

THE

BASE REUSE REPORT

SEPTEMBER

Economic Development, Planning and Redevelopment of Military Bases

1995

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BRR Interview: Joshua Gotbaum

Asst. Defense Chief: Reuse procedures less cumbersome

By Sigrid Bathen

Joshua Gotbaum, Assistant Secretary of Defense for Economic Security, is the primary advisor to the Defense Secretary on issues pertaining to the defense industry, dual-use technology and international cooperative programs. He also directs efforts involving infrastructure, housing, base closure, property disposal and reuse and "economic adjustment." More recently, he has been assigned to monitor and help develop so-called "privatization" plans for closed bases. He also serves as DoD's liaison to the National Economic Council, the Treasury, the Commerce Department and other economic agencies.

A graduate of Stanford University, the Kennedy School of Government at Harvard University and Harvard Law School, he was confirmed to the new position in 1994. Prior to that time, he was general partner with the New York investment bank of Lazard Freres & Co. Before he joined the firm in 1990, he was legislative assistant to U.S. Sen. Gary Hart for economic and budget matters, associate director of the White House Domestic Policy Staff for economic issues during the Carter administration and executive assistant to Alfred Kahn, Carter's advisor on inflation.

BRR: Could you please briefly describe the role of your office and the services it provides?

Gotbaum: Basically, we have two separate operations, which we are trying to make work more closely. One is the Office of Economic Adjustment, which has been in existence for over 30 years, and it is recognized as one of the most competent sources both of expertise and planning for reuse (See BRR Interview,

July, 1995). To that we've added a transition organization which is the support operation for the base transition coordinators . . .

One of the first things President Clinton did in 1993 was conclude that the base reuse process wasn't working very well. He'd heard from a wide range of communities that the reuse process was slow, that it was cumbersome, that there was a conflict of priorities. And so he directed the Department of Defense and the other cabinet departments to speed up the process, to make it more sensible. He said he wanted a full-time base transition coordinator on site to serve as a community ombudsman, and now we have those people in the field. For BRAC '95 we have a new class of base transition coordinators already trained, experienced, ready to do the job.

Continued on page 6





LEGAL ISSUES

Lawsuits raise issues affecting base closure, reuse

By Raymond Takashi Swenson
Lt. Colonel, USAF (Ret.)

Colonel Swenson is an attorney in the Salt Lake City office of Philadelphia-based Ballard Spahr Andrews & Ingersoll. He represents communities and businesses in the legal aspects of the base reuse process. He has worked on military base reuse, real estate, environmental issues and associated litigation at 49 bases throughout the U.S. and will conduct seminars on base reuse in October in Washington, D.C., and in November in San Francisco.

Within the last year, several lawsuits affecting military base closure and reuse have been heard in the courts. This article summarizes the current status of these cases. Each is identified with a particular military base. Most of the issues revolve around control of disposition of real and personal property. Even environmental cases primarily focus on who controls the property.

• **March Joint Powers Authority v. United States (March AFB, Calif.)**

On July 19, 1995, the March Joint Powers Authority, representing Riverside County and three cities, asked the U.S. District Court for the central district of California to declare the JPA's rights to claim personal property at March AFB, and to order the Air Force to turn over to the JPA a new fire truck which had been sent from March AFB to Vandenberg AFB, Calif. The Department of Justice may ask the court to dismiss the case and direct the March JPA to utilize the dispute resolution process provided in the new regulation issued the day after the suit was filed.

• **Windwalker v. Perry (Mare Island Naval Shipyard, Calif.)**

The Windwalker Corporation is suing in federal court in the District of Columbia, asking for an injunction ordering the Navy to offer Mare Island Naval Shipyard (MINSY) for sale to Windwalker and designate Windwalker as the local redevelopment authority (LRA) for MINSY. Plaintiff later asked for a preliminary injunction blocking all interim leases. The Navy moved to dismiss the case and the City of Vallejo, the LRA, intervened in the case to oppose the complaint and block the injunction. At a hearing in late June, the court deferred ruling on the dismissal and injunction issues, and allowed leases to be executed. The case is still pending.

• **George Washington Homeowners Assn. v. Air Force (Lowry AFB, Colo.)**

Several associations of homeowners living adjacent to Lowry AFB sued under the National Environmental Policy Act, asking the court to enjoin implementation of the Lowry reuse plan. Plaintiffs argued that the Air Force environmental impact statement on reuse was inadequate, on the grounds that it did not include a final resolution of all environmental contamination cleanup issues. The Air Force argued that those issues were being diligently resolved under the Superfund Act, and the court refused to grant a preliminary injunction against the reuse plan implementation. The plaintiffs then withdrew their suit.

• **Black and Brown Enterprises v. General Services Administration (Mather AFB, Calif.)**

After the Sacramento LRA declined to take the housing at Mather AFB, the Air Force proceeded to offer the property at auction. Plaintiffs, representing several homeless providers, sued to block the sale, claiming the Air Force failed to follow proper sale procedures and failed to submit the housing for review under the 1987 McKinney Homeless Assistance Act and the 1993 Pryor Amendments.

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The BASE REUSE REPORT is a primary source of current news and analysis of the issues surrounding the closure of U.S. military bases and their reuse for civilian purposes. The BRR will focus on the planning, economic development and redevelopment of closed bases.

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LEGAL ISSUES

The Air Force halted the sale and is attempting to settle the dispute.

• **Conservation Law Foundation v. Federal Aviation Administration (Pease AFB, N.H.)**

The CLF claimed that the Air Force had not followed requirements of the National Environmental Policy Act, the Clean Air Act and Superfund Act. The court declined to invalidate the reuse plan being executed, but ordered the Air Force to revise its environmental impact statement to include available information on the cleanup of contamination. The Air Force had executed a 55-year lease, simultaneously with a contract for sale that was conditioned on completion of cleanup. The court ruled that the long lease was equivalent to a deed, and that the transaction was therefore subject to the CERCLA Section 120(h)(3)

requirement that cleanup be completed before transfer of property. This case is on appeal at the U.S Court of Appeals.

• **Adelanto v. Victorville (George AFB, Calif.)**

A series of lawsuits were brought between the City of Adelanto, on one side, and San Bernardino County, the City of Victorville, and the Victor Valley Economic Development Agency (VVEDA) on the other. The issue was control over reuse of George AFB. In 1995 a California court ruled that Adelanto could no longer finance its litigation from its redevelopment agency funds. The lawsuits

now appear to be settled, with VVEDA acting as LRA.

• **City of Irvine v. County of Orange (El Toro MCAS, Calif.)**

In November 1994, a referendum titled Measure A was passed by Orange County voters, which amended the county general plan to designate El Toro Marine Corps Air Station for reuse as an airport. After passage, the County withdrew from the El Toro Reuse Planning Authority (ETRPA) and was recognized by DOD as the LRA. The communities still in ETRPA, including the City of Irvine, generally oppose an airport because of noise and other impacts on their neighborhoods. They have brought suit to invalidate Measure A.

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CASE STUDY

Depot 'privatization-in-place' daunting, unprecedented task

By Herbert A. Sample

As the old saying goes, the devil is in the details.

That axiom is utmost in the minds of civic leaders in Sacramento, Calif., and San Antonio, Tex., these days as they wrestle with what is so far only a sketchy Defense Department plan to "privatize-in-place" two fixed-wing aircraft repair depots.

Both McClellan Air Force Base in Sacramento and Kelly Air Force Base in San Antonio were recently ordered shut down within five years by the Defense Base Closure and Realignment Commission. The decision prompted a firestorm of protest among California and Sacramento politicians, which led President Clinton in mid-July to propose privatization of both installations after they cease to be military facilities.

Clinton promised that most of the air logistic center workers at each base would remain on the job until the installations formally close, and that one-half to two-thirds of them would retain their employment for about three years after private firms take over many of the logistic center repair operations. That was good news to area officials who worried about the loss of well-paid employees and stagnating economic activity.

But how the administration intends to complete what all agree is a daunting and unprecedented task is not yet clear. As White House Chief of Staff Leon Panetta put it during a meeting with Sacramento leaders and McClellan

"I don't want to kid you. This is not going to be easy. I don't wish this on any community."

—White House Chief of Staff
Leon Panetta

employees in mid-August, "I don't want to kid you. This is not going to be easy. I don't wish this on any community."

The difficult assignment for new Deputy Secretary of Defense John White and Air Force officials is to figure out how to lure private firms to the two bases while providing sufficient military repair work to make it worth their while.

On the one hand, the highly skilled employees and the impressive equipment housed at the depots are very

attractive. The firms will also likely be allowed to bring in commercial workload to fully utilize base capacity and to increase the potential for a profitable operation, analysts say. On the other hand, companies may balk at the politically-inspired requirement to retain a large percentage of the workers now at the bases.

Supporters of the three surviving Air Force depots in Oklahoma, Utah and Georgia are already balking and may attempt to block full implementation of Clinton's plan by convincing Congress to retain the so-called "60/40 law" that requires military services to spend no more than 40 percent of their repair budgets with private firms. A fall Capitol Hill fight is brewing over the provision, which is buried in the proposed 1996 defense authorization bill, that will pit Oklahoma Sens. Don Nickles and James Inhofe, who want to retain the law, against Texas Sen. Kay Bailey Hutchison and Rep. Vic Fazio of West Sacramento, who want it eliminated.

Nickles fired the first shot late last month when he called for congressional hearings to probe what he charged was a base closing process "corrupted and perverted by the Clinton Administration's privatization plans." He also asked Congress' watchdog agency, the General Accounting Office, to investigate. Nickles is most concerned about Tinker Air Force Base in Oklahoma City, which would have received almost all of

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CASE STUDY

Kelly's substantial jet engine repair workload had Clinton not proposed privatization instead.

While the trend seems to favor eventual rescission of the law, it may not occur for several more years—perhaps too late for Kelly and McClellan. And the privatization plan may be scuttled altogether if a new president takes office in 1997.

"To do everything we would like to do, we would need a modification of the 60/40 law," said Air Force Undersecretary Rudy de Leon.

Further, the Air Force is using the ongoing privatization of Newark Air Force Base in Ohio as a model for its plans for McClellan and Kelly. It's not the best example. The General Accounting Office, Congress' watchdog agency, has criticized the Newark effort as over-budget

and underachieving. Newark's workload is much different, and its employee base much smaller, than the two depots. But Newark is one of the few, if not the only, model the Air Force has.

Despite the obstacles, the Pentagon is gearing up. White has formed teams of officials in Washington and at each depot to analyze and implement privatization. Both cities were awarded large cash grants to finance local planning activities and defense department officials brought good news to each city during their recent visits. In San Antonio, de Leon announced that Kelly's heavy-duty runways would be certified

for civilian use within a month. In Sacramento, White said McClellan's popular commander, Maj. Gen. John Phillips, would retire and become the Pentagon's top civilian logistic official.

But the gritty details of what privatization means—how many and which employees will remain on the job, what type of work will be performed, and the like—remain elusive. As Stewart Clark, a 47-year-old civilian McClellan worker told the *Sacramento Bee* during Panetta and White's visit, "This could turn out to be an opportunity for us, but there's a lot we still don't know." □

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INTERVIEW

Continued from cover

BRR: *So the process has been made less cumbersome?*

Gotbaum: Congress has given the department authority to speed the reuse process. They've given us greater flexibility to modify the terms of property transfer to encourage job creation so that now, for example, we can transfer property "with no money down and years to pay," which we couldn't do two years ago. And we have begun doing these "economic development conveyances."

The process by which the federal government transferred property was undeniably cumbersome . . . We've spent the last year on a series of joint working groups with staff from all the military departments and the Office of the Secretary of Defense working through each of the problem areas, to develop a new set of guidelines, a new handbook (*The Community Guide to Base Reuse*) and a new set of regulations.

BRR: *Give us some specific examples of the new guidelines.*

Gotbaum: For example, communities came to us and said they were concerned that there is not sufficient flexibility to allow leasing as an interim use. And they were concerned that the government, even when it does allow leasing, says that it can retake the land on 30 days notice under any circumstances, and that makes it difficult to achieve reuse. So we have done two things. We have gone to

the Congress and asked that they clarify that we do have the authority to allow interim leasing. Secondly, the new handbook says that the 30-day kickout should be the exception, not the rule.

"The process by which the federal government transferred property was undeniably cumbersome."

BRR: *What about budget trends? Is there enough money to convert these bases, particularly in terms of toxics cleanup?*

Gotbaum: Two years ago, Congress rescinded \$507.6 million in BRAC funding, which made it difficult for us to implement base closures on a timely basis. This past year, funding levels were increased. It is clear that, as Congress looks at the Defense budget, there are some who would like to avoid the fact that environmental cleanup is an expensive process . . . Our view on this one is very, very simple: We have a legal

obligation to comply with environmental laws, and it's one we're going to meet.

BRR: *Do you think some of the environmental studies have been duplicative?*

Gotbaum: It was clearly the case that at federal, state and local levels, you were getting multiple parties analyzing similar issues. And that is the reason why one of the innovations that the President directed two years ago was the establishment of a base environmental cleanup team—a single team on which federal DoD, the services, EPA and state and local environmental officials work together. Working together, these teams can walk the grounds together, make judgements together, can, in effect, avoid reinventing the wheel and spending six months getting supervisors' permission to agree on a particular cleanup effort.

No one can or should pretend that environmental cleanup is easy, that it's quick, that it's free, because it is not. But it can be done faster, and we do believe we are making progress in this area.

BRR: *Your office is responsible for implementing the Pryor Amendment, particularly economic development conveyances. Do you think Pryor generally has worked, and can you cite the factors that successful reuse strategies share?*

Gotbaum: I would say that the President's proposal for job-centered property disposal, which Sen. Pryor turned into legislation, is working. We have already made some transfers, and the first ones were groundbreaking—

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INTERVIEW

pun not intended. We had to negotiate in each case. What does it mean to say "flexible terms"? When does that mean that you acquire "value"? How do you do evaluations? What are the terms and conditions? How much review is there? How much oversight? What is the legal relationship between the service and the reuse authority and any lessor? Issue after issue after issue. And those have been worked out in real cases. We have approved economic development conveyances at Norton AFB in California, at the Sacramento Army Depot, at Lowry AFB in Denver, and there are more. So what we've found is we *can* do this. However, as with many other things, we have to learn *how* to do them *well*.

We gathered all of the service personnel that had been working on these issues to develop a general handbook, and that's what we just published.

BRR: *What suggestions are contained in the handbook to improve the process?*

Gotbaum: For example, there are questions as to how you value property when use is uncertain. This has come up in community after community. We have some examples and some methods for doing so.

There were questions about how you structure the transfers and the form of payment. We now can say that the Department of Defense will accept a note with special terms or a form of contingent payment, and that it would accept a second mortgage position. When we started, we hadn't done any of these before because we didn't have the legal authority to do so.

This is a complicated process which works best if the people in the field on the front lines do the work and make the judgments. But in order for that to happen, they need [information] that is clear and understandable, which is why we did the handbook.

BRR: *You have been charged with responsibility for implementing the new so-called privatization concepts. What exactly does privatization mean in this context?*

Gotbaum: Privatization and 'outsourcing' are going to be done by the services themselves. What we in the Office of the Secretary of Defense can do is provide policy guidance, help develop proposals to modify legislation if that is necessary—and, in some cases that clearly *will* be necessary—and to provide guidance and monitor progress. That doesn't mean . . . that we won't be helpful in every way we can, but it's important to recognize who does the job.

BRR: *Some critics have said the process should be approached carefully and may be a way of keeping bases open when they should be closed. Comment?*

Gotbaum: After the federal government has invested billions of dollars in infrastructure and has a trained work force, the fact that it's closing the base doesn't mean that infrastructure and that work force can't be useful. Privatization was recommended for consideration by the base closure commission in '93 and in '95, by the Commission on Roles and Missions, by the Defence Science Board, and lots of other folks. So I think that is just flat wrong.

You have to separate out two things: "Is there a real economic benefit that can still be obtained from the resources and infrastructure and the skilled employees?" And, "Can you get that and achieve savings under private sector management?" There have been discussions about privatization in a huge range of DoD activity.

The Department of the Air Force had said [it] would like to close McClellan and Kelly. The Base Closure Commission said no. And, basically, in order to avoid the disruption that would have caused . . . the Air Force said [it believed] a portion of this work can sensibly be privatized.

BRR: *But if the technology is geared to the military, how will the work be generated in the private sector?*

Gotbaum: The vast majority of funds that are spent in the defense procurement budget today are funds paid to private sector companies. We believe that in some circumstances for some work, private sector companies can provide operating efficiencies and still use the equipment that we, after all, have already paid for, and the employees who are already trained and experienced.

BRR: *How do you think the '95 BRAC round will contrast with earlier rounds, in terms of services required of your office?*

Gotbaum: The '95 round included major industrial facilities with large civilian work forces, and we are going to spend an increasing proportion of our time making sure that we have first-quality job placement assistance, first-quality job training, etc. These are not new tasks. But the scale of this will clearly have to be increased. Secondly, because the facilities are mixed-use industrial facilities, the process of transfer will be more complex. We have been gearing up for this by improving the process, getting the regs out, getting the handbooks out—trying to work through some of the obstacles we know we will face. And now is the time to take them on.

Sigrid Bathen is the editor of the BASE REUSE REPORT.

Editor's Note:

Each closing base has a Base Transition Coordinator, who should be contacted for further information on Defense Department planning, economic and technical assistance. Or, you may call (703) 695-8445. Copies of the new COMMUNITY GUIDE TO BASE REUSE can be obtained by calling (703) 697-5737.

Financing base conversion

No formula for all situations, some tried-and-true methods

By William L. Bopf

As executive director of the Inland Valley Development Agency in San Bernardino, Calif., for the past three years, William L. Bopf is responsible for the reuse and redevelopment of the non-aviation portion of Norton Air Force Base. He has more than 30 years experience in city administration and has managed many California cities, including Napa Valley and Tustin. In the private sector, he was the sole proprietor of a real estate and brokerage firm. Before taking his current position with the IVDA, he was Vice President of Community Relations for Bedford Properties and a board member of the Riverside Building Industry Association in Riverside County, Calif.

He holds a B.A. from Michigan State University and an M.S. from the University of Southern California.

This article will, in no way, attempt to provide solutions to the financing conundrum facing communities dealing with base closure and successful conversion. It will cite several techniques that have been successful in our base reuse effort and some minor references to other successes obtained through networking and conference interchange. It is not intended to provide a formula that will work in all situations. It is essentially a review of techniques that were used, thus far successfully, and are being adapted as we progress.

Typical conversion situations

It is important to establish the typical environment that exists when a community faces a base closure announcement, and it is about to embark on a long-term rebuilding scenario. A summary of some of the more significant conditions include:

- The vast majority of the facilities on any base are old and functionally



FINANCE

obsolete. The Services have done a marvelous job of maintaining old and functionally obsolete facilities in a useable state through a labor-intensive activity.

- Most of the infrastructure consists of undersized roads, improper turning radii, outdated and hazardous electrical distribution systems, and water and sewer systems that probably do not meet state and federal regulations.

"Vacant buildings and unsightly conditions are detrimental to development."

- Because of the supreme governmental position of the federal government, we have found that the vast majority of buildings and other facilities do not meet state and local building codes of any recent vintage. Their occupancy under the civilian codes are generally prohibited without substantial upgrading. In the case of an office building, we are expending approximately \$28 a square foot (\$4 million) to bring the building into a functional state.

- Almost every base will have environmental hazards that will slow the transfer and leasing of properties drastically.

- The closure of the base will be, if not the moving factor, a major contributing factor to depressed real estate market conditions. It is not likely at this time that people will appear on the base with vast resources and pay top dollar for the quality of real estate cited above.

- Consistent with the last item, there is lack of venture capital that can afford the

long-term commitment on depressed opportunities when other more lucrative opportunities exist in nearby or relatively nearby communities and/or states.

Typical sources of funding

- The first and foremost source that is generally available to reuse communities is the Office of Economic Adjustment (OEA). The level of funding provided by the OEA will generally pay for the base reuse plan and some limited staff funding.

- The next most important source will be the Economic Development Administration (EDA) of the United States Department of Commerce. Under the Sudden and Severe Impact Title IX, there is a possibility for a community to receive significant amounts of funding generally on a 75/25 percent sharing ratio. This funding can be utilized for the upgrading and replacement of existing infrastructure and can provide the opportunity to deal with the essential backbone corridor for the base.

In our case, we were able to install an entire new road, underground infrastructure, and upgrade some vital water services and provide an extension to an important developable portion the base.

- Through the use of Housing and Urban Development Grants—and with some limited application, you may use Community Block Development Grants—you may be able to address the homeless or low or moderate income concerns. Community Block Development Grants can be used for associated infrastructure upgrading.

- Another source may be highway funds. Under the right circumstances depending on the location of the base to major freeway or road projects, it could involve federal Intermodal Surface Transportation Efficiency Act (ISTEA) funding. However, your local transportation commission, your state highway department and federal government, all need to coordinate and be convinced that this funding should be spent in furtherance of the base reuse project.



FINANCE

Other methods of financing Interim lease

If it were not for the unreasonable delay that is experienced through the regulatory process and the bureaucracy of the Services and the Department of Defense, an interim lease would be an excellent vehicle for helping to finance your conversion process. Any type of reasonable commercial lease should be processed in one to two months' time. Involvement of the aforesaid bureaucracies defies that normal processing time.

Another fallacy involved with interim leases is reluctance on the part of the host service to realize that a great deal of commercial leasing practice involves free rent. In some cases, even tenant improvements to entice a user is required. The concept that they must receive market rent from day one is counterproductive to the whole process and will

preclude interim leases. Interim leases could be a great asset to the base conversion process. There are several reasons why this is true:

- The bulk of the property on the base is still under the control of the host service, and hence many local building codes can be waived until the property transfers several years later.
- The base infrastructure is undoubtedly operating and in place and can be provided to the tenant, hopefully at a reasonable cost.
- Security is generally in place and can help protect the assets and the new tenant until long-term conversion occurs.

I am aware that the new regulations allow all the items cited above, except that actual practice to date has precluded the practical implementation pursuant to timely deadlines.

The economic development conveyance

This process is vital to the success of the entire military conversion effort. If local communities are required to pay current market value and finance this acquisition, they will not be able to proceed. The conversion process will stall for many years. Many of us have argued that a joint venture approach (a partnership) is the only way to succeed in the base conversion process. Fortunately, the Economic Development Conveyance (EDC) makes this possible as long as it is done in a nonrestrictive and supportive way.

Continued on page 16

Carter and Burgess has assisted in several BRAC closures, working to identify new uses for facilities in concert with the multiple agencies involved in the communities' redevelopment process. The firm's services related to BRAC include base planning and programming, aviation planning and design, environmental assessment and clean up, and engineering modifications to convert existing facilities to new uses. Fueling and vehicle maintenance facilities are particular strengths.

Significant redevelopment projects include Carswell AFB (Fort Worth, Texas) Reuse Implementation, Wurtsmith AFB (Oscoda, Michigan) Transition Plan, Key Field (Meridian, Mississippi) Master Plan, and Cecil Field/Naval Air Station (Jacksonville, Florida) Base Reuse Plan.

Other Carter and Burgess work includes Kelly AFB Comprehensive Plan (San Antonio, Texas) and Bergstrom AFB Conversion (Austin, Texas).

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For more information contact Carter and Burgess Representatives:
Larry Bauman, Aviation Planning Group, 817-735-6141 Russell Karr, Federal Division, 817-735-6040

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Privatization—in-place: Welcome to 'McClellan, Inc.'

By Randall A. Yim

Randall A. Yim, Contributing Editor of the BASE REUSE REPORT, is an attorney specializing in toxic and hazardous materials management. Mr. Yim provides legal counsel regarding military base closure, remediation and reuse. He is a member of the California Military Base Reuse Task Force and California Underground Storage Tank Technical Advisory Group.

"Privatization" has proven to be a useful and most elusive concept. At its best, privatization will be the way development is done in the next decades. At its worst, no one really knows what it means.

No longer can cities, counties and governments sit back and wait for projects to be brought to them. This mode of doing business, prevalent in the 1970s, led to uncontrolled and disjointed urban sprawl, exacerbating problems of incompatible land uses, extension of necessary public services, transportation congestion, loss of open space and natural resource assets, and deteriorating air quality.

Privatization essentially means active public entity moderation of economic development, encouraging and incubating the growth of certain targeted sustainable economic activities. Local reuse authorities will play a more affirmative, less reactive role. "Market forces" will be affirmatively influenced by LRA moderation. The nature and extent of this "moderation" will be the challenge to define.

Privatization at military bases will also refocus effort—appropriately and long overdue—toward human resources and regional economic health, not legal wrangling over property transfers or leasing. Everyone does or should acknowledge that the laws and policies existing in the early 1990s, stemming from 1949 property disposal statutes, are not designed for the historically unique base closure and reuse setting.



BASE DEVELOPMENTS

It is far too easy for lawyers and other consultants to find reasons why existing statutes prevent innovative reuse approaches. Staying within the existing structure of laws and policies, not seeking appropriate modifications, has proven to be a major obstacle. Much of this has been overcome following President Clinton's Five-Point Plan and the Pryor Amendment and its implementing regulations. Privatization provides the opportunity to do more.

"Commitment to privatization may be the answer for McClellan."

Privatization de-emphasizes property transfer and leasing issues, focusing away from underlying ownership of land and facilities. Instead, it encourages a true partnership between the military and LRA, to jointly attract targeted businesses to a military base. And the attraction is the skilled workforce and existing high tech industrial capabilities. This requires a focus on retaining workers, minimizing dislocation, and making these workers attractive to private industry. Preventing a "brain drain" is a high priority key to successful privatization.

The Clinton administration, through its representatives, including Chief of Staff Leon Panetta and Deputy Secretary of Defense John White, explained the commitment to privatization at McClellan during a town hall meeting on Aug. 17, in Sacramento. Reasons included:

- Existing high tech facilities and specialized equipment provide excess capability necessary to preserve "readiness" for the military. Privatization—in-place provides a high contingency factor for immediate mobilizations.

- The skilled workforce should not be dissipated.
- Years of investment by the military at McClellan should not be wasted.

The President emphasized that it is the quality of the work at McClellan that provides the reason why a commitment to privatization—in-place has been made.

A key message was the commitment to people and to the Sacramento community—a commitment for a "team effort" so that no individual workload decision would be made without community input, and to maximize the number of options available for the community in the years ahead. Government officials envisioned McClellan not just as a government procurement center, but as a private high tech industrial park. The period between 1995 and 2001 would be used as an "incubator" for new industries.

Some of the key elements of privatization at McClellan include:

- Operate McClellan as if the original DoD recommendation was accepted by the BRAC Commission, that is, shrinking all air logistic centers, instead of closing any. BRAC does not require the closure of McClellan until 2001.
- From 1995 to 2001, commit to maintain at least 8,700 civilian jobs, preventing loss of the skilled workforce—a unique asset attractive to private industry.
- Assure high level administration involvement: create a "Tiger Team" directly reporting to the Secretary of Defense. Major General John Phillips, McClellan's commanding general, was promoted to Deputy Undersecretary of Defense for Logistics, a policy-making post focusing on privatization issues.
- Use government contracts to incubate private industrial park development, to retain and hopefully increase jobs over existing military levels.
- Analyze McClellan's existing workload; find two or three desirable "packages" combining geographical areas, specialized infrastructure, and skilled labor, reflecting excess capacity and high

THE BASE REUSE REPORT



BASE DEVELOPMENTS

quality workmanship. Aggressively market this capability to private industry through a targeted RFP process with expected standards of performance. Require bidders to move to McClellan to perform the work to retain the skilled workforce at McClellan.

- Conduct "industry open houses" and other specialized marketing events (first is scheduled for mid-October 1995).
- Impose no restrictions on workload growth at McClellan. Modify current law that requires each military service to spend at least 60 percent of its maintenance budget at government-owned facilities, which effectively bars private firms from capturing more than 40 percent of repair work.
- De-emphasize issues of underlying ownership, to provide more flexibility to both the Air Force and the Sacramento community in leasing, cleanup and providing support services to help retain workers (such as medical care, P/BX and other federal benefits).

- Commit substantial federal resources for community reuse planning. The largest OEA grant to any reuse community has been awarded to Sacramento for McClellan reuse planning. The first down payment is in excess of \$1 million. Privatization also requires specific focus on human resource needs, including:
 - Priority job placement program.
 - Voluntary early retirement.
 - Voluntary separation, including buy-out of benefits.
 - Defense outplacement referral system to private industry.
- Preservation of federal benefits; investigate ways to extend military retirement benefits to people "privatized" in place. Maintain same benefit

levels for workers affected by BRAC, even if privatized.

- Provide monetary incentives to private employers to hire military employees.
- "Buy down" the cost of employing federal workers, by reducing the cost of maintaining federal benefit packages, including sick leave and accumulated vacation, and pension benefits.

McClellan, as a "model" for privatization, will provide experience in creating necessary tools to help public entities moderate regional economic development, and prepare urban rebuilding strategies for the 21st century. A key strategy in any base reuse is to make the base more attractive for private investment in comparison to opportunities elsewhere. Commitment to privatization may be the answer for McClellan. ☐

Contact:

Randall A. Yim is Contributing Editor of the BASE REUSE REPORT. He can be reached at (916) 368-1591.

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News Briefs

Lowry AFB, Colo.

Lowry signs economic development conveyance agreement

Air Force and Lowry Redevelopment representatives signed an economic development conveyance agreement that transfers a portion of **Lowry AFB** to local authority. The EDC states that 750 acres of the base's 1,866 acres will be leased and then transferred to the local reuse authority for a \$32.5 million purchase price. The purchase is payable over 15 years and requires no money down or interest payments.

The agreement will assist the LRA in accelerating the renovation and restoration process which will transform the base into a master planned community that focuses on residential housing, employment, recreational uses, and open space.

Lowry will also be utilizing a \$6.17 million **EDA** grant for an infrastructure upgrade demonstration project. The grant will be matched with an additional \$2 million in local funds and \$50,000 from the **Colorado Economic Development Commission**. Infrastructure improvements will include street realignment and aligning water, sewer and storm drainage systems.

Source: *Re: Development, A Lowry Update*

Washington, D.C.

Perry outlines 'tools for recovery' offered by Defense Department

Secretary of Defense **William J. Perry** emphasized last month that the DoD

provides numerous programs and support systems to help expedite economic recovery for communities on the 1995 base closure list.

"Closing bases is painful," Perry said in a press statement released Aug. 3. "We do it because we must. But we also make sure that we take every possible step to encourage rapid reuse."

Noting that **President Clinton** "personally charged us" two years ago to develop "faster and more effective programs for job creation on former bases, and for job training and placement of our employees. And we are doing so. The Department is making every effort to help communities find productive reuse for these assets."

Perry cited these resources available through DoD to assist base closure communities:

- **Grants** for base reuse planning and technical assistance.
- **Base transition coordinators** located on-site.
- **Job training** referral and placement for federal workers.
- A new **Community Guide to Base Reuse** handbook.

In addition, Perry said, the DoD has developed new rules and guidance that allow more community input. The rules clarify methods for real estate transfers, leasing and conveyances of personal property and equipment to local communities.

"Many communities have achieved successful reuse following base closure," said **Joshua Gotbaum**, Assistant Secretary of Defense for Economic Security (see **BRR Interview**, p. 1). "We have replaced 60 per cent of civilian jobs at bases that have been closed for one year. In some cases, the base has become the engine of economic growth for the local community."

Perry and Gotbaum said the first priority of base reuse is creation of jobs, which they said can take "many forms." They cited reuses such as airports,



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Bergstrom 1993	Prudence Island 1976	McGuire Joint Use 1993
Fort Meade 1990	Kincheloe 1977	San Antonio 1977
Brunswick 1991	Winter Harbor 1992	Myrtle Beach 1976
Carswell 1992	Loring 1974, 1993	Rickenbacker 1993
Fort Stewart 1980, 1981	Williams 1992	Richards-Gebaur 1993
Crystal City 1991	Wurtsmith 1992	Hancock Field 1972
Eaker 1992	Utah MX Site 1980	Eglin 1977
Watertown Arsenal 1995	Fort Adams 1976	Duluth 1980
Ingalls Shipyard 1979	Pope 1976	North Kingstown 1975
Grissom 1993	Plattsburgh 1994	Castle 1992
Merch 1993	Sawyer 1993	Jefferson Proving Ground 1993
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Philadelphia D.P.S.C. 1994	Pueblo Army Depot 1994	Safeguard ABM 1981

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NEWS BRIEFS

schools, parks and other governmental offices.

Gotbaum said successful reuse hinges on several elements, including a strong, unified local leadership to reach reuse consensus — and early planning. He also said involvement of the private sector is essential, and communities must understand that federal resources are limited, requiring partnerships among all levels of government and the private sector.

The *Community Guide to Base Reuse* can be obtained by calling (703)697-5737.

Source: *Defense Department Public Affairs*

Long Beach, Calif.

Long Beach praises Navy study, Lakewood city officials blast it

Long Beach city officials praised a Navy report approving the city's plans for construction of a massive retail center on the site of the former **Long Beach Navy Hospital**—while neighboring **Lakewood** city officials blasted the final

Environmental Impact Statement as a “whitewash” which they would continue to fight (see *Long Beach ‘mega-mall’ fuels regional squabble*, **BRR**, August 1995).

Lakewood city officials said in a press statement responding to the Aug. 11 release of the study that they will challenge “every flaw and every weakness in the environmental document until the Navy makes its study right.”

Lakewood and the neighboring community of **Hawaiian Gardens** have waged a fierce battle to block plans by the Navy and the City of Long Beach to build a huge, regional retail center on the 100-acre site. Long Beach hopes to create 3,000 jobs and generate \$3 million

in annual sales tax revenues for the city, which has been battered by base closures, aerospace layoffs and budget cuts. Long Beach Mayor **Beverly O'Neill** said she is “delighted that the Navy validated our plan” and said the city can “now move forward.”

Lakewood spokesman **Don Waldie** countered that the report “proves the Navy’s public participation process is mere window dressing,” and the Navy support for the ‘mega-mall’ reuse “has been obvious from the beginning of the process.”

Long Beach city officials urged the squabbling communities to put their differences aside and resolve them. “We are eager to sit down with our neighboring communities to resolve their concerns,” said City Manager **James Hankla**.

Nearby communities had complained that they were not consulted in

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the reuse process, despite the fact that they would be heavily impacted by the additional traffic and other factors related to the new center.

Source: *City of Lakewood Public Information Office, Long Beach Press Telegram*

Santa Ana, Calif.

Consultants selected at El Toro

The Local Reuse Authority for the closing **El Toro Marine Corps Air Station** has chosen the team of **P&D Consultants, Inc.** to prepare their Community Reuse Plan and EIR.

Chicago, Ill.

NAID conference on reuse—It's time to 'get on with it'

With more than 400 participants from across the United States and beyond, the **National Association of Installation**

Developers held its annual conference in **Chicago**. The three day conference addressed a broad range of topics including privatization, the role of state government, financing reuse, transitioning utility systems, interim leasing and more.

Keynote speaker **Joshua Gotbaum**, Assistant Secretary of Defense for Economic Security, reflected on his agency's performance and said, "You have told us where there are problems and we have made changes in every single case." Among other topics, Gotbaum discussed the **DoD's** new "plain English" **Base Reuse Implementation Manual** and ideas for improving interim leasing.

New officers were elected for NAID, including **Brad Arvin**, who was elected association president. NAID representatives also reported on their efforts to develop a Strategic Plan for the association. A special NAID committee is developing the strategies and goals for the association in face of various fiscal and organizational challenges.

Wally Bishop, who received NAID's Sustained Leadership Award, discussed the importance of sustaining its membership and preventing reuse communities from "graduating" out of the association. NAID Regional Director **Peter Rieck** stressed the importance of maintaining older members because, he said, "The biggest asset that NAID has is its membership and the experience that they have."

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NEWS BRIEFS

Santa Ana, Calif.

Selling El Toro AFB's rights may depend on Pres. Clinton

In a recent report, the **Reason Foundation** estimates that **Orange County** could sell the airport development rights for the **El Toro AFB** for \$250 million. While similar plans have been promoted and rejected, the Reason Foundation stresses the key to success is getting President Clinton's support. With his reelection bid not too far away, Foundation President **Robert Poole** says that getting Clinton's support "is plausible for political reasons."

Washington, D.C.

PARCELS: An on-line opportunity for bases to market property

The **EDA** is sponsoring a new on-line information system that allows closed military bases to market surplus

property. **PARCELS** allows communities to advertise world-wide the land that is available for redevelopment at closing bases. All information on the system—including maps, photos, videos and audio clips—is accessible to Internet users.

PARCELS is provided at no cost to bases wishing to list their facilities. For more information contact **Erik Pages** with the EDA at (202) 482-3901 or **David Gallay** with **Logistics Management** at (703) 917-7460.

Written and compiled by Sigrid Bathen and Christopher Hart.

Calendar of Events

Sept. 18-19: National Council for Public-Private Partnerships conference on Federal Privatization—Washington, D.C. (703) 578-8800.

Sept. 25-28: National Association for County Community and Economic Development (NACCED) Conference—Salt Lake City, UT (202) 429-5118.

Sept. 28: NSIA Annual Meeting. (202) 775-1440.

Oct. 1-3: National Council on Urban Economic Development, Urban Economic Development Summit—Arlington, VA (202) 223-4735

Oct. 12-13: Executive Enterprises, Conference on Military Base Reuse—Washington, DC (212) 645-7880

Oct. 18-20: National Council for Public-Private Partnerships conference on Market-Based Governments—Chicago, IL (202) 467-6800

Oct. 25-27: Council of Development Finance Agencies Conference on Specialty Financing for Economic Development—San Francisco, CA

Nov. 13-14: Executive Enterprises, Conference on Military Base Reuse—San Francisco, CA (212) 645-7880

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FINANCE

Financing reuse . . .

Continued from page 9

In many cases, a market price can be established and payment can be deferred for an extended period of time. The community is in the position to make lease concessions and infrastructure investments that make economic sense. If you review the history of base conversions, you will find that a time frame of 10 to 20 years is not unusual. Impacted communities need to accelerate that process and see a conversion occur in the first 10 years. The EDC is essential to this process.

Small business incubator

I would strongly recommend the creation and funding of a Small Business Incubator at the earliest possible time in the reuse cycle. It appears to me that there are some buildings on the base that could be dedicated to this process as long as the Base Commander and the Service are willing to participate. In our experience, we are obtaining 40 to 60 cents per-square-foot rent on a monthly basis on our new incubator tenants. We have provided them with a whole host of services and my only regret is that we were not able to do this two years ago.

I believe it is essential to reuse efforts to create the small incubators at the earliest possible time and they will in fact be one of the major cornerstones in your reuse efforts.

New sources of funding

In my experience, unless you are able to provide concessions, reasonable utility rates, in some cases tenant improvements, you will not be successful with your short-term base conversion needs. By short-term, I mean within the first five to 10 years. In order to accomplish this, you will need working capital. In the State of California, there is very little advanced capital provided to the base reuse process. In the case of the Norton

and George Air Force Bases, we are blessed with an early piece of legislation carried by one of my existing co-chairmen, Supervisor Jerry Eaves. Through his efforts, the legislation established a redevelopment agency that has a project area of 15,000 acres for the former Norton Air Force Base. With an annual income flow of approximately \$2 million, which is on its surface nominal, we are able to bond on that revenue stream in anticipation of future growth.

Each state and each community needs to provide this type of interim financing in order to expedite the reuse process. Several states including Massachusetts, New Hampshire, Arkansas and others, provide this type of bonding authority through their state. I do not support the concept of providing operating loans directly to business through this vehicle, but I do recommend, providing infrastructure and capital improvements to facilities owned by the reuse agency.

Conclusion

My experience with the development enterprise has shown that certain minimum aspects must be present in order to provide success. A short listing follows:

- Infrastructure needs to be in place and available in order to encourage development; delays will cause the developers to go elsewhere.
- Land use zoning entitlements are essential; they must be provided in a timely manner or once again it will chase development elsewhere.
- Capital assistance is important if it is provided in the form of improvements to the property in the form of capital


items that will continue to benefit the project itself. I'm not a great supporter of working capital loans.

- By bringing in activity at the *earliest possible stages*, you will create a synergism that will spawn additional activity. Vacant buildings and unsightly conditions are detrimental to development. Fill the buildings up, even if on a short term basis, and rotate those users as the market improves. In my opinion, it is essential to have early job generation in order to create value and give a boost to the local community.

Each community and each base is unique. Interested parties should look at these concerns and financing vehicles on a tailor-made and particularized basis. Some of the items I have mentioned however, are universal and they also require a "sense of urgency" on the part of the federal bureaucracy—a feeling I have not yet encountered.

On the frontline, six-month-delayed job generation is critical. To the small business and the people facing unemployment, this sense of urgency is not generally appreciated at the state and federal level.

In order to make base conversion successful and economically realistic, you need the financing tools briefly outlined above, and the utmost cooperation and commitment of government at all levels. The employees involved in converting bases need to facilitate private efforts, help them, and then get out of the way and let them accomplish their individual brand of entrepreneurship.

Only then can they achieve the best. Financing is important but it is only one of the tools that puts together a successful conversion model. 

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