

# ***Alternative Strategies for Environmental Remediation***

**NWCCC**

**June 27, 2001**

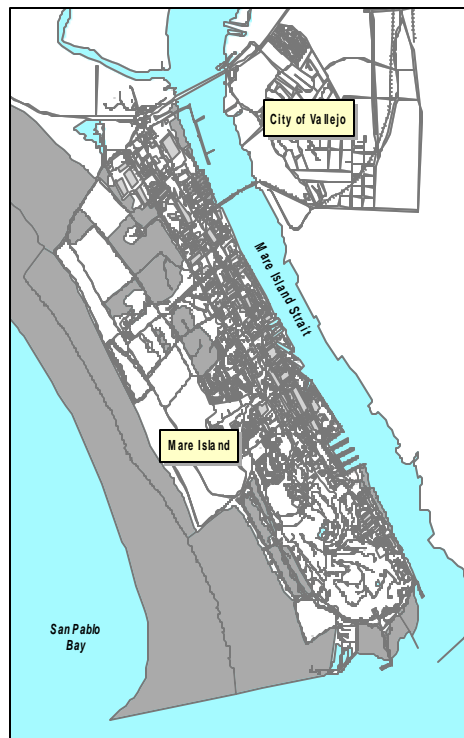
Jim Kovalcik



# ***Risk Sharing/Transfer Mechanisms***

- ◆ Incentivized contracting
  - Award Fee
  - Incentive Fee
- ◆ Guaranteed Fixed Price Contracts
- ◆ “Early Transfer” with Liability Transfer
- ◆ Insurance

# *Mare Island Naval Shipyard*



- ◆ **1854: Ship building operations began**
- ◆ **WWII: one of worlds largest ship building & maintenance facility**
- ◆ **1993: Identified for closure under BRAC**
- ◆ **1996: Operational closure**

# *Traditional Transfer*

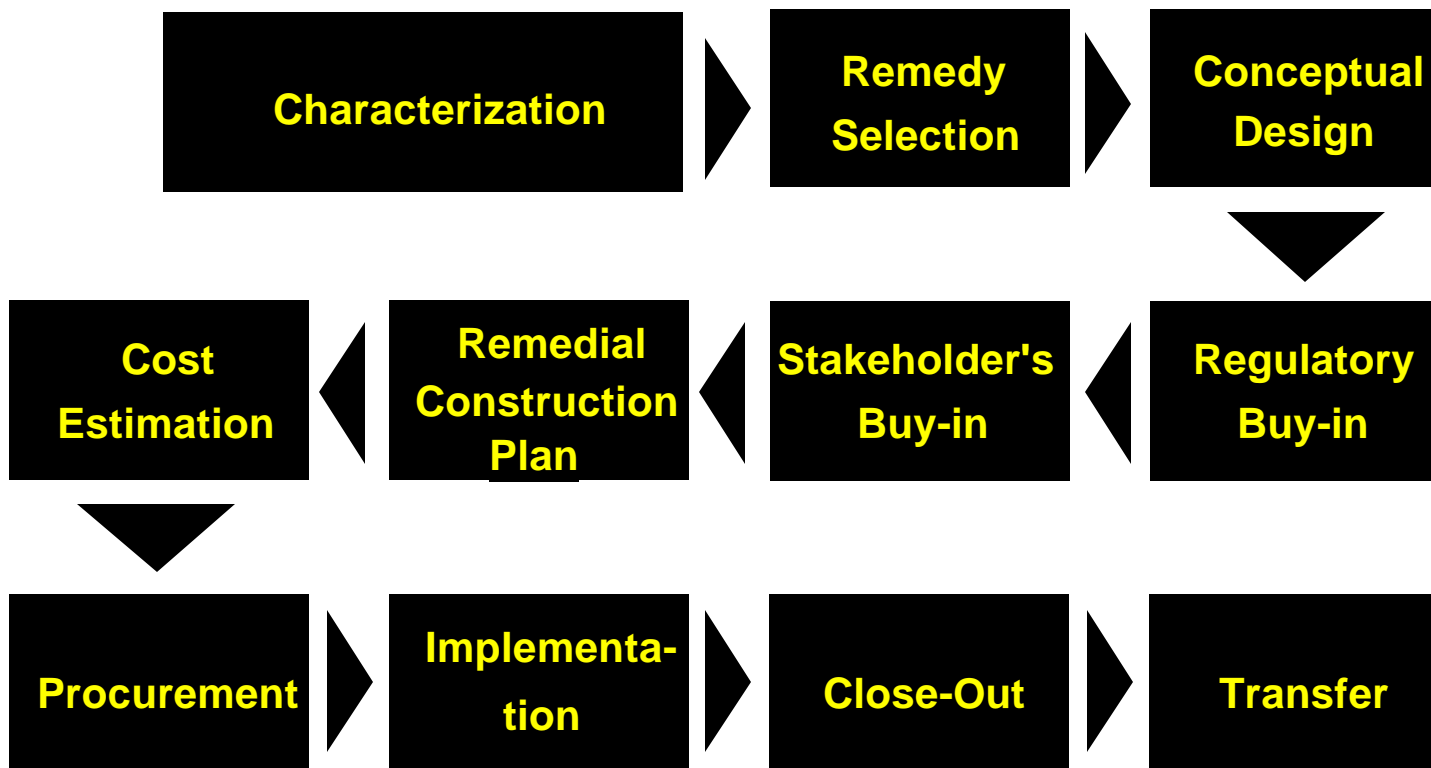


*Owner responsible for cleanup through traditional contract*

*"Title passes after cleanup is complete (consistent with Reuse Plan)"*

*"Potential for additional cleanup beyond reuse plan"*

# RCRA Corrective Action Under Traditional Approach

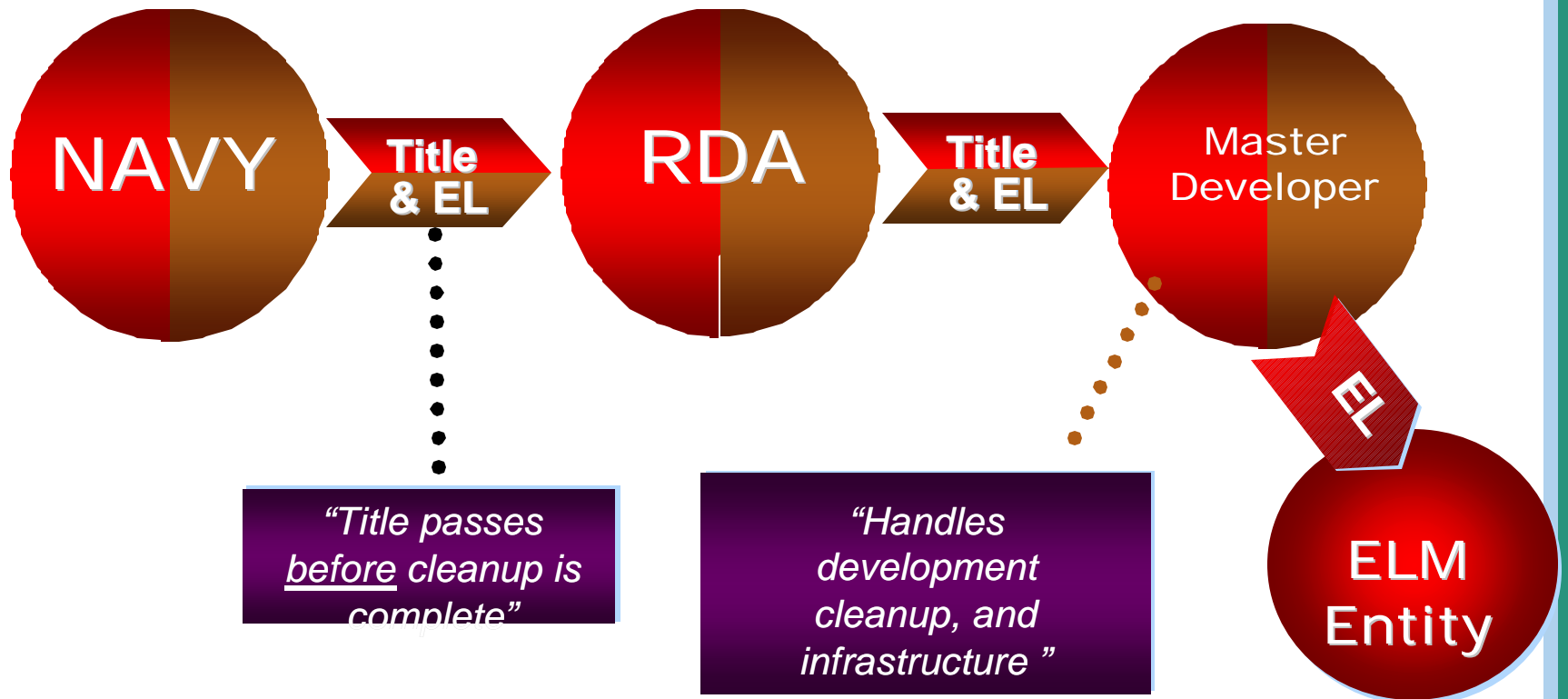


# ***Mare Island: The Challenge***

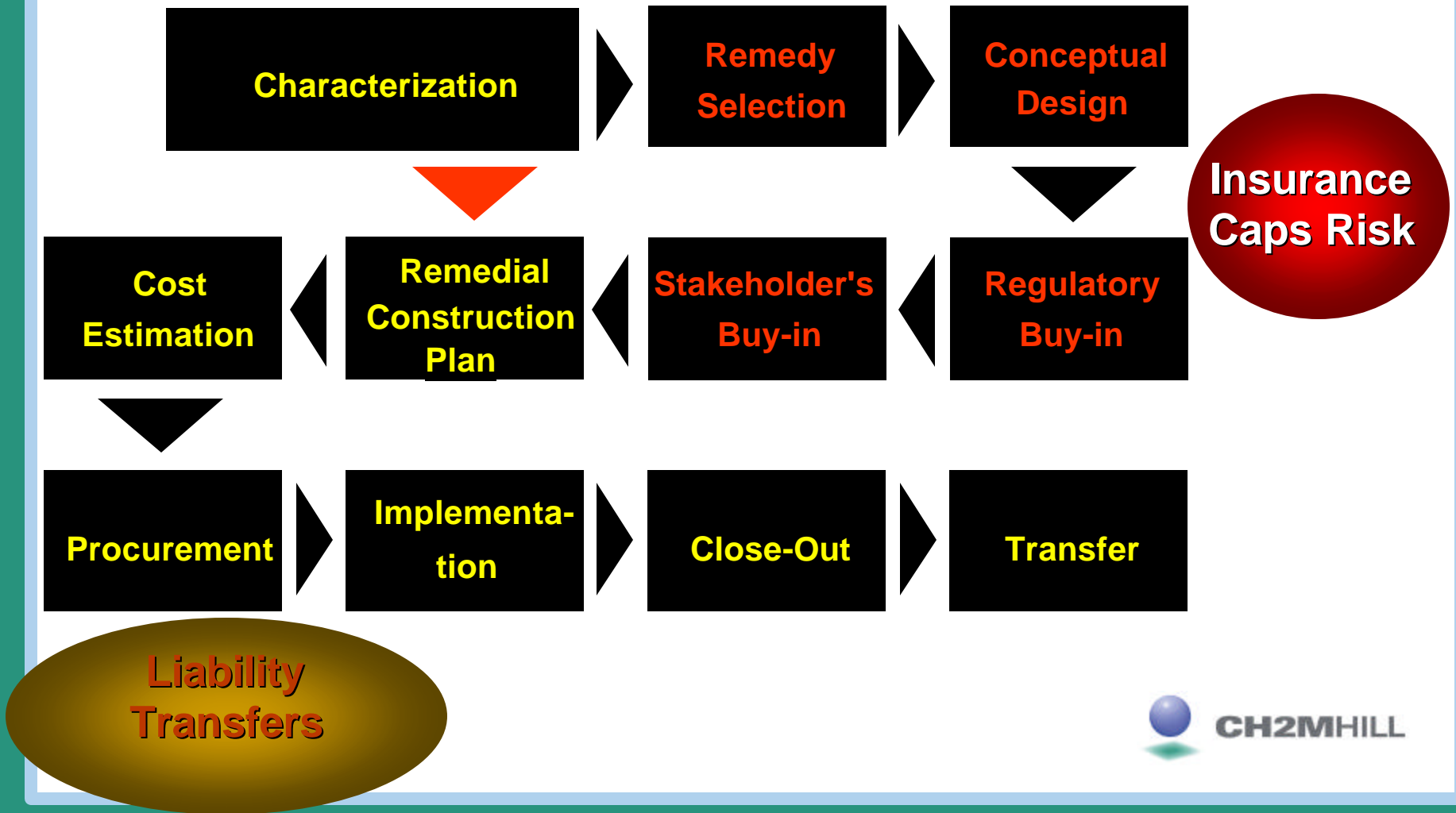
- ◆ US Navy's Goals
  - Divest Property & Avoid Asset Mgm't Costs
  - Cap & Fund Liabilities with Current Funds
- ◆ Communities Goals
  - Accelerate Development & Avoid Liabilities
  - Selected Lennar as Master Developer
- ◆ Lennar's Goals
  - Accelerate Development & Avoid Liabilities
  - Control Over Timing & Nature of Clean Up
  - Reduce Costs through Integration of Remediation with Construction



# Early Transfer

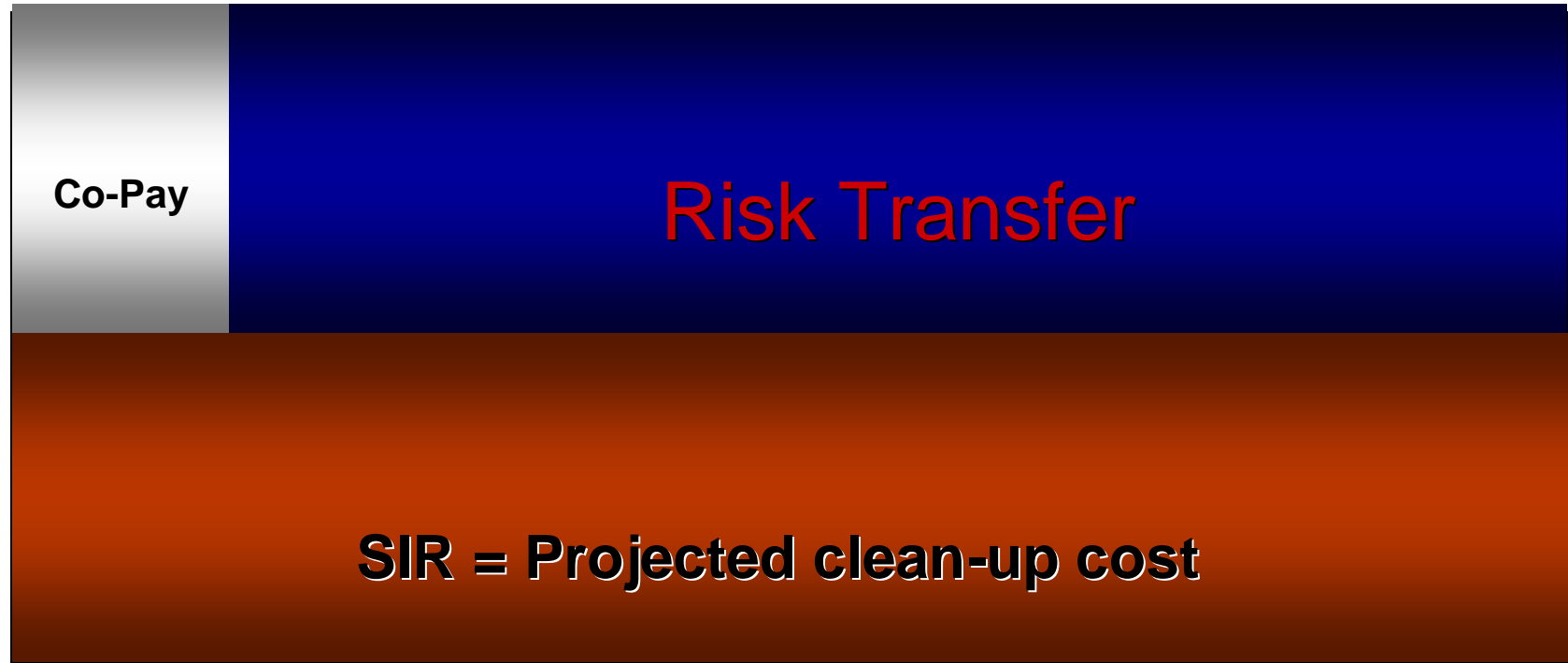


# Abbreviated RCRA Corrective Action Under Fixed Price Insured Contract

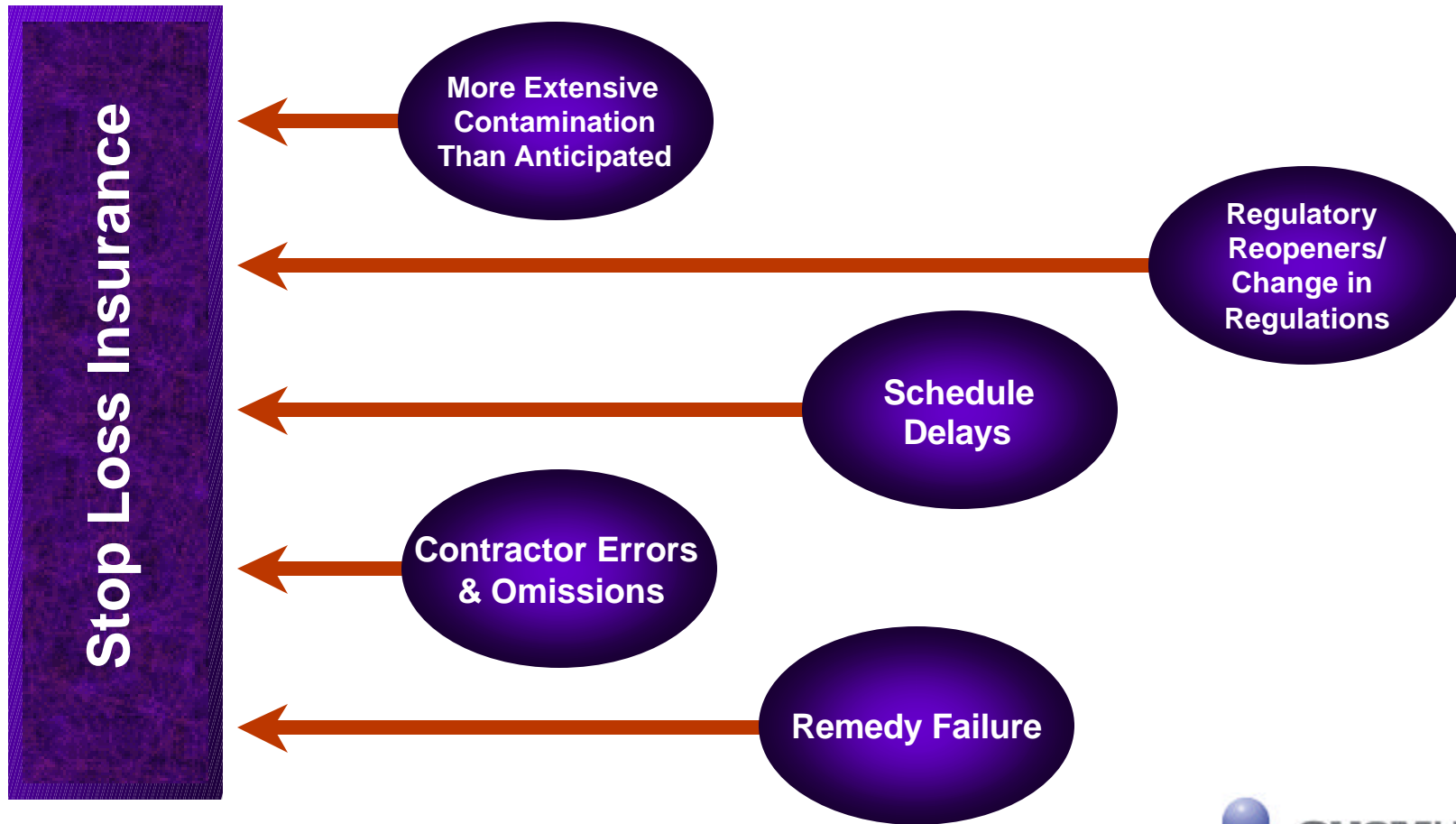




# Remediation Stop Loss Insurance



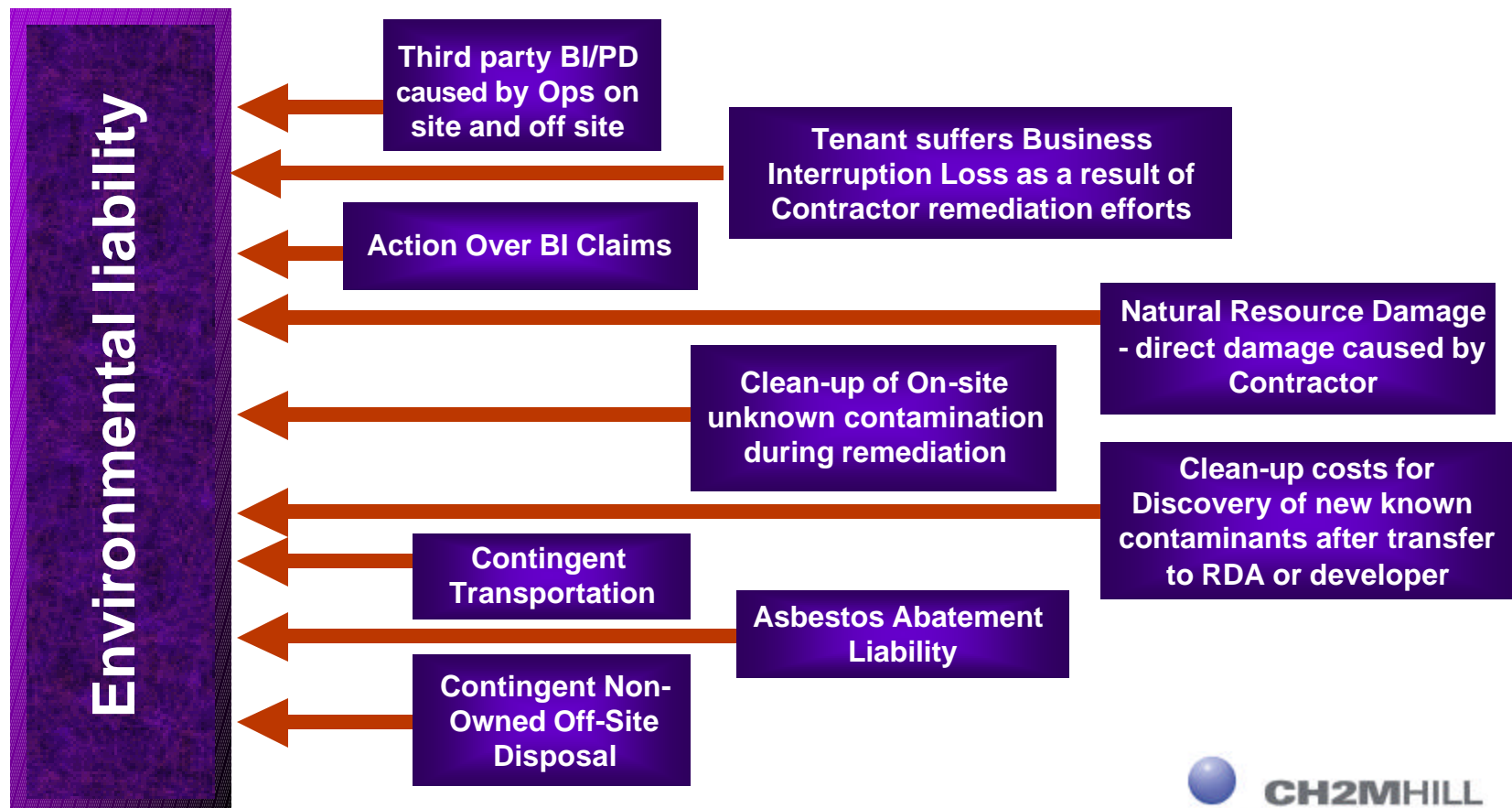
# Examples of Cost Overruns Who Pays?



# Environmental Liability Insurance



# Environmental Liability Claims - Who Pays?



# ***Goals Accomplished***

- ◆ US Navy's Goals - **Prop. Trans. w/ \$ Cap**
  - Divest Property & Avoid Asset Mgmt Costs
  - Cap & Fund Liabilities with Current Funds
- ◆ Community's Goals - **Accelerated 2 yrs.**
  - Accelerate Development & Avoid Liabilities
  - Selected Lennar as Master Developer
- ◆ Lennar's Goals - **Has Control at Less \$\$**
  - Accelerate Development & Avoid Liabilities
  - Control Over Timing & Nature of Clean Up
  - Reduce Costs through Integration of Remediation with Construction



# ***Discussion***