

# REDEVELOPMENT OF THE PHILADELPHIA NAVAL SHIPYARD

Saul Ewing, as counsel to the Philadelphia Shipyard Development Corporation, served a key role in the transfer and redevelopment of a large portion of the Philadelphia Naval Shipyard ("PSNY" or "Navy Yard") to a private developer. Beginning in 1998, the PSNY deal involved the redevelopment of 103 acres of the Navy Yard by a subsidiary of Philly Shipyard, Inc., a multi-national conglomerate with a major shipbuilding division, Philly Shipyard's operation of the Navy Yard for 10 years and agreement to provide a certain level of employment and develop a regional supplier network. Federal, state and local authorities committed to funding more than \$400 million, \$242 million for redevelopment of the Navy Yard and the remainder for job training.

Our work in connection with PSNY spans over 15 years and includes the following:

- **Negotiating the Deal/Drafting the Agreements:** Saul Ewing's real estate, public finance and environmental attorneys participated in the negotiations concerning the redevelopment of the Navy Yard and drafted the complex legal documents memorializing the various agreements.
  - This lengthy negotiation process required an understanding of complex legal and business issues, as well as the interests of Philly Shipyard and the many governmental agencies that were involved, including the Commonwealth of Pennsylvania, the City of Philadelphia, and the Delaware River Port Authority.
  - Saul Ewing negotiated arrangements whereby the Navy retained temporary fee ownership of the Navy Yard but agreed to convey portions of it within two years. This required extensive knowledge of the Base Realignment and Closure law ("BRAC") and the procedural nuances of military base closures. The project required a master lease with the Navy and a series of subleases involving three other entities. The lease with the Navy addressed, among other things, environmental indemnities authorized by BRAC and the Comprehensive Environmental Cleanup and Responsibility Act (commonly known as the federal "Superfund" law). The real estate elements had to take into account the complex utility and common area arrangement necessary to convert the Navy Yard into a multi-use industrial and commercial facility.
  - As part of the transaction, Saul Ewing assisted in the negotiation of a brownfields agreement with the Pennsylvania Department of Environmental Protection ("PADEP"), and assisted the parties in obtaining a uniquely-structured environmental insurance policy.
  - The redevelopment involved demolition of whole sections of the Navy Yard and the construction of a state-of-the-art shipbuilding facility. Saul Ewing negotiated and drafted the construction-related provisions of the agreements, including those relating to prevailing wages and minority/female owned businesses.
- **Forming the Redevelopment Entity:** The government parties and Philly Shipyard wanted a single entity to act as a "clearinghouse" for all the government funding and to monitor Philly Shipyard's performance. Saul Ewing created a nonprofit corporation, the Philadelphia Shipyard Development Corporation ("PSDC") to perform this function.
- **Monitoring Performance:** Saul Ewing reviewed construction and architectural contracts and generally monitored Philly Shipyard's performance to ensure adherence to the underlying agreements, including employment requirements. Saul Ewing provided legal advice on the applicability of the federal conformity requirements under the federal Clean Air law to private sector operations on Navy property.

Overall, the Philadelphia Naval Yard redevelopment project has been touted nationally as strong example of a public-private partnership intended to revive a key manufacturing industry.