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## **REDEVELOPMENT OF FORT SAM PROPERTIES COULD BEGIN SOON**

A couple of pending leases - on top of one previously reported - are poised to be the catalyst for bringing new life to almost 350,000 square feet of historic space at Fort Sam Houston.

Paul Fagan, a partner in locally based Cross & Co., says that his firm is "on the verge" of signing a total of 238,000-square-foot worth of leases for two of three buildings tagged for redevelopment on the Army post. One of the users is U.S. Army South, which is looking to take 114,000 square feet out of the 225,000-square-foot project that once served as Brooke Army Medical Center (BAMC). Another tenant, Fagan continues, is slated to take 51,000 square feet in what he and others on the project call the "old BAMC" facility. Together, these deals would give BAMC the needed occupancy for redevelopment work to proceed on the former hospital property. A third tenant is scheduled to take about 75,000 square feet out of a second 121,000-square-foot building known as North Beach Pavilion - which would jump-start that project as well.

Fagan declined to disclose the identities of the two unnamed tenants, except to say that they fall in line with exactly the type of user that Cross & Co. has been seeking for the project all along. That tenant profile includes companies that are security conscious and have an existing relationship with the Army - or are part of the Army itself.

Fagan anticipates that all three tenant-leasing deals will close within the next 60 days. The North Beach Pavilion deal, in fact, may close even sooner, according to Tom Swoyer Jr., client services manager for Weston Solutions Inc. Demolition and abatement work on the North Beach Pavilion could begin within the next two to three weeks, he says. As for BAMC, demolition and abatement work might be "only a month or so behind North Beach," Swoyer adds.

"I have every reason to believe that that could be the case," says Fagan about Swoyer's time line, "but that is still speculation." What is not in dispute is the fact that these three deals would give Weston, which is a limited partner in the redevelopment project, and general partner Orion Partners Inc., the green light to start investing some money into turning a former Army hospital and one of two old Army barracks into state-of-the-art office buildings. "The (potential) tenants won't fill either of the buildings," Fagan says. "... But they allow us to open these two buildings. What these deals mean is that we (will) have reached a certain hurdle, one that had to be met before any money could be spent on redevelopment."

Adds Tom Chandler, president and chief operating officer of locally based Orion Partners, "After working on this project for the better part of three years, I can tell you that we're more excited than we've been in a long time." The South Beach Pavilion -

which is identical in size to North Beach Pavilion - is still completely up for grabs. Together, those two buildings make up part of Fort Sam's Beach Pavilion Complex. Critical mass

It was in August 2001 when Weston, Orion and the U.S. Army first announced that the three had formed a partnership to redevelop the old BAMC and the North and South Beach Pavilions - a total of 465,000 square feet of space on the post. Orion and Weston initially signed three, 50-year leases for the buildings - the idea being to turn around and redevelop the buildings to be subleased to other tenants. Cross & Co. was hired to market the projects for potential sublessors. The cost to redevelop all three buildings has been estimated at around \$50 million.

The Army, through this project, however, could receive as much as \$253 million over the terms of the three 50-year leases. From the beginning, Chandler has stressed repeatedly that at least 60 percent of any one building had to be leased before construction - or in this case demolition and abatement - could begin. "We like to think that the renovation starts with the demolition," Swoyer says. "You have to remove the unusable in order to make the usable work." In fact, all that will be left of the old BAMC and North Beach when the demolition/abatement work is done are the structural elements holding the buildings together, including historic elements and the exteriors of the buildings. "I call this a selective demolition," he continues. "We are leaving the exteriors and the structural columns. But everything else will go."

Finish-out on the tenant spaces, Swoyer continues, would begin on the heels of the demolition/abatement work - which should take anywhere from 90 to 120 days. That the redevelopment process is moving forward now is quite an accomplishment, according to those involved. It was only a few months ago that questions began to arise about U.S. Army South's future at old BAMC. "We first met with U.S. Army South over a year ago," recalls Fagan, adding that at the time the command had talked about wanting to take all of the old BAMC facility. Ultimately, U.S. Army South reduced its space requirements.

Thus the command - which is scheduled to bring about 500 military and civilian personnel to Fort Sam from Fort Buchanan in San Juan, Puerto Rico, toward the latter part of 2003 - is now looking at leasing about 114,000 square feet. BAMC. Now, it looks as if that work may begin on not just one, but two buildings on Fort Sam.

"It's been a long and arduous process," says Weston's Swoyer. "There was a learning curve that had to take place - for both the Army and the private sector. But when we get these buildings turned out with new tenants, it's going to be great."