

BASE REUSE REPORT

FEBRUARY

Economic Development, Planning and Redevelopment of Military Bases

1996

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Reuse potential for historic resources on closing bases throughout U.S.

By Elizabeth G. Johnson

The Department of Defense owns 25 million acres that include some of our nation's finest historic and archeological treasures. As many of these sites are transferred under the BRAC process, they present an opportunity to local jurisdictions to acquire and reuse buildings, and in some cases, entire districts or neighborhoods, that are considered significant to both localities and the nation under the National Historic Preservation Act of 1966.

Some sites existed prior to the military establishing ownership, including

colonial mansions, settlers' homesteads and trails of exploration, such as the Oregon Trail. Other military sites are significant because of their architecture, such as the Spanish vernacular on many bases as applied by local architects, or the Victorian Officers' Rows around the country.

Some sites are well known because of their importance in national history. The **Presidio** of San Francisco was established in 1776 by the Spanish, and became a U.S. Army base in 1846. A National Historic Landmark, the base con-

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Communities turn to business incubators as successful economic development tool

By Charles Eason

This is the first of a two-part review of business incubators as a successful tool in base reuse.

One of the most difficult tasks facing communities that have experienced base closures is finding a way to replace the jobs lost when the military leaves. While some pin their hopes on finding one large corporate entity to replace these jobs, this rarely occurs. Since it is often difficult to find one industry to replace another, an increasing number of communities are turning to business incubators as one approach to revitalize their local economies. According to the National Business Incubation Association (NBIA), which tracks data on the incubator industry, the number of

incubators in operation has grown from 10 to more than 500 over the last 15 years, with new incubators opening at the rate of one per week.

Business incubators create a nurturing environment for young companies by providing entrepreneurs knowledge about effective business practices and access to community resources.

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BRR FORUM



**STRATEGIES FOR REUSE
CRITICAL STEPS FOR
SUCCESSFUL REUSE**

SEE PAGE 2

THE BASE REUSE REPORT

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BRR FORUM

Strategies for reuse: Critical steps for successful base reuse

By Randall A. Yim

The Base Reuse Forum begins a series of articles outlining the critical steps in successful base closure and reuse from the LRA perspective. Unlike the military, which emphasizes property disposal and completion of prerequisites to disposal, or the regulatory agencies, which emphasize cleanup, LRAs must emphasize planning, public participation, marketing, caretaking, and financing. LRAs must aggressively moderate the process of closure, disposal and cleanup to prioritize reuse.

Previously The Forum has detailed concepts of "opportunity and constraint mapping." (See: Mapping the Path To Successful Reuse, BRR, July, 1995.)

Once preliminary reuse opportunities and constraints are identified, a strategy to go from where you are to where you want to be must be conceived. This strategy will, of course, be continually refined as more reuse planning occurs, but first steps should be identified early in the process.

The strategy must address the "nuts and bolts" of how to take advantage of identified opportunities. It should identify specifically what steps must be taken to achieve successful reuse by the local community, and particularly by each department within the local governing jurisdictions. A checklist creating a comprehensive development strategy helps coordinate activities within the LRA itself. The LRA must have its own activities coordinated, if it is to expect the military and regulatory agencies to coordinate their roles with the LRA.

Important components of this comprehensive development strategy are:

- Development of a comprehensive marketing and financing plan.
- Development of an interim leasing strategy.
- Acquisition and upgrading of utility systems, roads and other infrastructure.

Developing a comprehensive marketing and financing plan

How will reuse be financed? Where will base opportunities be marketed? A realistic plan to finance reuse must recognize the substantial upfront costs facing the LRA, and the difficulty of obtaining sufficient public funds to pay developmental costs.

Public funds must be used to leverage private capital. The private sector must be encouraged to invest at the closing base, rather than elsewhere, by methods and incentives which enhance the "attractiveness" of the base, when compared to other available property in the region. High user fees, rents, or property assessments may help provide public financing but at the expense of discouraging private investment.

Marketing of base opportunities should not result in illusory economic gains. Marketing which simply "shuffles the deck chairs," that is, transfers businesses from one part of the region to the base, does not provide real or net economic benefit. Statewide, national, or international marketing must be considered.

Phasing and timing of development will enhance marketing and financing. Reuse builds upon itself. Those initial uses or improvements which enhance the attractiveness of the base, particularly infrastructure and transportation improvements, must be prioritized. Competition between portions of the base itself must be avoided.

An interim leasing strategy

The local reuse authority must have initial successes to keep interest in base development alive, to encourage the private sector to consider long term investment at the base (no one wants to be the first), to keep skilled workers in the community, to maintain depreciable assets,



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and to generate needed initial revenues to finance upfront costs for long-range plans. Interim leasing strategies are critical to these goals.

Interim leasing strategies should evaluate short-term opportunities, realizing that these interim land uses may not be incorporated into long-term plans. Interim use forms the first phase of the future long-term vision. Buildings not ultimately part of the long-range plan may nonetheless have short-term value. The utility of short-term use must be considered in light of the relative ease by which such use can be achieved, and the difficulty of abandoning the use in the interest of long-term goals. Communities must be a bit ruthless. Buildings with some potential for short term use, but little real value, should be scheduled for demolition if necessary to support long-term goals.

Good interim use is not inconsistent with a different long-term land use

form. The key is to incorporate a logical strategy which "phases" property development to serve both interim and long range goals. Interim uses may be achieved with the cooperation of the military, even before a comprehensive property disposal record of decision is issued, and/or before ownership of land is actually conveyed to the local reuse authority.

The utility of a master lease between the military and the LRA should be evaluated. The LRA may also assist in facilitating licenses or permits to use the specific parcels directly between the military and the user. However, the LRA

must be certain that it, not the military, negotiates the deal and decides on the appropriate land use.

Develop a strategy to acquire and upgrade utilities, roads and other infrastructure

The infrastructure at most bases is old, outdated, not to local building "codes" and generally inadequate to support reuse. Typically, utility systems considered as a whole are negative assets, although individual components may have positive value. For example, the electrical system as a whole at a base is typically without market value, although a particular substation or transformer may have intrinsic value.

The military should not piecemeal such systems, attempting to sell those components with value and conveying the remainder to the local reuse authority. The community must be able to

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INTERVIEW

BRR Interview: James E. Meadows

**Lowry head uses skills, methods
of master-planned communities**

By Sigrid Bathen

James E. Meadows is executive director of the Lowry Redevelopment Authority formed by the cities of Denver and Aurora, Colo., to manage, market and oversee redevelopment of the former Lowry Air Force Base, which is often touted as one of the models of successful base reuse. A graduate of the U.S. Air Force Academy near Colorado Springs, Colo., he was a pilot in Vietnam and brings to Lowry long experience as a home and commercial builder. As senior vice president of land development and home building operations in the Continental USA division of Castle & Cooke Homes, Inc. (a division of Dole Foods), he was responsible for four community master plans in two states.

This is the second in a two-part review of the Lowry reuse (see BRR Case Study, Jan. 1996).

BRR: The Denver City Council recently approved a tax increment financing package for the Lowry reuse. Please describe the package and how it will be used.

Meadows: The tax increment financing package for Lowry is approximately \$33 million, which will be issued in three separate bond issues, the first in 1996 for \$8 million, primarily for building demolition. We have to demolish almost 200 buildings that were "temporary" buildings created for the Army Air Corps in World War II. The second is \$14 to \$18 million to be issued in 1998 for construction of a regional parks network. The last portion is probably something that is unique, and that is \$7 to \$8 million to build a public school on Lowry. Whereas the public schools would have a problem raising a capital bond issue for just one school or, in today's tax agendas, raising a major bond issue for any capital construction, we can build a school

and turn it over to them, by virtue of a tax increment bond which helps everybody out.

BRR: You've also had unusual success in renting existing base housing. Comment.

Meadows: The housing element has been a major story for Lowry. We've used the interim housing rentals to actually

"The last base or post commander can either leave you a skeleton base and no transitional support, or he can help you out by smoothing the way during the critical transitional period."

— James E. Meadows

fund our major planning and a small portion of our infrastructure redevelopment by releasing, in their current condition, the existing houses. We have more than 550 presently leased at an average rental rate of \$740 a month.

BRR: Housing on other bases has not always been utilized as quickly, and much has deteriorated. What distinguishes Lowry from other bases in that regard?

Meadows: Some of the Lowry housing was renovated in the '70s, and it has updated interiors, but it retains the old base flavor, with hardwood floors and large units. People are renting out here for three reasons: (1) the low density

compared to apartment living elsewhere; (2) the units are about twice the size as [other] apartments for the same amount of money, and (3) oddly enough, they like the security of being behind a fence in a "gated" community, although we're not going to be keeping the fence up in the long term.

BRR: Please describe your funding sources, in addition to the tax increment package.

Meadows: We have about \$100 million in cost structures to be paid for at Lowry, part of which are our payments to the Air Force. About \$36 million is for infrastructure replacement, \$40 million to the Air Force, plus or minus. The balance is parks and recreation and school construction. Our revenue streams for that are the tax increment financing bond issue—as well as revenue bonds of approximately \$36 million to pay for the infrastructure costs: roads, new water, sewers, underground gas and electricity. Then the balance is being funded by land sales for residential lots and for commercial development.

One thing Lowry is doing differently is, we're acting as the master developer. We're not selling off large tracts of land to developers. We're selling off plotted, zoned and restricted lots to individual builders and for commercial areas, for two reasons: to increase our revenues and to maintain the quality that we want to have in the Lowry master-planned community. If you sell off tracts of land, you lose that control. If you sell off lots with deed restriction you can maintain the quality of the surrounding neighborhoods.

BRR: Your professional background before Lowry was in residential and commercial building, including master-planned communities. How has that prepared you for the base reuse field?

Meadows: Well, I think it's essential. In the case of Lowry, the city department heads, specifically the planning director,

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INTERVIEW

kind of pushed the issue of bringing in a private-sector person to run the redevelopment authority. The analogy is that you are really running a small city. We have the dual role of having all municipal-type facilities in the short run, meaning we have to plow the streets when it snows, repair the existing water/sewer lines, maintain buildings. At the same time, we have to do infrastructure construction, building demolition, marketing programs. It's like a major development company . . .

If you're going to act as the master developer, we think it is pretty critical that you have somebody from the private sector. I also have the benefit of having a deputy director, Jane Blackstone, who has major public sector experience, and a second deputy director, Tom Markham, whose major background is in facilities management, managing a major community college campus when it was starting up.

BRR: *Lowry was closed only last year, yet the transition has been, in many areas, very rapid. What elements make for a smooth transition?*

Meadows: I would caution other bases from discounting a Lowry-type success by saying, "Well, that's an urban setting, it doesn't apply to my base." Communication, both pre- and post-closure, I think is absolutely the most important criteria. Communication with your base commander, your delegation, your local community or communities. Prior to closure, the last base commander, Col. Mike Wright, worked with us in the best manner possible.

The last base or post commander can either leave you a skeleton base and no transitional support, or he can help you out by smoothing the way during the critical transition period. In this case, we had total cooperation from the active duty Air Force. We also had strong cooperation from our local base conversion agency representatives, and that helped us in not getting into little contests of who was going to control what.

We worked together. We had weekly meetings with both the base commander before base closure and the Air Force Base Conversion Agency representative after closure.

You can chart the successful bases by their communication, which [at Lowry] had to extend between two jurisdictions (the cities of Denver and Aurora). You had a case study (see "Nightmare at George," BRR, March 1995) with multiple jurisdictions where they're still arguing over what to do and years later nothing is done.

Aurora and Denver, just by way of example, have a history of not being very close, to say the least. They made a decision at the highest levels, early on, to cooperate on this reuse plan, and it's trickled all the way down to the public input and all the way back up to both mayors. We have been very fortunate in the areas of communication.

BRR: *I understand you have used a "contracting-in" process, providing services for starting up other LRA's, including re-using the closed Stapleton Airport. Describe this process.*

Meadows: It's not quite that formal, although we have offered our services. We've developed a core of people who have the actual, physical-plant expertise—things like environmental inspections and cleanup, infrastructure repairs and maintenance. We've been advising the new board of directors at Stapleton concerning our policies and procedures, and have let them adopt similar policies and procedures, rather than starting over. At other bases, we've been asked to fly out and advise on a variety of areas such as caretaker negotiations with the federal government and with the local cities. We've advised on economic development conveyance negotiations.

It's been more informal, but we would like to formalize it, subject to our board approving it.

BRR: *One important aspect of your plan has to do with locating educational facilities on the former base. How did you accomplish this?*

Meadows: That could have been a dog fight, because the [community college] was given a public benefit conveyance and had absolutely no reason that they had to work with us. But we sat down early on and decided to hire joint planners. We've been working together closely even to the extent of sharing snow plows and water trucks. The college campus is one of two major anchor tenants (the other is the Defense Finance and Accounting Service). Another thing that makes Lowry unique is having a 10,000 student campus as part of the master plan—and have it actually be open the day the base closes.

BRR: *You also have a military background in the Air Force Strategic Command. Has that been helpful as well?*

Meadows: Yes. I was able to talk the "blue suit" language from day one, which is not always the same as real estate jargon, certainly. More important than language, I think, is the fact that there are certain things that the Department of Defense can do, and there are certain things, to use the basic term, you can't push on a rope. Basically, if you get into those positions where people start talking "should"—"the federal government should do this, and they should do that"—you're going to end up in the middle of nowhere.

BRR: *One of the biggest complaints, of course, from the private sector in base reuse is the red tape. Any suggestions?*

Meadows: Certainly, there is red tape, and there are impediments, but I would point out that, basically in 18 months, we were able to get our record

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LEGISLATION

Legislative Update

Authorization measures buffeted by political winds in Washington

By Josh Kirschenbaum

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

Even though we are a month into the New Year, the President has yet to approve the National Defense Authorization legislation for Fiscal Year 1996. On Dec. 19, 1995, the bill cleared Congress, but was vetoed by the President on Dec. 28. Therefore, the House Bill (HR1530) is dead and Congress is now forced to develop a new bill for Defense Authorization programs.

The rationale behind the President's veto involved budget concerns over

weapons programs and had nothing to do with the base closure language. THE BASE REUSE REPORT here provides an overview of the base closure programs contained in the original Defense Authorization Bill. The primary source of the summary was provided by the DoD's Bay Area Base Transition Office in San Francisco. All of the language is subject to change until a bill becomes law.

The following base closure provisions and section numbers were included in the original Defense Authorization Bill that was recently vetoed.

2831— *Deposit of Proceeds From Leases of Property Located at Installations Being Closed or Realigned:*

requires that leasing proceeds at BRAC sites be deposited into the applicable BRAC account.

2832— *In-Kind Consideration for Leases At Installations To Be Closed or Realigned:* allows the military departments to accept in-kind consideration on any portion of the installation in lieu of cash rent for leases of base closure property (currently the services can only accept in-kind consideration on the portions of the base being leased, unless a majority of the base is being leased).

2833— *Interim Leases of Property Approved for Closure or Realignment:* permits DoD to offer prospective interim lease tenants lease terms long enough to warrant relocation to the base and insulates interim lease decisions from legal challenges if activities under the lease will not significantly or irreversibly alter the environment.

2834— *Authority to Lease Property Requiring Environmental Remediation at Installations Approved for Closure or Realignment:* would allow DoD to enter into long term leases while environmental restoration is ongoing.

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LEGISLATION

2836—*Exercise of Authority Delegated by GSA:* expands the authority of the SECDEF, with the concurrence of GSA, to prescribe general policies and issue regulations for utilizing excess property and disposing of surplus property.

2837—*Lease Back:* to allow base closure property that is still needed by DoD or another federal agency to be transferred to the LRA, providing the LRA leases back the property to DoD or the federal agency for a long term at no cost.

2838—*Improvement of Base Closure and Realignment Process Regarding Disposal of Property:* clarifies that the Redevelopment Act applies to both closures and realignments, clarifies that LRAs are responsible for conducting state and local screening under the Federal Property and Administrative Services Act of 1949, and changes HUD's role to an advisory one, requiring the Department of Defense to pay substantial deference to HUD-approved redevelopment plans when issuing a Record of Decision.

2839—*Agreements for Certain Services at Installations Being Closed:* clarifies current law that authorizes SECDEF to enter into agreements with local governments for the provision of police, security, fire protection, airfield operations, or other community services.

2840—*Authority to Transfer Property At Military Installations to Be Closed to Persons Who Construct or Provide Military Family Housing.*

2853—*Transfer of Jurisdiction and Land Conveyance, Fort Devens.*

2859—*Land Conveyance, Fort Ord.*

2862—*Land Conveyance, Army Reserve Property, Fort Sheridan.*

2864—*Modification of Existing Land Conveyance, Army Property, Hamilton AFB.*

2867—*Land Conveyance Alternative to Existing Lease Authority, Naval Supply Center, Oakland.*

2870—*Land Conveyance, Navy Property, Fort Sheridan.*

2881—*Conveyance of Resource Recovery Facility, Fort Dix.*

2884—*Conveyance of Water Treatment Plant, Fort Pickett.*

2897—*Sense of Congress and Report Regarding Fitzsimons AMC:* Sense of Congress that the Military Departments should consider the expedited transfer of facilities to LRAs while the facilities are still operational; requires the Army to report within 180 days on the action taken to convey Fitzsimons AMC.

321—*Revision of Requirements for Agreements for Services Under Environmental Restoration Program:* States or territories participating in agreements under the defense environmental restoration program would only receive reimbursement for providing technical and scientific services. The provision would also require the submission of a reprogramming request for amounts in excess of \$5.0 million.

624—*Authorization of Dislocation Allowance for Moves in Conjunction with Base Realignments and Closures.*

747—*Report on Effect of Closure of Fitzsimons AMC on Provision of Care to Military Personnel, Retired Military Personnel, and Their Dependents.*

No new base closure legislation has been introduced this calendar year and there were three new Notices and Rules and Regulations in the Federal Register since the last update.

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

Contact: Helene O'Connor, (703) 604-5905

Effective Date: 01/02/96

(FEDREGISTER 61 FR 52 01/02/96; 44 lines.)

Department of Housing and Urban Development (HUD)

Office of the Assistant Secretary for Community Planning and Development

Docket No. FR-4004-N-01 — Notice of Funding Availability (NOFA) for Fiscal Year (FY) 1996: Notice of Funding Availability for: the HUD-Administered Small Cities Community Development Block Grant (CDBG)

Program—Fiscal Year 1996; and the Section 108 Loan Guarantee Program for Small Communities in New York State

Contact: Stephen Rhoadside, (202) 708-1322

Application Date: 03/13/96

(FEDREGISTER 60FR 67260 12/28/95; 3141 lines.)

Small Business Administration (SBA)

13 CFR Parts 108, 116, 120, 122, 131

Proposed rule: Business Loan Programs

Contact: Ronald Matzner, (202) 205-6882

Comment Date: 01/16/96

(FEDREGISTER 60 FR 64356 12/15/95; 7562 lines.)

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BASE DEVELOPMENTS

Communities turn to . . .

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Incubators typically offer flexible lease terms to allow tenants the capability to expand and even move out of the facility as their businesses grow and flourish. In addition, incubators can help reduce startup costs by providing shared resources such as copiers, fax machines, computer equipment, conference rooms, and secretarial/receptionist services.

With corporate down-sizing becoming commonplace, the US economy has come to rely on small businesses to create the bulk of new jobs. In an annual study by Cognetics Inc. of Cambridge, Mass., small businesses accounted for two-thirds of all new jobs created between 1990 and 1994. However, small businesses also tend to experience a high failure rate primarily due to lack of information and improper planning. According to the National Business Incubator Association, businesses who choose to locate in an incubator can expect to experience increased survival rates due to the availability of support services—including assistance with business planning, financing, and marketing.

Steps to follow

The first step for communities considering the creation of an incubator is to conduct a feasibility study. A feasibility study should attempt to answer questions such as:

- Is there pent-up entrepreneurial demand in the community?
- Who are potential incubator sponsors and stakeholders?
- Is there political support for an incubator program?
- What facilities are available and what are the renovation costs?
- Should the incubator have a specific focus or be a mixed use operation?

A new book available through the NBIA, *Growing New Ventures, Creating New Jobs, Principles and Practices of Successful Business Incubation*, outlines three critical principles to successful business incubation:

1. Focus the energy and resources of the incubator on developing companies.
2. Manage the incubator as a business and develop a self-sustaining business operation.
3. Develop a sophisticated array of services and programs that can be targeted to companies, depending on their needs and stage of development.

"The primary goal of the incubator, is to create jobs—preferably high-paying jobs."

The first principle relates to the primary goal of the incubator, is to create jobs—preferably high-paying jobs. Choices have to be made as to what type of tenants the incubator wants to attract. Some incubators choose to focus on one industry or technology such as biomedical, environmental, or computer firms, etc.. Most incubator programs pursue a mixed-use approach that might include a combination of service, manufacturing, and high technology firms. The decision is largely based on the resources available in the community. For example, if there is a federal laboratory or a research university in the area, an incubator may be able to focus solely on high technology or R&D ventures.

Self-sufficiency the key

There is much debate in the industry about the second principle—incubator self-sufficiency. Most incubators operate as non-profit entities under sponsorship by an economic development agency or university with some sort of subsidy to cover capital expenditures

and a portion of operating expenses. The debate is largely a semantic argument about whether financial support to an incubator should be considered a subsidy or an investment.

A community should expect to provide some sort of subsidy for the first three to four years. After all, incubators are essentially "start-up" ventures designed to assist other start-up ventures. Thus, incubators as a business, are inherently unstable and risky. One of the dilemmas incubator managers face is the gap between the initial enthusiasm when an incubator is founded and the renewed enthusiasm that occurs several years down the road when successful companies emerge from the incubator. During this time period, communities may not have the patience to wait for results, and political/financial support may wane.

A few incubators such as the **Center for Business Innovation** in Kansas City operate on an equity/royalty basis, whereby they rely on deferred revenues generated by equity positions recovered or "harvested" from successful companies by way of IPOs, etc. This is essentially a venture capital format where the incubator must carefully select only those companies which have the potential to grow rapidly. The drawback to this approach is that the harvest period may be five to 10 years.

Another consideration of incubator development is finding the appropriate facility or facilities. This is an area where base closure communities have both an advantage and disadvantage. There is the advantage of having a large inventory of empty buildings. However, many of the buildings are often older World War II vintage buildings that may need extensive renovation work or have environmental hazards such as asbestos and other contaminants.

As to self-sufficiency, the question arises as to how large an incubator facility should be. Based on an average incubator budget and rental rate, a break-even analysis will reveal that an

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BASE DEVELOPMENTS

incubator facility must contain between 40,000 and 50,000 square-feet to cover operating expenses and achieve self-sufficiency.

It is the availability of facilities that has led to the formation of incubators at many of the former military bases in this country. One such incubator is the **Inland Empire Business Incubator** located at the former **Norton AFB** in California. The incubator is operated by the Inland Valley Development Agency (IVDA), a Joint Powers Authority composed of the local cities and county.

After completing a feasibility study with the aid of grants from a local utility company and the DOD Office of Economic Adjustment, the IVDA made the decision to start the incubator in a 14,000 square-foot building that also housed the base "Caretaker Operation." After filling the first building, the incubator expanded into a newer 10,000 square-foot building and is now looking at expanding into a third building. Spaces leased range from 90 to more than 3,000 square feet with average rental rates of 60 cents per square foot.


Inland: mixed-use

The Inland Empire Business Incubator, a mixed use incubator, now houses more than a dozen small businesses. Some of the businesses are service businesses which will provide support services to the larger tenants who move onto the base, while others are technology-related, such as a computer firm specializing in geographic information systems (GIS). The incubator looks for businesses that can provide support services to the local area as well as those with the potential to become Inc. 500 companies.

William Bopf, executive director of the IVDA, advises other reuse groups to "encourage the creation of an incubator in the early stage of the reuse process." By working with the base Commander, Bopf says, "it should be possible to identify a building that can be used to get an incubator up and running with minimal expense for facilities."

A key decision made prior to opening the Inland Empire Business

Incubator was to contract with the local Small Business Development Center (SBDC) to manage the center. This linkage provided the tenants access to a host of SBDC services and expertise in areas such as business planning, marketing, funding sources, government procurement, international trade, environmental issues, etc.

Other bases are looking to duplicate the success at Norton. Currently, feasibility studies are being conducted in California at **George AFB, March AFB**, and the **Long Beach Naval Station** to name a few. These communities hope that incubators will be one more tool they can add to their economic development toolbox. 

Next month: A review of successful incubators around the country.

Charles Eason manages the Inland Empire Business Incubator, which is funded by the Inland Valley Development Agency, a Joint Powers Authority made up of the local county and surrounding cities. Under a contract with the Inland Empire Small Business Development Center, Eason serves as incubator manager and business consultant. He has a bachelors degree in Engineering Sciences from the University of California, San Diego, and an MBA from California State University, San Bernardino. He worked in the defense industry as a systems engineer.

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Reuse potential . . .

Continued from page 1

tains 870 historic buildings representing a range of architectural styles. It is now being converted to national park status from a local landmark that has been open to the public for recreational use. The variety of historic structures on the **Charleston Naval Base** ranges from elegant officers' quarters to unique early industrial buildings. Lack of access to secure bases such as Charleston has meant low public awareness of these sites. They are no less important, however, for being little known.

Historic buildings represent building and construction types that are not feasible to create today. They evoke an earlier time when government buildings were built sparing no expense, with the finest materials and techniques available.

Military installations were showcases of landscape design and site layout because most were created as "new towns": self-contained and providing all necessary services on large, raw parcels of land. **Hamilton Air Force Base** in Marin County, Calif., is not only famous for its Spanish-revival architecture, but also for its siting on the north end of San Francisco Bay, and the 1930s landscape of curvilinear streets following the topography of the hills, with a formal administrative center. That base, closed in the 1970s, is finally realizing its potential and many of the administrative buildings will be reused as community centers for the mixed-use development of the base.

The history of most towns associated with military bases is illustrated in the patterns of development on and around those bases. The many ship workers that lived in Vallejo, Calif., have strong associations with **Mare Island Navy Shipyard**, which is visible from the town's hills and shoreline. The town could lose much of its identity and shared history if they are unsuccessful in marketing the shipyard's National Historic Landmark district for reuse.



CASE STUDY

With mobilization for World War II, changes in building technology provided a greater uniformity in the appearance of bases across the country. These installations, which have just reached the 50-year criterion for eligibility to the National Register, are often significant for

"They evoke an earlier time when government buildings were built sparing no expense, with the finest materials and techniques available."

their role in shaping world history, as sites of historic events, or as sites of innovations in technology. In addition, many Cold War-era sites are eligible for the National Register because they meet these criteria.

In partnership with DoD

The National Trust for Historic Preservation has been working in partnership with the Department of Defense and the National Park Service for the last three years to provide preservation assistance to military installations, funded by the DoD's Legacy Resource Management Program.

As a federal agency, DoD is subject to the National Historic Preservation Act (NHPA) of 1966, as amended (16 U.S. Code [USC] 470-470t, Public Law [P.L.] 95-515; P.L. 102-575). This act establishes as federal policy the protection of historic properties or places and their values in cooperation with state and local governments. Subsequent

amendments designated the State Historic Preservation Officer (SHPO) as the individual responsible for administering the program in the states.

The NHPA also creates the Advisory Council on Historic Preservation (ACHP). Federal agencies are required to consider the effects of their undertakings on historic resources, and to give the ACHP a reasonable opportunity to comment. The base reuse planning process is subject to the requirements of Section 106 of the Act, and regulation 36 CFR 800 which implements the Act, requiring installations to identify resources and consequences of their actions and programs on historic resources, as well as sections 110 and 111, governing transfer of historic property.

Trust assists bases

One of the tasks assigned to the Trust has been to assist bases and communities affected by base closures. It is up to each base and community to determine how historic resources will be preserved after the military disposes of the base. The DoD approves the base reuse plan and prepares environmental documentation on the plan, and enters into consultation with the ACHP and the SHPO when properties eligible for the National Register are involved. When there are significant properties, the DoD, the receiving agency, the ACHP, and the SHPO enter into an Agreement which assigns responsibility for maintaining the historic resources after transition. (*The Trust is preparing a new information booklet to assist communities with preserving and reusing historic resources on bases that are closing which will be available in February of 1996.*)

Unfortunately, there is little federal money available to assist reuse agencies in rehabilitating the structures, or to pay for the administrative costs in additional project reviews. There are, however, economic incentives available to investors to support the reuse of historic structures. The Federal Tax Credit for the rehabilitation of historic buildings provides a 20 percent tax credit to owners or certain lessees who rehabilitate the structures according to the



CASE STUDY

Secretary of the Interior's Standards for Rehabilitation.

Economic Benefits

Other economic benefits such as tax valuation and grant and loan programs are available from some states. Also, many states have adopted a Historic Building Code which allows flexibility in interpreting local building codes to preserve historic features that will not affect health and safety. A final economic incentive that appeals to communities eager to create jobs for skilled labor is that rehabilitation is 20 percent more labor-intensive than new construction. In the last 20 years, historic preservation has become recognized as a redevelopment tool in many cities.

Some of the challenges in reusing historic property involve delayed maintenance that may have occurred due to budget problems. In addition, DoD has been exempt from local building codes. Many DoD buildings were constructed in wartime and lack conveniences, or were intended to be temporary. The infrastructure and basic utilities at most installations are outmoded, and need to be upgraded for any part of the base to be reused. Hazardous materials contamination at buildings or sites can also be an impediment to reuse.

Successful examples

Examples of historic DoD properties that have been reused successfully

include the **Charlestown Navy Shipyard** in Boston, which was jointly developed under the auspices of the Boston Redevelopment Agency and the National Park Service. After 20 years, the resulting project includes a museum that interprets shipbuilding and displays the U.S.S. Constitution, set in a campus that includes open space, housing, offices, and medical research facilities in reused historic structures, as well as infill construction.

Another good example is Officers' Row, adjacent to **Ft. Vancouver**, Wash. The City of Vancouver acquired the 21 Victorian houses in the 1980s and rehabilitated them using a combination of redevelopment monies, state grants, and a special-obligation bond issue. The result is a commercially viable mixed use development that turned dilapidated military housing into beautiful offices, housing, and community uses. The rental income from the project is paying off the bonds.

A typical reuse of historic districts on bases is for educational institutions, which have similar space requirements and find the military campus style

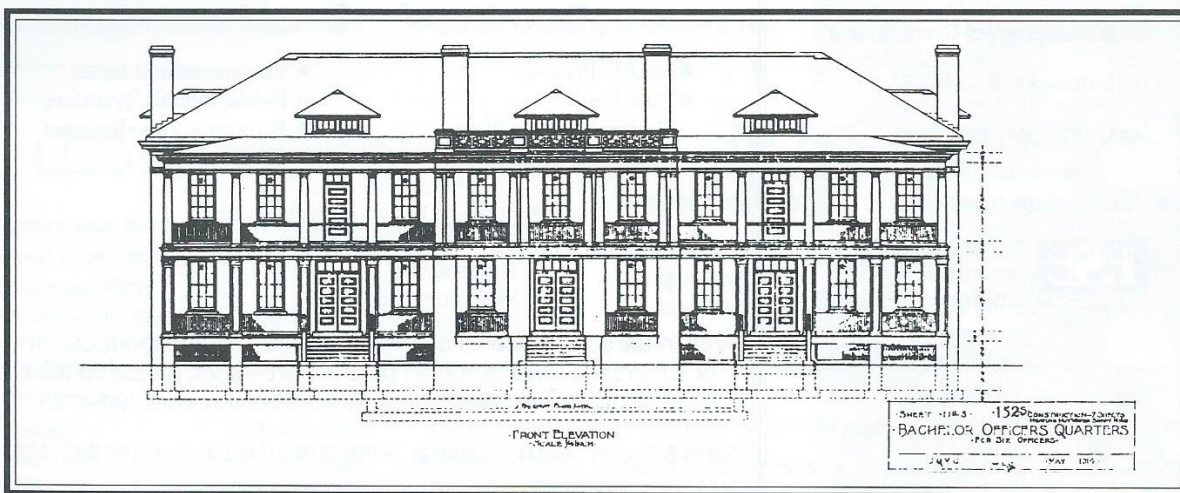
similar to theirs. **Ft. George Wright**, outside of Spokane, has been preserved in this way. **Ft. Ethan Allan** in Vermont evolved from its first incarnation as student housing to moderate-income housing as a project of the Vermont Housing Finance Agency.

Many historic bases that were closed in the early BRAC rounds are still working with the transition process. **Ft. Sheridan** in suburban Chicago has benefitted from strong participation by the Landmarks Preservation Council of Illinois, which lobbied early on for the inclusion of historic preservation planning in the reuse process. As a result, the historic district of officer's housing will be preserved as market-rate housing, and significant open space and the military cemetery will be preserved by the local open space district.

Charleston Navy Shipyard in South Carolina has more than 100 buildings eligible for the National Register. The town of North Charleston is heavily dependent on the shipyard for employment. The reuse authority has had some success in leasing or transferring Navy property to keep shipyard businesses employed. The Memorandum of Agreement calls for the identified historic properties to be marketed for reuse for a period of time, then if no feasible proposal is made which preserves the

Continued on page 14

Courtesy U.S. Army, Presidio Department of Facilities Engineering





NEWS BRIEFS

News Briefs

Washington, D.C.

After closing 243 military bases commission closes its own doors

On Dec. 29, the **Defense Base Closure and Realignment Commission** closed its headquarters in Rosslyn after determining the closure of 243 military installations in the 1991, 1993 and 1995 closure rounds.

"We were the heavies," said **Charles C. Smith**, the last executive director of a commission created to insulate elected officials. "We saved the taxpayers over \$5 billion a year for the next four years, and we did it for under \$13 million."

Sen. Sam Nunn, who helped write the legislation creating the commission, said it worked "amazingly well. Not perfect, but to compare it to anything else I've seen around here in 25 years..."

The commission has suggested an extended hiatus on closings. The 20

percent of U.S. domestic bases being shuttered still leaves considerable slack in the military infrastructure, **Chairman Alan Dixon** said, but it may take two presidential elections before the country has any appetite to address it again.

Former Chairman Jim Courter agreed. "If I seriously went up on the Hill and tried to rally my former colleagues into creation of another commission right now I wouldn't get anywhere at all," he said. "They've had it."

Nunn, however, said tight defense budgets could mean the pressure to close more bases will come sooner, and from the military services. "They don't enjoy

it either," Nunn said, "but when it's either that or not modernize, it makes a difference."

Source: *The Washington Post*

Vallejo, Calif.

City of Vallejo funds four studies for reuse of Mare Island Shipyard

The **City of Vallejo** has awarded contracts for four studies on the reuse of the **Mare Island Naval Shipyard**. Each study is funded by OEA grants.

The first study was awarded to **MPC Associates** (Washington D.C.) to determine the market conditions for forming an educational district. A consortium of nearby educational institutions have expressed their interest in the concept and the reuse plan includes the idea. The \$60,000 contract should be completed by this March.

The second study will determine the viability of establishing a historic district adjacent to the educational district.

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THE BASE REUSE REPORT



NEWS BRIEFS

Williams-Kubelbeck and Associates, Architectural Resources Group and Military Base Conversion Consultants were awarded a \$49,000 contract to study the feasibility, create a business plan, estimate the project's costs and to compare various types of districts. The study should be completed by this March.

The third study was awarded to **Bay Area Economics** to develop an action plan to assist local businesses in overcoming the impact of the shipyard's closure. Like the previous studies, the study should be completed by this March.

The fourth study was awarded to **Moffatt and Nichol Engineers** (Walnut Creek, Calif.) to recommend a method of replacing Mare Island's central steam plant. The \$98,000 contract is expected to be completed by April.

San Francisco, Calif. **BADCAT seeks innovative, environmental technologies**

The Bay Area Defense Conversion Action Team (BADCAT) will provide an opportunity for selected groups to demonstrate the effectiveness of new environmental technologies that improve site characterization, remediation and remedy validation methods. Consideration will be given to proposals that address contamination in soils and sediment consisting of inorganic materials in combination with volatile petroleum hydrocarbons. Remediation

technologies that use in-situ process and do not require off-site disposal or discharge of residual hazardous materials are preferred.

The field demonstrations will be held through the **Bay Area Environmental Technology Project**, which is a public-private collaboration of BADCAT and other organizations. For more information, please contact BADCAT at (415) 357-3100 or 181 Fremont Street, Ste. 210, San Francisco, CA 94123.

Limestone, Maine

Loring will retain name to keep identity, attract more businesses

Loring AFB will now be known as **Loring Commerce Centre**. The new name included "Loring" because of the identity already associated with the base. Using the European way of spelling "centre," the **Loring Development Authority** of Maine hopes to create an international image for the marketing of the former military base. At the same time, the committee determined that Maine should be part of the overall name, including a tag line: "Your Maine Door to Opportunity."

Source: *Bangor Daily News*

Written and compiled by Christopher G. Hart.

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CASE STUDY

Reuse potential . . .

Continued from page 11

building, for the buildings to be marketed without restriction.

The **Presidio** of San Francisco, is an example of efforts to create "trusts" to enable income-producing activities on park service property. The National Park Service's real estate specialists have developed financial packages for leasing historic properties which create an income stream while preserving the building. In addition, the Fort Point and Presidio Historical Association has been successful in retaining items from the Presidio Museum for a future museum.

The jewels of Mare Island

The city of Vallejo, Calif. and the Navy are still working on a Programmatic Agreement for the city's reuse plan for **Mare Island Naval Shipyard**, the first U.S. Navy installation on the Pacific. The Navy's consultant has recommended that the National Historic Landmark be re-designated to include a district covering 1,000 acres, including turn-of-the-century officer's houses, industrial buildings spanning the industrial revolution to the nuclear age, and hundreds of other structures of interest: administration building, hospital, and schools, barracks and dry docks.

One of the jewels of Mare Island is a Shingle-style chapel with authentic Tiffany windows. The Forest Service will relocate offices to one of the historic complexes, ensuring its preservation. A consultant is currently determining the feasibility of operating a maritime historical park or other historical building reuse for the core area of the shipyard.

The Trust is working with the SHPO and the NPS to assist the city with means to preserve all of the NHL. A private foundation, the Mare Island Historic Park Foundation, has been formed to make a working maritime museum there a reality.

Ft. Benjamin Harrison outside Indianapolis was established in 1903 and will close in 1997. Its Colonial Revival style historic structures will be protected by preservation covenants in the deeds that are transferred, with a marketing program to find new users for the properties.

Installations affected by the most recent round of BRAC include the **Naval Undersea Warfare Center**, in New London, Conn. The base is built on

"Lack of access . . . has meant low public awareness of these sites. They are no less important, however, for being little known."

top of and among a Civil War-era fort, with historic and modern structures side-by-side. Many of the bases on the 1995 list are Guard or Reserve units, consisting of one or two buildings.

Economic viability

The Trust's Legacy program is also providing support to groups that are forming around the issues of museums and collections protection, as well as the reuse of historic buildings for public benefit or nonprofit use. There are only so many museums that can be supported by a region, and communities must search for more economically viable reuses for these structures to ensure their preservation.

The city of San Francisco is currently developing a reuse plan for

Treasure Island Naval Station.

There are three remaining Art Deco structures from the 1939 World's Fair, held before the island was taken over by the Navy for WWII. One of these, the Administration building, houses the Treasure Island Museum, which is now raising funds to continue operation as a nonprofit.

At **Alameda Naval Air Station**, Calif., an educational institution is planning to reuse most of the base's Art Deco historic district. A group has formed here to preserve one of the buildings as a Naval Aviation museum to display Navy aircraft. In addition, the Aircraft Carrier Hornet Foundation is attempting to save the historic ship and port her near the museum.

Elizabeth Johnson is the Legacy Project Coordinator in the Western Regional Office of the National Trust for Historic Preservation in San Francisco. She is responsible for implementing the agreement between the Trust and the Department of Defense to assist in the management of cultural resources on military installations in the nine western states. Her background is in environmental planning and project management, and she holds a Master of Urban Planning degree from Columbia University, with a B.S. in Political Science from Northern Michigan University.

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The National Trust for Historic Preservation, National Legacy Program Coordinator: Andrew Lewis, (202) 673-4107.

National Park Service, Preservation Assistance Division: (202) 343-9573.

National Conference of State Historic Preservation Officers: (202) 624-5465.

References:

Department of Defense Integrated Management of Cultural and Natural Resources. Reference Guide and Workshop Manual prepared for the Department of the Air Force.



BRR FORUM

Strategies for reuse . . .

Continued from page 3

offset the positively valued assets against the negative value of the remainder, particularly given the substantial cost of necessary upgrades.

Finding a "buyer" or "taker" for the utilities may be very difficult. Utility companies will be reluctant to assume the liabilities posed by an inadequate system and commit the substantial upfront costs needed to bring such systems on line. This reluctance is compounded by the lack of an established customer base to generate revenue to offset the capital expenditures.

Revenue guarantees by the local reuse authorities may be requested. Grants and special financing must be made available to provide some incentive for utility companies to acquire and upgrade, or to help the LRA pay for these costs. The LRA itself is typically ill-equipped to become a utility company, in addition to the other roles it must assume in the base closure process. Public utility commission rules may prohibit such "private" utility acquisition.

Good infrastructure is a necessary prerequisite to implementation of both interim and long-term reuse plans. Private businesses will not relocate to a base without essential services. Disruptions due to infrastructure construction, upgrading or relocation must be minimized. A cooperative effort between the military, the LRA, utility companies, federal and state financing sources, and public utility regulators must be achieved to quickly implement a plan to transfer utilities, roads and other infrastructure to the local communities, and to finance the necessary improvements. ☐

Next: *Developing and adopting the community reuse plan.*

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

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Calendar of Events

Jan. 31-Feb. 2: 4th annual winter meeting "The Effective Technology Transfer Professional"—San Jose, CA (800) 678-6882

Feb. 1-2: National Association of State Development Agencies "Enterprise Zones in a New Era" 'Partnerships in Revitalizing Trageted Communities' workshop—Washington D. C. (202)898-1302.

Mar. 6-8: California Redevelopment Association Annual Conference—San Francisco, CA (916)448-8760

Mar. 14-15: National Association of Installation Developers Regional Conference—Oakland, CA, Contact: Bill Hunter (415) 788-4646

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

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

Aug. 4-7: NAID Annual Conference—Sacramento, CA (703) 836-7973

THIRD CRITICAL STEP

BEGIN FORMULATING A COMPREHENSIVE STRATEGY TO REALIZE IDENTIFIED OPPORTUNITIES

INPUT

- (1) preliminary identification of reuse opportunities and constraints
- (2) inventory real and personal property available for indirect and direct reuse planning
- (3) obtain expert/consultant advice
 - marketing analysis
 - financing options
- (4) examine short-term uses compatible with long-term goals which may be easily abandoned when long-term opportunities are presented
- (5) investigate utility of a master lease
- (6) map and inventory existing utilities & other infrastructure; obtain "as-built" drawings & other technical information; ascertain condition
- (7) evaluate structural integrity of buildings with potential for reuse
- (8) identify buildings for demolition

OUTPUT

- (1) provides immediate "successes" to maintain interest & momentum for base reuse; encourages businesses to make long-term commitments
- (2) develops strategy for timing & phasing infrastructure improvements & development
- (3) evaluates usefulness of master lease concept
- (4) develops short-term marketing and financing strategy, which may later be incorporated into long-range plans
- (5) identifies areas for immediate toxic cleanup to facilitate quick reuse
- (6) identifies potential long-term constraints on reuse
- (7) identifies and work out the "bugs" for long-term reuse
- (8) creates potential to integrate infrastructure improvements, particularly roadways and sewers, with existing or proposed regional construction projects
- (9) coordinates activities within the LRA itself

BOTTLENECKS

- (1) lack of toxic contamination data
- (2) lack of funding for infrastructure improvements
- (3) lack of community consensus for interim reuse goals
- (4) inability to obtain cooperation of military, utility & environmental regulatory agencies for reuse implementation before transfer of control of property to LRA
- (5) costs and liability associated with acquisition of utility system; lack of customer revenue base without LRA guarantees
- (6) inability to negotiate acquisition "price" with the military for utilities



INTERVIEW

Continued from page 5

of decision a full month before closure. We also got our EDC (economic development conveyance) in record time, just nine months after the gates closed at Lowry. We've been able to work through that red tape by just picking and choosing our battles. And, basically, our tactic has been that if we have an issue, we fly the team that is necessary back to Washington and we sit there until we have a resolution.

BRR: *What has been the Lowry experience with the McKinney Homeless Assistance Act?*

Meadows: One of the disadvantages of an urban base is that there is a high degree of interest by McKinney provider groups. Suburban or rural bases will have very few McKinney-type requests. We had requests for more than 300 McKinney units, which represented almost a third of our existing housing stock. That was totally unacceptable to the community.

We think we had a major impact on the changes in the McKinney Act that were modeled after what we did locally. We went out and got each of the applicants to agree to drop their McKinney applications in favor of a private contract between the LRA and the individual provider group. We went to HUD and asked for a grant, matched it with state and local and LRA funds. HUD put up \$5 million, the others put up

\$4 million, and we had a \$9 million pot of money. Then we created a coalition in the five-county area and asked each to take on its fair share of additional homeless, McKinney-type units.

"[When] people start talking 'should'—the federal government should do this, and they should do that—you're going to end up in the middle of nowhere."

— James E. Meadows

We created 200 new units of transitional housing in the five-county region, with 86 transitional family and 87 individual units at Lowry, which was a compromise accepted by the surrounding neighborhoods.

We have 550 families at Lowry, of which 65 are transitional housing for McKinney providers. It has gone very

smoothly. We've had no more issues with the McKinney families than we have had with normal move-ins and move-outs in other rental housing.

BRR: *Lowry is often cited as one of the so-called "poster children" in base reuse. What distinguishes Lowry from other closed bases?*

Meadows: First, Lowry is an urban base. We are surrounded by existing stable developments. That, on the surface, makes life a lot easier. You also find that expectations are much higher—I have 39 surrounding neighborhoods that take a look with a microscope at every issue we deal with. We go to every public meeting, every homeowners' association that has a Lowry agenda. We are on the road probably 10 to 15 times a month on public speaking tours. Location is definitely a plus. We have enjoyed support from the community. We have been a bit pushy. We have had the benefit of a lot of good planning by hiring a national planning firm, and excellent staffing.

But communication and location are probably our two biggest secret weapons.

Sigrid Bathen is the Editor of the BASE REUSE REPORT.

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