FORT MONROE
Where Freedom Lives

February 8, 2013

The Honorable Robert F. McDonnell
Governor, Commonwealth of Virginia
Office of the Governor
Patrick Henry Building, 3rd Floor
1111 East Broad Street
Richmond, VA 23219

RE: Fort Monroe Authority Annual Report FY2012

Dear Governor McDonnell:

The Fort Monroe Authority (FMA) is pleased to submit its annual report on the reuse and future management plans for historic Fort Monroe during the July 1, 2011 through June 30, 2012 fiscal year. The requirements for this report are stated in Section 10.01 of the FMA By-Laws, which were adopted on November 18, 2010.

Membership

The FMA Board of Trustees maintained twelve (12) Trustees operating under the Chairman, Secretary of Homeland Security Terrie Suit and Vice-Chairman John Lawson. Board members include Secretary of Natural Resources Doug Domenech, Secretary of Commerce and Trade James Cheng, Senator Mamie Locke, Delegate Gordon Helsel, Mayor Molly Ward, Councilman Ross Kearney and gubernatorial appointees Robert Aston, Jr., Kim Maloney, Colin Campbell, and James Church.

Fort Monroe National Monument Superintendent Kirsten Talken-Spaulding and United States Army Caretaker Jeff Pasquino also served as liaisons to the Board. Steve Owens, Senior Assistant Attorney General serves as counsel to the Board.

Finances

A financial audit of the FMA for fiscal year ending June 30, 2012 was procured through the Auditor of Public Accounts of the Commonwealth of Virginia. Cherry, Bekaert & Holland, L.L.P. was awarded a 5-year contract for fiscal years 2012 - 2016. The Independent Auditor's report dated November 16, 2012, stated: *"In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, business-type activities and each major fund of the Fort Monroe Authority as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America."*

The financial audit was accepted by the Board on December 13, 2012.

FMA Responsibilities

The FMA was created by the General Assembly in 2010 to plan for and manage the reuse of Fort Monroe at Old Point Comfort. The Army deactivated Fort Monroe as a military installation on September 15, 2011 in accordance with the Base Realignment and Closure (BRAC) Commission. The FMA is the official Local Redevelopment Authority for both planning and implementation by the Department of Defense. The FMA's actions are guided by the Fort Monroe Act, specifically §2.2-2336.B.4 which states:

"It is the policy of the Commonwealth to protect the historic resources at Fort Monroe, provide public access to the Fort's historic resources and recreational opportunities, exercise exemplary stewardship of the Fort's natural resources, maintain Fort Monroe in perpetuity as a place that is a desirable one in which to reside, do business, and visit, all in a way that is economically sustainable."

In order to direct the planning and execution of its overall responsibilities, the FMA Board met eight times during the reporting period. All meetings were open to the public, appropriately noticed, and a public comment period provided. Detailed minutes of all meetings were kept and posted on the FMA website, www.fmauthority.com. A summary of the FMA's accomplishments during the reporting period, as well as goals for FY2013 are summarized below.

Accomplishments for FY2012

Master Plan

Sasaki Associates, an international planning and design firm based in Boston, MA, was chosen to lead the Fort Monroe Master Plan by a six member selection committee in December 2011. The committee included two representatives from the City of Hampton, one representative from the Citizens for a Fort Monroe National Park (CFMNP), and three Fort Monroe Authority (FMA) Directors. The State Historic Preservation Officer, Kathleen Kilpatrick, and I participated as non-scoring advisors.

Sasaki's charge at the onset of the master planning process was to transform the broad goals of previous master planning efforts into feasible, actionable plans that create achievable and enhanced expectations of adaptive reuse and development at Fort Monroe. To achieve these goals, Sasaki has collaborated with a diverse team of national and local consultants, including:

HR&A Advisors – Market Analysis & Implementation Strategy
BAE Urban Economics – Economic Modeling (under direct contract to FMA)
Lord Cultural Resources – Cultural Resources & Tourism Planning
OCULUS – Historic/Cultural Landscape Planning
Kimley-Horn – Infrastructure/Engineering (under direct contract to FMA)
The Miles Agency – Public Relations
MindMixer – Online Community Engagement

During all phases of the master planning process in 2012, Sasaki led a robust community outreach program, including four community meetings, a series of stakeholder discussions, and establishment of an interactive Master Plan website. The four community meetings were held in March, June, September, and December 2012. The website allowed for continual, iterative community feedback on the evolving Master Plan goals, principals, and concepts throughout the year. In total, approximately 300 individuals attended at least one community meeting and approximately 475 individuals participated in the project website. Public meeting attendance and website usage peaked during the late summer / early fall of 2012.

The Sasaki team with the FMA has carried out a comprehensive master planning process for Fort Monroe with three principal phases of work in 2012.

During Phase 1, Immersion, Sasaki carried out interviews with FMA staff, the FMA's existing team of technical consultants, and diverse stakeholders, including the City of Hampton, National Park Service, Army Corps of Engineers, and community members, among others. Sasaki collected, analyzed, and incorporated the FMA's extensive historic, technical, and regulatory data. Stakeholder and community outreach in combination with data analysis established a strong foundation of goals, issues, and opportunities for the Master Plan during the first phase of work.

In Phase 2, Ideas & Alternatives, the Sasaki team developed a series of five alternative master plan concepts/principals, carried out a detailed market analysis, and initiated a study of enhanced/expanded cultural tourism opportunities. Phase 2 further defined a series of adaptive reuse "early implementation projects" for the FMA to begin marketing.

Phase 3, Synthesis, which is ongoing, has included the refinement of the initial five alternatives to three. These three alternatives, which share a common infrastructure "framework" yet distinct land and building uses, are undergoing rigorous economic analysis.

Real Estate

While they once stood proudly on the waterfront of the Chesapeake Bay and rendered valiant service to countless soldiers over the years, the Wherry Apartments, battered by time and hurricanes had reached the end of their serviceable life in 2012. As a result, the few residents that remained were eventually relocated and the buildings were demolished. All of the usable appliances were donated to the Habitat for Humanity for use in their ReStore and the now open land provides a clean slate for future development or an expansion of the open space at Fort Monroe.

Prior to 2012, the FMA used a third party contractor to manage all of the housing on Fort Monroe. A review of the effectiveness of this arrangement revealed that the job could be handled more effectively if it was done in house, by FMA employees. With that, the change was implemented in July of 2012 and the results have been favorable. The FMA has realized a cost savings by internalizing the residential property management and the residential leasing staff far surpassed the occupancy goal of 75 homes by leasing 113 homes by the end of the year.

For a portion of the year, the Director of Real Estate position was filled by a part-time contract employee. Recognizing the important role that real estate would play in the future of Fort Monroe, the decision was made to make this a permanent position at the FMA. An exhaustive search was conducted and many, well-qualified applicants were interviewed. Ultimately, a bright young man from Fairfax accepted the position and made his way south to join us. Joe DosReis came to us from CB Richard Ellis, where he served as the Director of Global Corporate Services on the General Services Administration account. Joe's wealth of commercial real estate knowledge and legal background has served him well thus far in his new role and we expect to see big things coming from the Real Estate Department in 2013.

Although commercial leasing has not yet enjoyed the success of residential leasing, it did start to gain traction in 2012. Several state agencies signed leases at Fort Monroe, including the Department of Veterans Services' Freedom Support Center, Department of Fire Programs and the Virginia State Police. In addition, several private sector tenants made the decision to call Fort Monroe home, including the Paradise Ocean Club, Q-Design Architects, Marine Systems Corporation and the Colonies R.V. Park. Including space leased to the City of Hampton, we have executed leases for approximately 85,000 square feet of commercial space.

Public Programs

In 2012, over 63,000 people participated in the inaugural line-up of public programming and services at Fort Monroe. The year started with a special visit by the First Lady of Virginia, Mrs. McDonnell, who unveiled a cast bronze sculpture by world renowned sculptor Greg Wyatt at Fort Monroe's Continental Park. The piece, entitled The Angel and the Dying Unknown, memorializes those unknown soldiers of World War II who made the ultimate sacrifice for country and freedom.

General Benjamin Butler's May of 1861 Contraband Decision made Fort Monroe a destination of hope and freedom for thousands of enslaved Americans and created the political pressure within the Union Army that would re-define the war's purpose to one of Emancipation. To commemorate this landmark event, the Authority hoisted the American Flag over "Freedom's Fortress" for the first time following decommissioning of the post, and hosted a lecture and discussion of Fort Monroe in 1861 by author Adam Goodheart.

In June, the Authority was privileged to host almost 10,000 visitors for the best view of the OpSail Virginia 2012 Parade of Sail into Hampton Roads Harbor. This event, as part of the bicentennial of the War of 1812, was particularly poignant to Fort Monroe because the war's threat to America's independence and freedom was the impetus for the construction of Fort Monroe, the largest stone fort in America.

The Authority also kicked off the first Music by the Bay Summer Concert Series. The series of eleven concerts continued the decades long tradition of free military band concerts at Continental Park's historic bandstand and was capped by the first ever performance by the Virginia Symphony Orchestra at Fort Monroe. The Symphony's music selection for the evening explored the theme of Freedom and featured the traditional Gospel song "Go Down Moses" which, according to tradition, was written by African American Contraband Refugees that flocked to Fort Monroe seeking their freedom during the Civil War.

In cooperation with the National Park Service the FMA staff assigned to the Casemate Museum provided several days of Civil War living history demonstrations and a visit by the Civil War 150 HistoryMobile. Staff at the museum also continued work to transition the Casemate Museum from an Army Museum to a FMA Museum by working with the American Alliance of Museums to create and begin execution of a plan for transfer according to National Museum Standards. Visitation to the museum for the year was up 12% over the last five years and programming at the museum increased beyond what has been offered over the past several years.

Infrastructure Funding

The FMA staff is working with representatives from Department of General Services (DGS) to initiate a series of projects to utilize the $4.0 million in Maintenance Reserve (MR) funding provided by the General Assembly during FY11 and FY12. During FY12, DGS issued RFPs to select architecture and engineering firms to provide design and scoping services on Fort Monroe projects. During FY12, the FMA submitted several versions of project plans to the Department of Planning and Budget for use of the MR funding. DPB has approved the latest plan which plan includes projects to:

1. install a new centralized fire alarm monitoring system for the non-residential buildings that were previously monitored by the Fort Monroe Fire Department;

2. eliminate water intrusion issues and repair water-related damage in buildings to be leased to commercial tenants;

3. repair or replace regulatory signs to comply with the Manual on Uniform Traffic Control Devices;

4. repair of ADA ramps, sidewalks and curbing that were rated as "poor" in the 2010 condition assessment report;

5. repairs to manholes and sanitary sewer pipe relining for pipes and structures rated as "poor" in the 2010 condition assessment report to reduce the inflow and infiltration of ground water into the sanitary sewer system;

6. install elevated tankless water heaters and relocate of electrical outlets in 74 residential basements/boiler rooms that are prone to flooding;

7. install backflow preventers on sump pumps, and reroute sump discharge lines to the stormwater system in residential units to prevent the potential for overflow of sump discharge into residential units;

8. install SCADA (supervisory control and data acquisition) wireless remote industrial control systems that monitor equipment operations in sanitary sewer lift stations to report any operating faults and/or alarms as required by the state law; and

9. repair damaged roofing and railings and deteriorated mortar on residential and commercial buildings.

Army Transfer Negotiations

BRAC Attorney David Knisely and Steve Owens, OAG are negotiating with the Department of the Army to facilitate the transfer of the reversionary and disputed property from the Army to the Commonwealth. In order to avoid delays in the transfer, the disputed property will be transferred from the Army to the Commonwealth through an Economic Development Conveyance ("EDC"). The FMA and Army continue to negotiate on environmental matters, non-reversionary land areas, and preservation and protection of assets post transfer. Several documents must be negotiated and executed prior to the transfer of the reversionary property. Those documents include a Finding of Suitability to Transfer (FOST), a Land Use Control Implementation Plan (LUCIP), a Utility Agreement, a Transition Agreement and a Quitclaim Deed.

The FOST is a document prepared by the Army to demonstrate that it has complied with all applicable environmental laws prior to transferring property to the Commonwealth.

The LUCIP details the institutional environmental controls that will be used on site.

The Utility Agreement lays out how the utility systems are to be maintained and operated once the Commonwealth takes ownership of the reversionary property and how the Commonwealth is to be reimbursed for those utility services provided to the Army while it claims ownership of or controls some property at Fort Monroe.

The Transition Agreement is a document that outlines how the entire transfer will take place. Specifically, the Transition Agreement explains how the property will operate once the Commonwealth takes ownership and fits all of the documents that are to be executed into this overall framework.

The Quitclaim Deed is the transfer document relinquishing the Army's title in the property and transferring the title of the property back to the Commonwealth of Virginia.

These documents continue to be revised by both the Army and the Commonwealth; however, a meeting has been scheduled with the Army for February 2013 to discuss and resolve any remaining drafting issues pertaining to these documents. In addition, the EDC application, a major step toward the conveyance of the disputed property, is scheduled to be submitted by the FMA to the Army during the first quarter of 2013. BRAC law requires that the EDC application be submitted by the Local Reuse Authority, which in this case is the FMA.

It is important to note that the property at Fort Monroe will transfer to the Commonwealth and, simultaneously, those parcels that were declared a National Monument will be transferred to the National Park Service (NPS). As a result, the Commonwealth will have to have the same contractual arrangements with the National Park Service as it does with the Army. Negotiations with the NPS on the details of those agreements have begun and language of those documents will, hopefully, closely resemble the language of the Army documents.

Legislation Update

During the 2012 General Assembly Session, the FMA sought changes to the Fort Monroe Authority Act which would allow for the sale of property in the Historic Village and North Gate areas of Fort Monroe after the completion and approval of the Master Plan. Sales of property in any other area of Fort Monroe would still be prohibited except by an act of the General Assembly. This change also requires that the revenue generated by any sale of property at Fort Monroe must be spent on infrastructure improvements at Fort Monroe.

Fort Monroe Foundation

FY2012 was the startup year for the Fort Monroe Foundation as we began the process of organizing the Foundation and evaluating its role at Fort Monroe. Although it began FY2012 with approximately $3,000 in the bank and outstanding bills of approximately $8,000, the Foundation actually enjoyed unprecedented success for a startup Foundation with little or no assets. In an effort to alleviate the immediate debt concern and generate operating capital of the Foundation, a sponsorship program called "Guardians of the Fort" was created to allow current and past contractors to donate to a campaign that would recognize them for their groundbreaking efforts at the Post. The campaign generated approximately $55,000 and all debts were paid.

The Foundation next implemented a sponsorship program that focused on providing receptions at the FMA house prior to scheduled public programs such as concerts or educational events. These events proved financially successful for the Foundation as well as provided unique opportunities for businesses and local organizations to expose their business associates and clients to the housing and amazing atmosphere of the Fort Monroe community. This symbiotic relationship between the Foundation and the FMA made each organization more successful and provided a cornerstone for the direction of the Foundation.

Planning in FY2012 also laid the groundwork for an ambitious project to bring the Virginia Symphony to Fort Monroe in early FY2013. The Foundation raised the money to pay for the Virginia Symphony and the expenses associated with the concert while the FMA provided the venue as well as the staff to support the event. The success in planning this project and using the opportunity to generate revenue for the Foundation while exposing people to the new community at Fort Monroe provides an example of the partnership that is developing between the Foundation and the FMA. This success of this arrangement established a foundation for this partnership in future endeavors.

The success of the Foundation's first year is even more laudable given the limiting factors associated with the delay in property transfer. After numerous visits with potential angel investors and well-heeled philanthropic foundations it is apparent from their comments and observations that Fort Monroe is not ready for major foundational contributions. During efforts to seek significant donor contributions, the response focused on the uncertainty associated with the property transfer and the unfinished master plan process. It is the belief of the Foundation that upon the conclusion of the property transfer and the adoption of the master plan that Fort Monroe will be better positioned to receive the large philanthropic investments necessary to begin planning and implementing successful educational programs at Fort Monroe as well as infrastructure improvements that will accrue to the benefit of the public and therefore the FMA.

In addition to the property transfer issue and the approval of the master plan, Fort Monroe is also in need of a foundational document that provides the direction and big picture plan for the role of the Foundation. It is the hope of the Foundation that, as the uncertainty of Fort Monroe becomes resolved, a philanthropic effort by an individual or a corporation will be initiated to fund the consultant necessary to evaluate the assets at Fort Monroe and provide the direction for the Fort Monroe Foundation.

FMA Staff Changes

FMA established the goal of converting FMA contract employees to full time and part time positions. In the course of the year 4 contract employees were converted to either full or part time positions. At the close of FY12, the FMA's staff consisted of thirteen full time and two part time employees and three contract employees.

The responsibilities at FMA continued to grow as an organization and adapted its staff to accommodate these changes: Former Delegate Glenn Oder, a professional landscape architect and licensed real estate agent with land planning experience, was hired as the new Executive Director by the Board and started September 1, 2011. The following positions were brought on either by attrition of another employee or conversion from contract employee:

Director of Communications
Asset Manager
Executive Assistant & Government Relations Coordinator
Casemate Museum Coordinator
Research Assistant
Engineering Aide
Accounts Payable Clerk
Residential Property Manager

FMA's staff turnover rate continues to be low. Two employees terminated during FY2012, with one retiring and one relocating to a different geographic area.

Design Standards

The Design Standards are required by the Programmatic Agreement ('PA') and subsequent state-level Memorandum of Understanding ('MOU') to protect the integrity of the Fort Monroe National Historic Landmark District. The Design Standards will guide the preservation, maintenance, rehabilitation, and restoration of pre-existing structures and will guide for site development and new construction. The FMFADA's Historic Preservation Advisory Group (HPAG) was responsible for providing a first draft of the Design Standards to the FMFADA Board, which was accepted by the FMFADA Board. During the drafting and since, the Design Standards have been extensively reviewed by staff, posted on the FMA website for public comment, and revised following public comment and preliminary reviews with the regulatory agencies, the Virginia Department of Historic Resources (DHR) and the National Park Service (NPS).

The FMA Board expanded the review process to include the new Planning Advisory Group (PAG) to enrich the final drafts and has voted to send the final draft to DHR and the NPS for final edits and acceptance. Acceptance is still pending.

Memorandum of Understanding between the City of Hampton and the FMA

On April 25, 2012 the City of Hampton and the FMA entered into a Memorandum of Agreement (MOA) for Municipal Services to clarify the City's obligations at Fort Monroe which include general service obligations as well as obligations for police protection and law enforcement, fire protection and emergency medical services. The MOA also included a section on compensation whereby the FMA would pay the Payment in Lieu of Taxes (PILOT) established in §2.2-2342 to the City for any properties leased by the FMA until such time as the property ownership transfers to the Commonwealth and the PILOT fee becomes effective.

Goals for FY2013

As the FMA begins FY2013, it is apparent the organization is transitioning from a BRAC operation into a property management organization with municipal responsibilities. In addition to the ever increasing responsibilities to lease, manage, and maintain the commercial and residential property on the Post, the FMA is also gradually assuming responsibility for the challenges associated with managing a network of ageing utilities, roads, sidewalks and park spaces. An arrangement with Veolia Water North America (Veolia) as the public works contractor is a valuable asset to the FMA that provides the necessary expertise and vigilant care of the infrastructure at Fort Monroe. The expansion of the Real Estate Department at Fort Monroe and the shift to self-management of the residential properties has proven to be successful in both increasing leased properties as well as general satisfaction in customer service.

As we set general goals for FY2013, the FMA is committed to the continuation of our core responsibilities to maintain the property and become economically sustainable. These goals are addressed through the continued efforts of our departments responsible for historic assets, infrastructure operation, and real estate management at Fort Monroe. The approval of the Design Standards and the associated processes for the evaluation of projects is a target for the Historic Preservation Department. The Operations Department will focus on the continued preparations for the transfer of the infrastructure responsibilities from the Army to Veolia. The Real Estate Department will build upon the recent interest of commercial tenants and will continue to fill vacant houses at Fort Monroe.

In addition to these general goals, the FMA is focused on three primary goals for FY2013:

1. Preparation for the Transfer of Areas 1, 2, and 3. The property at Fort Monroe has not transferred from the Army to the Commonwealth of Virginia and it is not expected to transfer by June 30, 2013. However, the FMA anticipates and is preparing for the property to transfer very early in FY2014 and is fully committed to the final transfer of Areas 2 and 3 prior to the end of your administration. The FMA must provide the necessary support to the Office of Attorney General and is committed to continue the efforts of Veolia to be prepared to assume the responsibilities for the infrastructure at Fort Monroe.

2. Approval of the Master Plan: The FMA staff is focused on the approval of the Master Plan prior to the end of your administration. A schedule has been developed and is being implemented to establish as series of public presentations to allow the Board of Trustees to vote on the plan in late FY2013 or early FY2014. Upon adoption of the Master Plan by the Board of Trustees, the Plan will be forwarded to your office approval.

3. Creation of the "Friends of the Fort" Program for the Fort Monroe Foundation: The Fort Monroe Foundation is a key component to the growth of the FMA and the ability to fulfill the responsibilities of the FMA without state assistance for public programs, educational opportunities, and volunteer support. The Foundation is in the process of adopting a computer program that will be the basis for management of this effort and the implementation of the program is planned prior to the end of FY2013.

Finally, the success of the FMA to bring over 63,000 people to Fort Monroe to enjoy this great property and learn of our amazing Virginia history cannot be overstated. The increase in activity has had a positive impact on the community from increased activity in the commercial district of Phoebus to a rise in attendance at our churches at Fort Monroe. The FMA believes the future of Fort Monroe is rooted in the continuation of the those public programs and efforts are being implemented to increase the attendance to existing activities as well as expand programs that help tell the story of Fort Monroe.

If you have any questions or wish to discuss this further, please do not hesitate to contact me.

Sincerely,

G. Glenn Oder, ASLA
Executive Director

Cc: Members, Fort Monroe Authority Board of Trustees
Members, Hampton City Council