve the Request for Deferred Remediation by February 15, 2001, and the Quitclaim Deed is ready for signing the next day.

What made the entire site transfer effort a success? Communications regarding remedial action considerations and real property details were crucial. Flexibility during negotiations and the ability to modify plans to accommodate changes when new information or changing priorities dictated, were of utmost importance. "Consistently" and "frequently" were the keys to effective communication in a changing environment. Communication of remediation standards, cleanup protocols, and site infrastructure details that were obvious to the federal agency were often more difficult to articulate to other interested groups. An approach of teamwork and flexibility in considering alternative strategies for accomplishing the site transfer adopted by GJO, the public, local and state governments, and internal entities resulted in success.

Figure 2. Participating in the Offer to Purchase ceremony (seated, left to right) Donna Bergman-Tabbert, Manager, DOE Grand Junction Office; Knute Knudson, Chairman of the Riverview Technology Corporation ; Bill Richardson, Secretary of Energy; (back row, left to right) Gene Kinsey, Mayor of City of Grand Junction; Dr. Carolyn Huntoon, DOE Assistant Secretary for Environmental Management; and Doralyn Genova, Mesa County Commissioner.

The transfer of the GJO site achieved cost savings of more than 60 percent annually when compared with the costs associated with maintaining the facility. If similar results can be achieved across the board, DOE can certainly consider the closing of some sites and transfer from DOE ownership a successful venture.