



NMN - 4th session

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OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE
WASHINGTON, D. C. 20301

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8 MAY 1974

IR
INSTALLATIONS AND LOGISTICS

MEMORANDUM FOR Deputy Assistant Secretary (East Asia and Pacific Affairs), Office, Assistant Secretary of Defense (ISA)

SUBJECT: Mode of Acquiring Land on Tinian, Marianas Islands (U)

(S) We have reviewed the issue of the type of land interest needed for the proposed joint use military base on Tinian, Marianas Islands as requested in your memorandum of April 8, 1974, and reiterate stated DoD policy and our previous position to your office that fee acquisition should be pursued rather than long term leasing. Our position is based on the following rationale:

a. Over \$150,000,000 in construction is now planned for the new base on Tinian. An investment of this nature should not be jeopardized by a real estate interest as tenuous as a lease.

b. One time costs to acquire fee title (even assuming that the existing retention rights have no value) will be far less than the cost of a 50 year or 25 year lease which rental consideration is necessarily a percentage of the fee value. Assuming a \$25,000,000 cost to acquire fee title and a 10 per cent gross rental rate, rental payments over a 25 year term would equate to \$72,500,000. At the end of the 25 year term, the US Government would have nothing but rental receipts as is the case with an apartment dweller and for all intents and purposes would have lost the value of its improvements.

c. The leasing authority of the DoD is an implied one which is found in the annual DoD Appropriation Act. For that reason, any lease negotiated, albeit one with a 25 or 50 year term, is actually a year to year lease subject to an annual appropriation of funds from the Congress. Depending on the mood of the Congress, the international situation of the time, other unknowns, etc., such rental funds could be restricted and the Government investment lost by default.

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Classified by DASD/EAPA
SUBJECT TO GENERAL DECLASSIFICATION SCHEDULE OF
EXECUTIVE ORDER 11652. AUTOMATICALLY DOWNGRADED
AT TWO YEAR INTERVALS. DECLASSIFIED ON 31 Dec 82

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d. Leases, no matter how tightly drawn and how specific the rental, are subject to pressures, particularly in later years as new principals of the lessor raise the issues of inadequate rental consideration and excessive lease term. Such pressures in previous situations have caused a "caving in" or acquiescence to these political pressures with a resultant adverse impact on the Defense posture.

e. Political situations also change as in the case of Bahamian independence when the leases in favor of the US resulting from the World War II Destroyer agreement with Great Britain were ignored or made inoperative in the rush to independence. As a result, substantial annual costs must now be incurred by the US to preserve some vestige of the DoD investment in this area.

f. Fee acquisition protects the residual value of the Government investment at the time the US requirement ceases. The General Services Administration then has the ability to screen the property for other Federal use or to sell the property for its fair market value. Fee title in the United States would also qualify the property for transfer to the local government for specific purposes such as an airport, education, health, parks, etc., at up to 100 per cent public benefit discount.

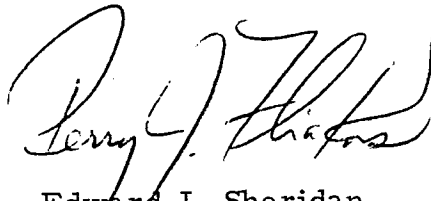
g. Fee title rather than lease would also relieve the US of the obligation to remove its improvements and otherwise restore the property which is the case in many leaseholds.

h. Leaseholds are usually acceptable in the US where the US has some residual right (i. e., right of emergency re-use) flowing from World War II use of a facility. In most cases this has been a civilian airport which was improved and expanded by the military during that wartime period and is now needed because of its strategic location or because compatible joint use with cost sharing with the civilian operator will reduce O&M costs. These leases are long term in favor of the US Government and are usually for nominal consideration, e. g. \$1.00 for term.

SECRET

3

(U) Assuming that political considerations mitigate against fee purchase, the minimal lease that might be considered should be for a 50 year term, nominal consideration (one having no true relationship to the fee value) and a waiver of restoration.



Edward J. Sheridan
Deputy Assistant Secretary of Defense
(Installations and Housing)

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