THE

BASE REUSE REPORT

APRIL *Economic Development, Planning and Redevelopment of Military Bases* 1996

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BRR Interview: John F. Phillips

Deputy DoD undersecretary directs privatization efforts

By Sigrid Bathen

John F. Phillips, Maj. Gen., USAF (ret.), is the former commander of McClellan Air Force Base in Sacramento, Calif., and, since November, the deputy undersecretary of defense for logistics. Among Phillips' duties is oversight responsibility for the privatization–in–place efforts at McClellan and Kelly Air Force Base in San Antonio, Tex., which were ordered closed by the 1995 Defense Base Closure and Realignment Commission.

Phillips, who brings 20 years of logistics experience to his new post, is the principal advisor to the undersecretary of defense for acquisition and technology regarding logistics, materiel management, maintenance and transportation. He served for more than three decades in the U.S. Air Force, and is an experienced pilot who flew more than 300 combat flying hours in Vietnam. He has received numerous awards and decorations and speaks and writes widely on leadership and management. He is also a published poet.

BRR: *Describe your views on privatization of bases—how it works, will work, and how it is proceeding.*

Phillips: Privatization on balance is going quite well. The notion of privatizing installations in their entirety is kind of a

Continued on page 10

Base closure cleanup:

Popular but still seriously underfunded, at risk

By Lenny Siegel
The Urban Institute
San Francisco State University

Base closure environmental cleanup remains, at least on the surface, politically popular in Washington. This year (for fiscal year 1997) the Department of Defense Environmental Security office is requesting $775 million for environmental work at closing and realigning military bases—58 percent of its proposed budget for cleanup at active and former bases (through DERA, the Defense Environmental Restoration Account) and a much larger universe of facilities.

Last year, while slashing other programs involving environmental protection, the Republican–controlled Congress actually boosted BRAC (Base Realignment and Closure) cleanup spending by more than $100 million above the president's request.

Still, maintaining a pace of cleanup that permits rapid reuse while protecting human health and the environment may remain difficult. Mistrust and bureaucratic obstacles, most of which

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REUSE REVIEW:

BEST ◆ WORST

SEE PAGE 2

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Citygate Associates
Publisher
David C. DeRoos

Editor
Sigrid Bathen

Contributing Editor
Randall A. Yim
A Professional Corporation

Editorial Advisor
William A. Carlson

Manager
Christopher Hart

Contributing Writers
Josh Kirschenbaum
Institute of Urban & Regional Development, UC Berkeley

Morris Newman
Calif. Planning & Development Report

Lenny Siegel
Urban Institute
San Francisco State University

Graphic Design
Lizabeth A. Johnson

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COMMENTARY

Best and worst

Reuse in review: nobody ever said base reuse would be easy

By Morris Newman

Base reuse efforts could be likened to a group of aircraft attempting to take off under tough conditions. Some take off smoothly, as if there was no problem. Others bump along the runway for a while before they are airborne. And for others, the engine just won't start.

Nobody said base conversion would be easy. The challenges include natural disasters, infighting among communities and members of base reuse boards, voter rebellions, economic competition, a lack of imagination in some cases, and too much imagination in others.

The following is a short inventory of the successful, unsuccessful and the half-cooked in the epic base–conversion effort. A few caveats apply, however. Some bases are simply easier to convert than others, and the problems experienced by some bases do not necessarily reflect on the dedication or competence of those people who are attempting to convert them.

• Worst political process involving a base conversion effort. The first prize, hands down, goes to communities who feuded over the reuse of George Air Force Base in San Bernardino County, Calif. Shortly after the Pentagon slated George for closing on the 1989 BRAC list, officials of surrounding cities put together a local reuse authority. The spoiler was the City of Adelanto, which wanted the base all for itself and refused to join. For the next five years, tiny Adelanto spent about $9 million in 34 separate lawsuits against its neighbors and the local water district. In early 1995, after multiple losses in court and nearly bankrupt from its legal spending spree, the city was forced to abandon its quest for George.

• Most outlandish redevelopment proposal. It was hard to pick a winner in this very competitive field. The prize finally went to a pair of Sacramento, Calif. promoters who have proposed a $2.6 billion world trade center at Mather Air Force Base. The grandiose scheme would feature a 50–story world trade center. Included in the master plan is a 2,500–room hotel, a 500,000–square–foot convention center, an 18–hole golf course and a complex of 30 theaters modeled after the country–western music attraction at Branson, Mo. The developers claim financing would come from a single, unnamed, offshore investor.

In comparison, two theme parks proposed for the area—including one "themed" around the ancient sunken continent of Atlantis—seem positively sober–minded.

• Least promising approach to job creation. Jefferson County, Ind., solved its reuse dilemma with the Jefferson Proving Grounds by selling back the 3,400–acre property to a local farmer for a modest $5.1 million. "That does not help the local job market," says one mordant observer. The farmer plans to return the land to agricultural use.

• Most competitively challenged air field. Richards Gebauer Air Force Base in South Kansas City, Mo., has excellent facilities that would make a first-rate civilian air field. Unfortunately, Richards is facing competition from four other local airports. "It's going to be difficult to reuse this property in a hurry, because of the competition. It's not like we are in the middle of Arkansas," acknowledged David Malecki, the airport manager for Richards. To date, the base has been able to replace only about 30 of the 500 jobs lost when the base closed.

• Most creative use of an earthquake. After computer maker Packard Bell was rudely tossed from its plant in Northridge, Calif., by an earthquake in January 1994, the company conducted a statewide search for new facilities. With the help of $17 million in economic incentives from the City of Sacramento, the company took over the entire Sacramento Army Depot in November

COMMENTARY

1994. In the year since Packard Bell moved in, the company has created 5,000 high–paying jobs and an additional 3,000 new jobs in the community through the "multiplier effect."

• Most creative use of a hurricane. Homestead Air Force Base in South Florida was not targeted by BRAC in its 1991 list of bases to be closed. Then, in August 1992, Hurricane Andrew lashed the base, destroying or causing significant damage to nearly 80 percent of the buildings on the base. Balking at the $1 billion cost of rebuilding the base, the Pentagon instead chose to realign Homestead as a reserve base.

"A major difference between a base and reserve unit is that the reserve does not require housing on the base, so a major chunk (of the base) did not need to be rebuilt," said Major Bobby D'Angelo, base spokesman. About 1,000 acres of the 3,000–acre base has been set aside for the reserve installation, while the remaining acreage is to be turned over to Dade County for redevelopment.

• Biggest personality clash on a reuse board. To guide the reuse of the Charleston Navy Yards in North Charleston, S.C., local authorities appointed a 12–member board in June 1994. Infighting soon developed, in reaction to the behavior of a single, outspoken board member. Eventually, all board members resigned, with the exception of the alleged troublemaker. Local authorities then created a new seven–member board, whose members seem to be getting along much better. The reshuffling of the reuse board, however, has apparently not hampered efforts to lease facilities at the former naval installation to industrial and maritime–related businesses.

• Most questionable method of appointing a base reuse authority. To guide the reuse of El Toro Marine Naval Air Base in Orange County, Calif., a group of cities, together with the county, formed a local reuse authority in 1993. Tensions arose, however, when some members favored the creation of an international airport at El Toro, while surrounding cities came out strongly in opposition. Airport supporters took a route often favored in California, by putting the issue on the ballot. In November 1994, Orange County voters narrowly approved a measure that would amend the county's general plan to allow an airport at El Toro (while stopping short of actually creating one.)

"In comparison, two theme parks proposed for the area—including one 'themed' around the ancient sunken continent of Atlantis—seem positively sober–minded."

Taking this vote as a mandate, the Orange County Board of Supervisors declared itself the local reuse authority, and dissolved the existing board, despite official recognition by the Pentagon. After some initial reluctance, Pentagon officials decided to deal with the new board. Plans to push forward on an air field at El Toro, however, have come to a temporary standstill, following the county's municipal bankruptcy in December 1994.

We realize that some bases may not appreciate their presence on this list. It is important to remember, however, that events move quickly in the base–reuse arena. Keeping in mind the words of Bob Dylan that the "slow one now may later be fast," it is entirely possible that bases which currently have problems may be tomorrow's champions. With that in mind, we stand by with spatula in hand, ready to wipe the egg off our faces.

Morris Newman is a Senior Editor of California Planning & Development Report *and Editor of* LA Architect *magazine. He writes regularly on base closure issues for the* BASE REUSE REPORT.

Contact:

Morris Newman, 2344 West 20th Street, Los Angeles, CA 90018. Phone (213) 731–5130, FAX (213) 734–0972.

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BRR FORUM

BRR Forum

FAR vs. BRAC: privatization needs reconciling, integrating goals

By Randall A. Yim

Issue

Simultaneous privatization and conversion at McClellan AFB, particularly in light of an extended closure, require reconciliation of the Federal Acquisition Regulations (FAR) and the Base Realignment and Closure (BRAC) legislation. Privatization may not conflict with federal policy, laws and regulations which require DoD to support community reuse and redevelopment goals.

Potential for conflict exists. Those familiar with the FAR world are not familiar with the BRAC world, and vice versa. The economics of FAR and BRAC benefit different Air Forces (or different pockets of the same Air Force). These worlds can and must be reconciled in ways mutually advantageous to DoD, the LRA and private industry.

Successful privatization will allow the Air Force to maintain readiness and support at a lower cost, *and* provide an economic head start for the Local Redevelopment Authority (LRA). Successful reuse will replace jobs and revenues lost by DoD downsizing by bringing in new businesses to diversify and expand the LRA's regional economic base, *and* assure a stable, low–risk environment for the performance of DoD work. Both DoD and the LRA will benefit if efforts are made to coordinate these activities.

"Privatization–in–place is de facto reuse planning."

This coordination is not only desirable but required by law. Privatization of DoD workload in place at McClellan unavoidably raises BRAC issues. Dedicating a particular facility or facilities to a specific DoD workload becomes a significant element of the LRA redevelopment plan. Offering McClellan facilities for DoD contracts extending beyond the closure date requires DoD to work closely with the community to assure consistency between the privatization and reuse efforts. The successful DoD contractor is the LRA's tenant. Privatization–in–place is de facto reuse planning.

Privatization thus cannot be viewed solely as a federal contracting exercise. The typical FAR principles of "best value," lowest risk, and lowest contract price, must include factors which relate to LRA highest and best use, sustainable economic diversification, base closure, transition from Air Force to civilian control, and the new Pryor Economic Development Conveyance (EDC) procedures.

Federal contracting coordinated with BRAC closure and reuse activities will economically benefit the Air Force:

- Selection of an Air Force contractor that meets reuse objectives will allow the LRA to seek earlier transfer of facilities

HOW TO RECONCILE FAR AND BRAC

- LRA REUSE GOALS FACTORED INTO DoD SOURCE SELECTION PROCESS FOR PRIVATIZATION OF WORKLOAD.
  - Preference for contractors best meeting LRA needs.
  - Better economic terms for facility use.
- ANCHOR WORKLOAD IN PLACE.
  - LRA ownership or control of specialized equipment.
  - AF direct work to be performed in place.
  - Define "risk" to discourage relocation of work.
  - LRA menu of incentives and disincentives.
  - Program and contract management retained locally.
  - Design and administer contract for renewal.
- RECONCILE ECONOMICS OF FAR AND BRAC (AND WHO BENEFITS).
  - Quick and successful LRA reuse can relieve Air Force of O & M costs.
  - Increased revenue stream from an enhanced "managed asset" will increase total "price" paid by LRA to Air Force under EDC.
  - Dual civilian/DoD use could provide low cost "excess" or "surge" capacity for Air Force.

and equipment, relieving the Air Force of major caretaking and other operations and maintenance costs required under BRAC, well before the scheduled closure date.

• The LRA will offer better economic packages (lease rates and incentives) to contractors who meet reuse objectives, resulting in better bids and lower Air Force contract prices.

• A contract award which enhances LRA economic goals will benefit both the Air Force and the LRA by creating larger revenue streams from use of Air Force facilities and equipment. The Air Force will sell and the LRA will most likely acquire and pay for these assets under the EDC process. A Pryor EDC allows the LRA to purchase Air Force assets over time, with little or no down payment, provided the LRA splits with the Air Force a negotiated percentage of the economic revenues generated from the use of these assets.

Economic revenues include more than rent; property or possessory tax increments, assessments, and other charges can become part of the purchase price. An integrated FAR and BRAC process—which encourages the Air Force and the LRA to jointly manage McClellan assets (including facilities, equipment and the workforce) to maximize cost efficiencies and revenue streams—will enhance the fair market value and revenue–producing capability of Air Force property transferred to the LRA, resulting in a larger payment price over time.

• An asset management strategy also maximizes job retention and creation, primary goals of the Pryor legislation, particularly if the workforce itself is managed as an asset to prevent skill loss by attrition ("brain drain"). This complements a primary goal of the Air Force to take care of its people during a closure.

More than theory

This is more than just theory. In practice, FAR and BRAC can be reconciled by developing contractor evaluation mechanisms that accommodate:

BRR FORUM

• Factoring LRA reuse goals into the DoD source selection process for privatization of workload.

• Preference for contractors best meeting LRA needs.

• Better economic terms for facility use provided by LRA to those contractors best meeting overall reuse goals.

• Anchoring workload at Sacramento.

• LRA ownership or control of specialized equipment. Agreements may easily be structured to assure upgrades and modifications to Air Force requirements, and return of control to Air Force in specified situations (national emergency; contractor default) to preserve mission readiness.

• Air Force directs work to be performed at McClellan; if not possible, then the LRA and Air Force should work cooperatively to define "risk" to discourage relocation of work.

• LRA menu of incentives and disincentives to encourage contractors to privatize at McClellan; can reduce contractor operating costs which will result in lower Air Force contract costs.

• Program and contract management retained locally will minimize risk to the Air Force during contract life, particularly in transition period, and will allow a single PMO to identify and implement synergistic efficiencies between different workloads (e.g., hydraulics, electrical accessories and backshops).

• Forward–thinking contract design and administration: contractor provided with incentives to maximize efficiency

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Legislative Update

As predicted, legislative year off to a very slow beginning

By Josh Kirschenbaum

Josh Kirschenbaum is the Defense Conversion Coordinator for the Institute of Urban and Regional Development at the University of California, Berkeley.

As predicted in the March issue of the BASE REUSE REPORT, the 1997 legislative year is off to a slow start.

The drama presented by the 1996 legislative year is finally over for defense programs and funding with President Clinton signing the National Defense Authorization Act for Fiscal Year 1996 (PL 104–106). No new federal legislation has been introduced since our last update as the Base Reuse Report continues to monitor the legislative process.

There were six new Notices listed in the Federal Register since our last update. No new Rules and Regulations were developed during this time. Details of the Notices are provided below.

BRR

LEGISLATION

Department of Defense (DoD)

Defense Logistics Agency (DLA)

Cooperative Agreements Proposed Revised Procedures: Cooperative Agreement Revised Procedures

Contact: Sim Mitchell, (703) 767–1650

Comment Date: 03/29/96

Notices

(FEDREGISTER 61 FR 8579 03/05/96; 1874 lines.)

Department of Energy (DoE)

Notice of Interim Planning Guidance: Planning Guidance for Contractor

Work Force Restructuring

Contact: Deborah Sullivan, 202-586-0452

Comment Date: 05/06/96

Notices

(FEDREGISTER 61 FR 8593 03/05/96; 1565 lines.)

Department of Defense (DoD)

Department of the Navy

Notice: Community Redevelopment Authority and Available Surplus Buildings and Land at Military Installations Designated for Closure:

Naval Surface Warfare Center, Carderock Division, Annapolis Detachment

Contact: John J. Kane, Director, Department of the Navy, Real Estate Operations, Naval Facilities Engineering Command, 200 Stovall Street, Alexandria, VA 22332–2300, telephone (703) 325–0474, or Mr. Scott L. Whiteford, Director, Real Estate Division, Engineering Field Activity--Chesapeake, 901 M Street, SE, Building 212, Washington, DC 20374, telephone (202) 685–3071

For more detailed information regarding particular properties identified in this Notice (i.e., acreage, floor plans, sanitary facilities, exact street address, etc.), contact Commander Roger Walker, Naval Surface Warfare Center, Carderock Division, Annapolis Detachment, 3A Leggett Circle, Annapolis, MD 21402–5067, telephone (410) 293–2536

Notices

(FEDREGISTER 61 FR 5539 02/13/96; 128 lines.)

Department of Defense (DoD)

Office of the Secretary of Defense (OSD)

Notice: Base Closure and Community Redevelopment and Homeless Assistance Act; Base Realignments and Closures; Economic Security

Contact: Helene O'Connor, (703) 604–5948

Effective Date: 03/01/96

Notices

(FEDREGISTER 61 FR 8045 03/01/96; 209 lines.)

Department of Defense (DoD)

Department of the Navy

Notice: Notice of Intent To Prepare a Joint Environmental Impact

Statement/Environmental Impact Report for the Proposed Disposal and

Reuse of Naval Air Station Alameda and the Alameda Annex of the Fleet Industrial Supply Center, Alameda, California

Notices

(FEDREGISTER 61 FR 6817 02/22/96; 98 lines.)

Department of Defense (DoD)

Department of the Air Force (USAF)

Notice: Notice of Intent To Prepare an Environmental Assessment for Realignment of Scott AFB, IL.

Notices

(FEDREGISTER 61 FR 5989 02/15/96; 47 lines.)

Contact:

Josh Kirschenbaum (510) 642–8728, fax (510) 642–0908 e–mail: convert@ced.berkeley.edu.

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Base closure cleanup . . .

Continued from page 1

are derived from the general hazardous waste cleanup picture, continue to slow progress. Perhaps more important, the general discomfort about funding environmental restoration places constant pressure on communities to accept less than desirable cleanup standards and remedies.

While communities impacted by base closure sometimes are able to influence national cleanup policy, the best way to ensure adequate support for local cleanup efforts is to organize politically at the local level.

While BRAC environmental funding has never degenerated into the earmarking frenzy that has long characterized military construction, it remains popular for largely the same reasons.

ENVIRONMENTAL

There are many senators and representatives who support cleanup on ideological grounds. There are numerous others who oppose any environmental spending by the military. But the swing vote lies with key members of Congress and senators who support cleanup when their home districts or states stand to benefit.

> *"You can't package new investments until cleanup goals are met."*

Spreading the pain

Military bases—by both cause and effect—tend to be located in states or districts of members of congressional military committees. Although the northern California area has been impacted disproportionately by base closures, the BRAC Commission approach to closure decision–making has otherwise spread the pain.

Thus, several years ago when Senator Cranston (D–Calif.) circulated a "Dear Colleague" letter supporting funding for base closure cleanup, it wasn't too surprising that Senators McCain (R–Arizona) and Thurmond (R–South Carolina) co–authored and signed the letter. Both had major base closures in their states. Now that Thurmond chairs the Senate Armed Services Committee and McCain heads the

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ENVIRONMENTAL

Base closure cleanup . . .

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Readiness Subcommittee, that kind of support comes in handy.

Of course, the same argument can be made for active military bases, but base closure cleanup has wider support. Support for cleanup at active bases tends to come from "environmentalist" community groups and elected officials. There is widespread public concern only where the threat to public health is large and visible, such as at the Aberdeen Proving Ground in Maryland or the Massachusetts Military Reservation, on Cape Cod.

Cleanup at closing bases, however, also is also supported by "development" interests, whose money–making plans could be delayed for years by slow or inadequate cleanup. With Republicans now in power on Capitol Hill, those groups have assumed increased political significance.

Despite the melding of political constituencies around base closure cleanup, the word from the field—from military project managers as well as community observers—is that *there still isn't enough money.* Cleanup requirements developed in the field are routinely shaved, sliced, and diced as they make their way up the chain of command. Where reuse is not an issue, it often makes sense to spread out or delay responses to long–term health threats.

But at closing bases, time is of the essence. You can't plan for future use without having an idea what contamination exists and when it might be remediated. You can't package new investments until cleanup goals are met.

CALIFORNIA MILITARY BASE CLOSURE CONTAMINATION SITES

Bold denotes bases currently on or proposed for the "Superfund" National Priorities List (NPL).

Contaminated Facilities	# Sites In Progress	$Thru FY 94	$FY 95–Completion	Total $ Amount
Castle Air Force Base	253	57,586,000	120,603,000	178,189,000
El Toro Marine Corps Air Station	24	22,101,000	39,432,000	61,533,000
Fort Hunter Liggett (Army)	25	9,713,000	7,165,000	16,878,000
Fort Ord (Army)	42	63,240,000	168,568,000	231,808,000
George Air Force Base	65	52,858,000	57,485,000	110,343,000
Hamilton Army Air Field	17	3,939,000	15,393,000	19,332,000
Hunter's Point Naval Shipyard	61	78,536,000	278,021,000	356;557,000
Long Beach Naval Shipyard	6	4,749,000	17,273,000	22,022,000
Long Beach Naval Station	9	13,049,000	180,898,000	193,947,000
March Air Force Base	37	83,335,000	161,261,000	244,596,000
Mare Island Naval Shipyard	42	26,634,000	180,371,000	207,005,000
Mather Air Force Base	45	81,423,000	123,214,000	204,637,000
McClellan Air Force Base	234	151,789,000	705,446,000	857,235,000
Moffett Field Naval Air Station	30	44,645,000	12,946,000	57,591,000
Norton Air Force Base	24	64,677,000	40,366,000	105,043,000
Oakland Army Base	3	0	1,926,000	1,926,000
Oakland Fleet Industrial Supply Center (Navy)	22	4,707,000	36,503,000	41,210,000
Ontario International Airport (Air Force)	3	437,000	1,677,000	2,114,000
Presidio of San Francisco (Army)	32	49,986,000	47,672,000	97,658,000
Rio Vista Reserve Training Area (Army)	2	0	0	0
Sacramento Army Depot	24	18,298,000	86,896,000	105,194,000
Salton Sea Test Range (Navy)	25	0	0	0
San Diego Naval Training Center	7	3,585,000	11,022,000	14,607,000
Skaggs Island Naval Security Group Activity	10	163,000	17,129,000	17,292,000
Treasure Island Naval Station	46	4,605,000	39,259,000	43,864,000
Tustin Marine Corps Air Station	17	19,481,000	28,427,000	47,908,000
STATE TOTAL	**1,105**	**859,536,000**	**2,378,953,000**	**3,238,489,000**

All figures for this table were taken from: Defense Environmental Restoration Program: Annual Report to Congress for Fiscal Year 1994, Office of the Deputy Under Secretary of Defense for Environmental Security, March 31, 1995 Prepared by CAREER/PRO, a project of the San Francisco State University Urban Institute, October, 1995.

ENVIRONMENTAL

No one really knows how great the shortfall is. The Pentagon may, as recommended in the forthcoming final report of the Federal Facilities Environmental Restoration Dialogue Committee, soon start to identify the difference between field–developed requirements and agency–proposed budgets.

The overwhelming impact of the shortfall, as felt at virtually every closing base, is that the responsible military officials repeatedly tell the public, as well as regulatory agencies, that there is not enough money! Projects, they warn, have to be delayed or curtailed.

Constituencies divided

Those reported shortages, whether real or perceived, tend to divide the base closure cleanup constituency. Sometimes development interests push for rapid reuse at the expense of cleanup, while other segments of host communities hold out for strict cleanup standards and more thorough remedies.

That conflict often plays out in debates over cleanup standards. Even under existing laws, polluters don't necessarily have to spend as much time or money remediating a site for future industrial use as they would bringing it up to standards for residential use. It's often not that simple, however, since decision–makers have to consider potential migration of contaminants as well as the cost of maintaining long–term institutional controls ranging from deed restrictions to fencing.

Thus, the web of statutes and regulations that govern cleanup, such as the "Superfund" law, are an important part of the cleanup funding debate. In fact, advocates of weaker cleanup standards for the private sector are using the high cost of military and Energy Department cleanup to argue for weaker standards and less effective, less costly remedies for the private sector.

Working those issues out isn't generally difficult in instances where the community has already reached a consensus about future use. Unfortunately, advocates of industrial-type development, including airports, often use the cost, delay, or difficulty of cleanup to influence reuse planning. Even the City and County of San Francisco, which tends to aggressively enforce environmental laws, has accepted industrial levels of cleanup for large sections of the Hunters Point Naval Shipyard, in perceived exchange for the ability to put housing on the cleanest parcel.

Unless cleanup to residential standards is impractical, overwhelmingly expensive, or environmentally destructive, then land use decisions should come first, and they should be made by the local community, independent of cleanup cost considerations. Ensuring that this principle remains embedded in law is as important to cleanup funding as the budget itself.

Legal restrictions

The cost and duration of base closure cleanup has also been used to weaken another legal provision. Under Section 120h of CERCLA,[1] Federal agencies are not allowed to transfer contaminated parcels of property to non–federal entities unless a cleanup remedy is in place. Short–term leases have always been considered a legal alternative, but long–term leases have been restricted by the courts, as tantamount to transfers by deed. That's what a Federal Appeals Court concluded recently for Pease Air Force Base, in New Hampshire.

However, this year Congress bought the Pentagon's argument that short–term leases discouraged investment by

Continued on page 16

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BASE REUSE LEGAL COUNSEL

Sabo & Green is a frequent advertiser in the BASE REUSE REPORT, having discovered that most of those involved in base reuse issues in California are subscribers. As one of the first law firms to become involved in base reuse issues in the state, representing two base reuse entities and serving as a consultant to a third, the firm quickly discovered the benefits of networking with others involving this rapidly developing area.

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Sabo & Green highly recommends the BASE REUSE REPORT as an advertising medium as well as for its unparalleled informational content on base reuse issues.

~ Charles R. Green
Partner, Sabo & Green

Continued from page 1

new concept, although the notion of "out–sourcing," which is a variance of privatization, has been around for decades. We are about the business of trying to reduce our infrastructure. In order to do that and maintain some assurance that we will have the industrial base and/or the capability to prosecute the next war, be it one or two major regional conflicts—we will have to have that kind of resource available. So privatization really supports both our national defense effort and our national economic interest.

BRR: *How does your perspective as the former commander of McClellan help you to understand privatization—and the barriers to it?*

Phillips: Well, the barriers are certainly there, but I clearly understand why they exist. I recognize that the notion of privatization is opposed by many people because it is threatening to one's livelihood. You cannot discount the human side of it. I always recognize that behind each statistic as we begin to draw down, is a family, an aspiration, and it's what I like to call a "bread and butter" issue. You cannot treat that callously. You have to recognize the human side of all of this.

Every decision that I make in privatization has three [groups] that are interested in it. First, of course, are the war fighters. Second is the political interest. And the third factor is industry. Industry is obviously very interested in privatization, and very often a notion like privatization–in–place is not greeted with warm enthusiasm because many of them have excess capacity.

Notwithstanding all of that, I am beginning to see more and more support in that arena. Privatization is not going away regardless of which administration wins the next election because we simply do not have the manpower within the federal sector to continue to operate at a level of productivity that is necessary for a sure victory at war.

Q&A

INTERVIEW

BRR: *What has caused the objections to subside somewhat?*

Phillips: The realization that we do have excess capacity, and that there are several variants of privatization. There is partnering, out–sourcing, dual–use. Those surviving centers are beginning to recognize that I can actually lower the cost of the weapons system by either partnering or dual–use activities . . . In addition, to the extent that I can privatize and build the work load, be it a defense or commercial work load, it actually enhances the job opportunities in my region.

> *"By virtue of my position, I can create activity, but I cannot order commitment or success. People must decide that this is going to be successful."*

BRR: *You mentioned the human element.*

Phillips: Yes. Ultimately, human beings decide the success or failure of any endeavor. By virtue of my position, I can create activity, but I cannot order commitment or success. People must decide that this is going to be successful. That also includes my partners in industry, the federal sector who will either be displaced or who will change squadron patches, as it were, to become a part of the private industrial sector. They are the ones who will ultimately decide the success or failure of privatization.

BRR: *How is morale at the bases targeted for privatization?*

Phillips: Once the base is on the list and they go through the denial phase, they then recognize that perhaps this is an opportunity, particularly when you recognize that privatization is not going away, that it is the wave of the future. Once they begin to look at the positive aspects of this, they begin to come up with creative ways of not only preserving the existing work force, but perhaps building it by extending their customer base . . . Where this is done in a positive fashion to include teaming with the local reuse authority or the city as well as industry, I find that the morale is really on the upswing.

BRR: *Efforts to change the so–called 60/40 rule, which many say is essential to privatization, were unsuccessful in Congress. Comment.*

Phillips: I am certain there will be efforts to change it again. We are not dead in the water at this point. There is still some flexibility within the Department of Defense to continue with prototypes. I like to refer to those as proof of concept. If we can preserve the work force and continue to support not only national defense but enhance the regional economic strength of that area, it's got to be win/win for all.

BRR: *What are some of the other issues of concern to workers on closing bases that are being privatized?*

Phillips: There are three things that concern the average civil service worker: pay comparability, recognition of their retirement investment and job security. They want to make sure that a contractor who takes over the operation doesn't lay them off in another six months to a year. There are proposals within DoD that are kind of an amalgamation of what we have learned from all of the closing centers that will give some security and stability to the civilian work force.

Q&A

INTERVIEW

BRR: *President Clinton has said that if there are efforts to block privatization he would regard that as a violation of the BRAC process and order that Kelly and McClellan remain open. Comment?*

Phillips: The president is still committed to making privatization work. He has not retreated on that. Nor has anyone within the DoD. Let me also hasten to say that I have not seen any major attempts to block privatization.

BRR: *Is there enough work to go around?*

Phillips: As a revitalizing industrial giant, we have to think beyond our borders—we've got to think internationally. This is indeed a global village. Notwithstanding the politics, we are inextricably linked in this global economic environment. We have got to reach out and return some of the manufacturing that left our shores for whatever reason, be it cheaper labor rates or environmental issues. I think we have a chance to recapture a lot of the market that we lost.

BRR: *At the same wages?*

Phillips: I think the market forces will drive that. Wages will continue to be dictated by consumer demand.

BRR: *How will the serious toxic contamination at McClellan impact privatization?*

Phillips: We have some fairly succinct rules and regulations regarding liability and indemnification. That is pretty well laid out. We will be able to actually transfer title and hold harmless until we have cleaned up the area.

BRR: *Is there enough money for toxic cleanup at closed or closing bases?*

Phillips: I'm optimistic that the government will maintain its commitment to clean up the bases. That is a very firm commitment. But it's going to be a protracted effort. I am hoping for two things: that we will continue to fund at the rate that we are currently funding, and that we will have a technological breakthrough that will allow us to accelerate the cleanup and perhaps do it better, cheaper and faster.

BRR: *You are very optimistic about the future of privatization. Explain.*

Phillips: As I look at the cost of maintaining a very large standing uniformed military, it is clear to me that we are going to have to rely on the private sector. Once war fighters are comfortable that their contractors will in fact perform—and, of course we will always do a risk analysis because war is the wrong time to find out that you have made a bad decision—once we have mitigated all of the risk, I think you are going to find that, more and more, we are going to rely on the private sector to supplement our force structure.

BRR: *What is the future for technology transfer from military to civilian use?*

Phillips: If you look at most of our depots across all the services, you will find some very modern facilities, and you will find artisans there who are highly skilled because very often they have been working at a particular piece of technology for some period of time. So we have quite a kernel of knowledge, both in terms of knowledge and resources—facilities, tools, skills . . . An example is the nuclear reactor at McClellan. The duality there is that we are irradiating chips. We are also providing a force of irradiation for something called boron–neutron capture at the University of California in Davis. It is a brain tumor treatment which was not available anywhere else on the West Coast and is being pursued at McClellan in concert with UCD.

BRR: *Previous privatization efforts, notably in Kentucky and Indiana, had mixed results. What have we learned?*

Phillips: We are kind of neophytes when it comes to privatizing, and we learn from each one. We will continue to hone the process . . . Clearly, there are common threads, but "one size fits all" simply doesn't work. The application must be tailored to the uniqueness of each location and scenario.

Sigrid Bathen is the Editor of the BASE REUSE REPORT.

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NEWS BRIEFS

News Briefs

Adak NAF, Alaska

Reuse of remote U.S. military base on Alaskan island being considered

Worried that inaction might create the world's largest and most remote ghost town, Alaska and federal officials are considering possible new uses for the **Adak Naval Air Facility**. The base, located about 1,200 miles southwest of Anchorage in the bottom arc of the sparsely populated Aleutian Islands, was a busy military post during World War II and later a surveillance center to guard against Soviet incursions. At the height of its military activity, Adak housed about 100,000 people—most of them tent–dwelling soldiers sent to defend against a feared Japanese invasion of Alaska during World War II.

The end of the Cold War ended Adak's military mission, however, and the facility is scheduled for closure by Jan 1, 1998. Adak's population is now 600, down from 1,000 a year ago.

To prepare, a joint state–federal panel gathered at a public workshop recently to ponder conversion of the $1.5–billion worth of facilities on the remote island. The **Fish and Wildlife Service** is working on a deal to grant Adak land to the **Aleut Natives**, said **Deborah Williams**, head of the **U.S. Interior Department** in **Alaska**.

In addition, many have suggested that because the station is in the center of one of the world's busiest commercial fisheries, the station should be put to use by that industry. The U.S. Fish and Wildlife Service, which manages the southern half of the island, is in favor of conversion of the military post on the island's northern half.

Whatever is decided, it should be done soon, said **John Martin**, superintendent of the 3.5–million–acre **Alaska Maritime National Wildlife Refuge**, which includes Adak's nonmilitary southern half. "I would like to have it done by the end of September 1997 so that our office still has lights and electricity," he said.

Source: *Los Angeles Times*

Pacific Ocean

Concern expressed over flight safety due to U.S. military base closures

Concern has been raised that the closure of United States military airfields in the North Pacific will affect the operations of airlines flying between Asia and North America. Base closures or downsizing will affect the **Midway**, **Wake** and **Johnston Islands**, as well as the Aleutian Island bases of **Adak** and **Shemya**.

Apart from a potential safety risk due to the reduced number of diversion

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For more information, please contact John H. Alschuler, Jr.
Tel: 212.977.5597 Fax: 212.977.6202

NEWS BRIEFS

airports, twin–engined aircraft are not allowed under international civil aviation regulations to be more than 180 minutes from an airfield. Airlines using such aircraft may need to take longer, more northerly routes over the Pacific Ocean that could add millions of dollars to fuel costs and revenue losses from reduced cargo or passenger loads.

"The airfields need to have adequate facilities and that doesn't only mean having a long strip of concrete," one expert said. "You need people on the ground. [Closures mean] you won't be able to operate long–range twins over those routes without huge diversions—under existing rules."

Flight International Magazine reports that a joint **Federal Aviation Administration** and Air Transport Association committee in Washington is considering raising the international limit for flights to 210 minutes from 180.

Source: *South China Morning Post*

Ayer, Mass.

DoD may not transfer airfield at Fort Devens to town of Ayer

Devens Land Bank Director **Steven Joncas** said he does not believe the DoD will relinquish the **Moore Army Airfield** to the town of **Ayer** when **Fort Devens** closes next month. Joncas described DoD's move to retain the airfield as "just a small bump in the road." He said the disagreement will not jeopardize the April 1 transfer of Fort Devens from the Army to the Land Bank, nor will it affect the **Gillette Co.** warehouse, scheduled to open at Devens next year.

Source: *Telegram & Gazette* (Worcester, Mass.)

Mill Valley, Calif.

Mt. Tam base to be demolished, radar base returned to nature

A piece of Cold War history atop Mount Tamalpais is disappearing, as workers demolish an abandoned Air Force radar base and prepare the site to be returned to nature.

The base sat atop the west peak of Mt. Tam since the 1950s as an early–warning radar system to detect enemy planes, ships and submarines until the Air Force abandoned it in 1981. Its 40 or so buildings remained and gradually fell into disrepair. Beginning Feb. 23, however, crews began demolishing structures on the 103–acre site.

Senator Barbara Boxer, (D–Calif.) secured commitments of about $1.1 million—$825,000 from the **National Park Service** and $320,000 from the **Federal Aviation Administration**—to dismantle all but six of the old buildings. Money to finish the job still hasn't been found.

Brian O'Neill, general superintendent of the **Golden Gate National Recreation Area**, plans to call for volunteers to help with replanting and trail work. By late summer, he believes that hikers and picnickers will be able to visit the site, which has large outcroppings of serpentine rock and offers breathtaking views of San Francisco, the Bay and the San Mateo County coastline. "To look at this at the doorstep of 6.5 million people would be the envy of anybody in the world," O'Neill said.

Source: *San Francisco Examiner*

El Toro, Calif.

Marines o.k. El Toro prison plan; local leaders fight to derail project

The **U.S. Marine Corps** has recommended that a federal prison be located at **El Toro Marine Base**, approving a report designating the air station as one of three closing military bases nationwide best suited for a lockup. The prison proposal now rests with **Secretary of the Navy John H. Dalton** who will make a recommendation to **Defense Secretary William Perry**.

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Calendar of Events

April 2–5: California Association for Local Economic Development (CALED) Annual Conference—San Diego, CA

April 25–26: ICMA Dual Workshops: *Collaborative Problem Solving and Dispute Management Training* and *Military Base Reuse Technical Training*—San Diego, CA (202) 962–3645.

May 16–17: California Governor's Office of Planning and Research and State Office of Historic Preservation are sponsoring a conference on historic preservation on closed military bases—San Diego, CA

May 22–25: National Conference on Business Incubation, New Orleans, La—(614) 593–4331.

June 18: NAID Aviation Base Reuse Conference—(703) 836–7973

June 20–23: Cultivating Community Success. A National Conference on "Strategic Lessions From Community Assessment"—Lincoln, NE (800) 927–1115.

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NEWS BRIEFS

Continued from page 13

"I will fight that to my last breath," said **Rep. Robert K. Dornan,** (D–Calif.). "That is one of the most beautiful pieces of real estate in the Golden State. To suggest a federal prison there . . . is an ignorant idea." Dornan's opposition is formidable due to his influence over the armed forces because of his subcommittee chairmanship on the **National Security Committee.**

The **Orange County Board of Supervisors** also opposes the prison because it would lie next to the portion of base property designated for a commercial airport under **Measure A**, an initiative approved by voters in November 1994. The county's position could be affected, however, by the outcome of **Measure S**, the March 26 initiative to repeal Measure A and prevent a commercial airport at the base.

Federal agencies have the first right on uses for closed bases, and the 1994 crime bill required the **Department of Justice** to consider defunct military installations first before purchasing private property for new prisons. But while the **Bureau of Prisons** chose El Toro as a prison site, the agency may shy away from forcing the county, said Jeff Ratliff, the bureau's site–selection specialist. "There are few cases where we insist on going forward," Ratliff said. "El Toro is a great location, but if we didn't get local support, we would probably pass it back."

Source: *The Orange County Register*

Written and compiled by Christopher Hart.

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~ Thomas Chatel
President, The Liaison Group

BRR FORUM

Reconciling FAR . . .

Continued from page 5

and reliability at McClellan. If successful, performing the work at McClellan will be low risk and best value for the Air Force at contract renewal time.

• Reconciling economics of FAR and BRAC (and who benefits).

• Quick and successful LRA reuse can relieve Air Force of O&M costs required under BRAC.

• Increased revenue stream from an enhanced "managed asset" will increase total "price" paid by LRA to Air Force under EDC.

• Dual civilian/DoD use could provide low cost "excess" or "surge" capacity for Air Force.

These economic impacts under BRAC must be considered in determining "best value" under FAR, since these are real money impacts to the Air Force (even though to different "pockets" of the Air Force).

Reconciling BRAC with FAR

Just as those familiar with FAR must be sensitive to BRAC issues, those familiar with BRAC must be sensitive to the Air Force needs to maintain mission readiness under the FAR. The LRA and the Air Force Base Conversion Agency (AFBCA) must work cooperatively to enter into early facility and equipment use agreements with terms and conditions which assure Air Force mission capability and readiness are maintained *and* the privatization timetables may be achieved. For example:

• Environmental investigations must be expedited and streamlined to support findings of suitability to lease within the time frame necessary to allow facility and equipment use to meet the expedited privatization schedules.

• AFBCA must work with the LRA to include terms and conditions into the facility and equipment use agreements which assure that:

• Equipment is maintained and modified precisely according to Air Force specifications and requirements.

• Air Force equipment eventually transferred to the LRA may be "recovered" by the Air Force in times of national emergency or if a contractor defaults.

• Indemnifications, insurance requirements, length of leases, and other contract requirements are practical and acceptable to the private sector bidding on DoD workload.

• Economic terms between AFBCA and LRA for facility and equipment use are reasonable and determined early so that the LRA may enter into meaningful negotiations with private contractors within the time frames necessary to support early privatization.

• The AFBCA allows interim use prior to a comprehensive property disposal record of decision, or considers a series of property disposal RODs rather than wait for the delay associated with arriving at a single comprehensive ROD.

• Dual or civilian use of government equipment is allowed and encouraged so that the LRA may bring in other commercial work and achieve economic diversification, *and* the Air force may obtain low cost excess/surge capacity due to the added civilian capabilities.

• Successful privatization leads to early turnover of O&M responsibility to the LRA and/or contractor, relieving the Air Force earlier of these significant BRAC costs.

• Vitality of a comprehensive, high-tech industrial park is maintained to reduce "risk" to the Air Force.

Reconciliation strategies

Strategies clearly may be developed to reconcile and coordinate FAR and BRAC for the mutual benefit of the Air Force and the LRA, while meeting the primary objectives of mission readiness and successful reuse. The LRA is committed to preserving DoD readiness since DoD will be a significant (although not exclusive) customer. DoD is committed to supporting reuse to mitigate the impacts of base closure and protect its people.

Randall A. Yim is Contributing Editor of the BASE REUSE REPORT.

Contact:

Randall A. Yim, Sacramento County Dept. of Military base Conversion, 3237 Peacekeeper Way, Suite 16, McClellan AFB, CA 95652–1059. Phone (916) 643–6877, fax (916) 643–6278, e–mail ryim@ix.netcom.com.

RECONCILING AND INTEGRATING FAR & BRAC GOALS

ISSUES:

- Privatization and closure require 2 different worlds to be reconciled: FAR & BRAC.
- Those familiar with FAR are not familiar with BRAC (and vice versa).
- Economics of FAR & BRAC benefit "different Air Forces".

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	• Revenue stream enhancement.
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	• Job retention and creation.

Base closure cleanup . . .

Continued from page 9

new users. In the FY1996 Defense Authorization Act, Congress decided that the armed services could put up property for long–term lease before the cleanup was in place. The new provision makes it easier to reuse contaminated property, but like rules designed to weaken standards, it could limit reuse to activities compatible with existing contamination. Again, as with standards, the way this provision is implemented is likely to be as important as cleanup funding itself.

With the weakening of cleanup standards and easing of transfer restrictions, budget shortfalls become more than abstractions. They have a long–term impact on the future of host communities. It is unlikely, given the current political

ENVIRONMENTAL

climate in D.C., that those policies can be significantly changed. But communities do still have a way to press for adequate spending. Through their Restoration Advisory Boards and Local Reuse Authorities, as well as direct political action, they can still help set standards, choose remedies, and define priorities.

If communities develop reuse plans and Base Closure Cleanup Plans based upon local goals and priorities, and then the military says there is not enough money, they can fight back. If enough communities let their Senators and members of Congress know that BRAC cleanup money is insufficient to meet their communities' goals, then even the most "anti–environmental" representatives or senators may come up with more funds. After all, meeting the cleanup and reuse goals of their home districts and states is why they fund the program in the first place.

Lenny Siegel is the Director of CAREER/PRO, a project of San Francisco State University's Urban Institute, and editor of its newsletter, the Citizens Report on the Military and the Environment. *He is a member of several advisory groups dealing with military base cleanup, including the Federal Facilities Environmental Restoration Dialogue Committee, the California Base Closure Environmental Advisory Group, and the Moffett Field Restoration Advisory Board.*

[1]The Comprehensive Environmental Response, Compensation, and Liability Act, or "Superfund" law.

Contact:

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