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Military Work Stimulates Construction

Calif. will get \$1 billion out of \$7 billion in federal stimulus funds for the U.S. Department of Defense

By MANDY JACKSON

CREJ Staff Writer

One construction specialty - military work - already was giving the building industry a boost this year without additional federal funds meant to stimulate the economy.

Architects and construction firms are chasing military projects because billions of dollars of work is lined up for the next couple of years, a substantial portion of which will be spent in California. On top of that, the American Recovery and Reinvestment Act of 2009, the federal government's stimulus package, added almost \$7 billion for U.S. Department of Defense construction and maintenance contracts.

ARRA provided \$4.26 billion for facilities restoration and modernization, \$2.18 billion for new construction, \$120 million for improving energy efficiency and \$300 million to develop energy-efficient technologies.

On March 20, the Department of Defense allocated \$6 billion and, on April 28, another \$835 million was announced for additional projects.

California Army, Navy and Marine construction projects will receive \$772.8 million in economic stimulus funds. Another \$361.2 million will be spent on 51 restoration and modernization projects at Army, Navy, Marine and Air Force bases in the state.

"This is really a tsunami of work. We've worked with the Navy for 22 years and this is just astonishing," said James Robbins, principal and director of design at San Diego-based **RJC Architects**.

Naval Facilities Engineering Command Southwest is responsible for construction, engineering, planning and real estate for the Navy and Marines on the West Coast. NAVFAC Southwest, headquartered in San Diego, has 2,800 employees and an annual budget in excess of \$2 billion.

The command will get another \$1 billion in economic stimulus funds to spend by Sept. 2010. The majority will be spent in California, including a new \$563.1 million Naval hospital at Marine Corps Base Camp Pendleton in Oceanside, an \$86.3 million bachelors quarters at Naval Base Coronado and four child care center projects totaling \$39.4 million at Camp Pendleton, Naval Air Station Lemoore, Naval Base Coronado and Naval Base Point Loma.

Prior to the awarding of economic stimulus funds in California, RJC Architects was selected with design-build partner Carlsbad-based **RQ Construction Inc.** to work on the western headquarters for Marine Corps Special Operations at Camp Pendleton. The \$50 million project consists of a 90,000-square-foot administration building, a 24,000-square-foot applied instruction facility and other support structures.

Also at Camp Pendleton, RJC is working on a \$54 million assignment for the Force Intelligence Operations Center. The firm previously designed the project's second phase, which was completed about 18 months ago. The third phase is under construction with Bonsall-based **Straub Construction Inc.** as the design-build contractor.

"A lot of the administration facilities at Camp Pendleton date back to the Korean War," Robbins said, noting that in addition to new facilities to accommodate new troops, the Marines are due to upgrade existing buildings.

RJC Architects has worked on all of the Navy and Marine bases in San Diego, but Robbins said the bulk of current funding seems to be going to Camp Pendleton and the Marine Corps Air Ground Combat Center in Twentynine Palms.

Package Deals

The Navy has been building a lot of new bachelors quarters for Marines and Navy sailors. A lot of those projects have been grouped into packages of \$80 million to \$120 million with multiple projects in each one.

RJC has an indefinite delivery/indefinite quantity contract with the Navy for up to \$7.5 million in fees. In an IDIQ arrangement, the Navy can call on its contractors at any time for services spelled out in the contract without going through a formal request for proposals each time.

Robbins said there are some new opportunities for IDIQ contracts for up to \$30 million in architecture and civil engineering work. And in a lot of cases, those contracts are needed just to help the Navy write requests for proposals.

"If the RFP is maybe 1 percent of the construction cost, a \$30 million IDIQ might represent \$3 billion in work, so that gives you an idea of what's coming," Robbins said.

The Navy also is seeking bids on several large Multiple Award Construction Contracts, also known as MACCs, or big MACCs because of the size of some of the contracts. The Navy is expected to announce a short list soon for five to nine companies that will be pre-approved to bid on \$900 million worth of work in one MACC.

In a MACC, the finalists on the short list are the only firms that can respond to requests for proposals for a specific list of projects. That way, the Navy doesn't have to issue a new request for qualifications for each of those projects and then narrow the list down to a set of competing firms.

"I've never seen a short list larger than five, but I've never seen a \$900 million MACC before," Robbins said. "That's part of the national interest in San Diego."

Bill Sharp, executive director of business development for San Diego-based general contractor **Barnhart Inc.**, said military projects have ebbed and flowed during his 26 years with Barnhart, but he has never seen the level of work that's coming out of the Navy right now. It's attracting contractors from around the country that don't have the relationships and experience with NAVFAC Southwest that local businesses have.

"A lot of companies are asking us to partner with them to handle the workload," Sharp said. "Some companies might have military experience only on the East Coast. Some have hospital experience but don't have military experience. People are getting creative."

Sharp said Atlanta-based construction and design company **Heery International's** acquisition of Barnhart last year increased the contractor's capacity for participating in major military contracts.

"The scrutiny has gone up about how big the project is and whether we've done something like it," he said. "With Heery International, that has brought an additional level of bonding capacity. In the past, we might have maxed out at \$250 million and now we have \$4.5 billion in bonding capacity. We can go after bigger projects and a higher volume of projects."

About 150 miles northeast of Los Angeles at Naval Air Weapons Station China Lake, Barnhart is working on a \$63 million project that includes 277,000 square feet of office and laboratory space to accommodate 550 research scientists.

At Naval Base Coronado, Barnhart is working hard to keep \$23 million in renovations on schedule for Berth Lima. The renovated berth will accommodate the USS Carl Vinson, which is moving from its home port in Virginia next year.

The contractor is just starting on the \$23 million, 200-room Wounded Warrior Barracks at Camp Pendleton on the shores of Lake O'Neill, recently finished an \$8.8 million renovation of barracks at the Marine Corps Recruit Depot in San Diego and has more than \$3 million worth of barrack renovations nearing completion at Twentynine Palms.

Former president George W. Bush announced a Grow the Force initiative in January 2007, which intended to increase Army personnel by more than 74,000 by the year 2013 and Marine personnel by 27,000 by the year 2011 and has driven the increased construction of barracks and other facilities.

Billions of Dollars

Dave Roach, senior vice president at Barnhart, has been with the general contractor for seven years after retiring as a captain from 25 years in the Navy Civil Engineer Corps.

Roach said about \$200 million to \$500 million was spent each year on projects in California, Arizona and Nevada when he was in the Navy, but \$1.3 billion worth of contracts were awarded in those states in 2008, more than \$2 billion will be awarded in 2009, \$3.1 billion is planned in 2010 and \$1.5 billion is

expected in 2011.

Roach said NAVFAC Southwest is looking for civilian employees to fill engineering jobs to provide the staff the Navy needs to handle its workload. He predicted that contractors will also be scrambling to find the labor, material and equipment they need.

"We're trying to get work in [military construction], but it's a big challenge when you haven't been in that area before," said Shaun Guertin of Los Angeles-based **W.E. O'Neil Construction Co.**

W.E. O'Neill has done some work for the Army Corps of Engineers and was named contractor of the year by the corps in 2006 for hangars the company built for F-22 Raptor jets flying out of Edwards Air Force Base in the Mojave Desert.

"We haven't done a lot since then with the military, but we're submitting on another project this week," Guertin said. "There is quite a lot to bid on."

Arlington, Va.-based **Clark Realty Capital** is waiting to see how branches of the military will change their positions on public-private partnerships because of the increased volume of construction projects on the horizon.

The Navy and Clark Realty opened Pacific Beacon in March at Naval Base San Diego, on the coast between downtown and National City. The \$320 million project has three high-rise buildings with 941 two-bedroom apartments for single sailors. The project was one of several public-private partnerships between Clark Realty and the Navy for military housing.

Bryan Lamb, development executive in San Diego at Clark Realty, said the company is still partnering with the military on a number of townhome, single-family and single-sailor housing projects in California, though that work has slowed down some. Its sister company **Clark Energy Ventures** is in the early stages of partnering with the military to install solar arrays on military bases.

"We focus on public-private ventures, whether they be housing or EULs - enhanced use leases," Lamb said.

EULs provide privately built and financed office, retail or medical facilities that are leased by the military. Those arrangements have been around for years, but they haven't taken off like public-private partnerships for housing.

"For the Navy here in San Diego, there's a not a ton more of housing to be built," Lamb said. "There's one or two more big projects and then they have pretty much accomplished their goal."

He said each branch of the military is getting to a point where they will have to decide if they've privatized enough of their facilities or if they want to privatize more.

In some respects, Lamb said the funding for military projects in the federal government's economic stimulus package complicates things for public-private ventures. Projects that were planned a few years from now have been moved up to 2009 or 2010.

With all of that new work coming on line at once, he said it is likely that the military will switch back to traditional contracting procedures, because those contracts are less difficult to negotiate than public-private ventures.

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