

BASE REUSE REPORT

MARCH

Economic Development, Planning and Redevelopment of Military Bases

1996

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BRR Interview: Alan Dixon

BRAC chair sees no new closures —'until memories fade'

By Sigrid Bathen

Alan J. Dixon, a two-term former U.S. Senator from Illinois, was chairman of the Defense Base Closure and Realignment Commission from October 1994 until August 1995, when the work of the 1995 BRAC was concluded. During his Senate career, Dixon served on the Armed Services Committee, heading the Subcommittee on Readiness which oversees much of the U.S. defense budget. As a senior member of the Senate Banking Committee, Dixon was among the first to introduce legislation to prosecute fraud in the savings and loan industry. In 1988 and again in 1990, he was elected chief deputy whip in the Senate.

Dixon's 43-year public career began when he was elected Police Magistrate of Belleville, Ill. He also served as Illinois Secretary of State and State Treasurer, as well as in both houses of the state Legislature. He is currently a senior partner in the corporate and business department with the St. Louis-based law firm, Bryan Cave, which also has offices in other major U.S. cities, Europe, Asia and the Middle East.

BRR: When you resigned as BRAC chair, you said the job was the "worst job in humankind." Why?

Dixon: When you're chairman of a commission of eight people who are

Continued on page 10

Business Incubators:

New companies, new jobs on old military bases

By Nanette Kalis

National Business Incubation Association

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

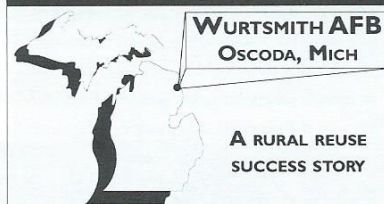
In the late 1960s, the Department of Defense (DoD) decided to abandon the 200-year-old shipbuilding yard in Brooklyn, N.Y. At its height of production during World War II, the Navy Yard employed more than 70,000 people. Though the number working at the yard decreased substantially in its later years, the closing still had a devastating effect on the local economy.

Eager to replace the lost jobs, the city of New York moved quickly to strike an agreement with the federal government.

The two parties entered into a lease arrangement, allowing the city to convert the 4,300,000 square-foot yard into an industrial park. Though the lease terms were favorable, the business climate was not. All the initial businesses signed to the yard failed.

Continued on page 8

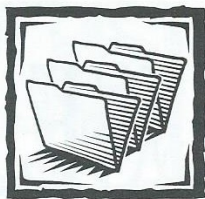
CASE STUDY



WURTSMITH AFB
OSCODA, MICH

A RURAL REUSE
SUCCESS STORY

SEE PAGE 2



CASE STUDY

Wurtsmith AFB

A rural reuse success story

By Thomas M. Chatel
President, Liaison Group

Wurtsmith Air Force Base, in Oscoda, Mich., officially closed in June, 1993, ending a long relationship between the Oscoda community and a base that had existed for nearly four decades.

The Oscoda community is located in Iosco County in rural northeast Michigan near the shores of Lake Huron and

*"We've made deals
that make sense."*

— Carl Sachs

the historic AuSable River. Wurtsmith was among the many Air Force facilities closed or realigned during Brac II, and prospects for successful civilian reuse of the Wurtsmith facility were deemed poor—challenging at best.

The rural location is nearly three hours from the metropolitan Detroit area and several hours from other major urban centers. It is in an area that, although enjoying the early stages of an economic renaissance, is essentially rural in character, has a history of struggling economically and has significant transportation deficiencies.

Initial expectations low

Despite the initial low expectations, however, the Wurtsmith reuse initiative is viewed as a dramatic example of the potential opportunities associated with the successful conversion of closed military facilities. The Wurtsmith reuse effort has created more than 750 jobs, already successfully replacing the

civilian job loss associated with the closure of the facility.

Currently eight private sector entities are engaged in a variety of activities, including aviation and industrial manufacturing while 12 public sector entities have located on the former base, providing educational and governmental services.

To date more than 876,000 square feet are under lease.

Entrepreneurial orientation

The Wurtsmith success story is highlighted by two critical elements: an entrepreneurial orientation and project financing. Carl Sachs, executive director of the Oscoda Economic Adjustment Office, charged with overseeing the reuse process since his appointment in 1992, notes: "I believe our experience is highlighted by two features. First, we've made deals that make sense by providing incentives and rental rates that are attractive to entrepreneurs while ultimately providing the community with the long term benefits of job creation and eventual new tax base.

"Secondly, we've been fortunate to find companies that are lead by entrepreneurs. It's sometimes difficult for reuse efforts, particularly rural ones, to deal with very large companies that have concerns regarding the regulatory and environmental issues surrounding reuse. Entrepreneurs are more likely to boldly pursue the host of opportunities associated with civilian use of former military facilities."

Early siting

The early siting of two private sector anchor tenants created immediate jobs, demonstrating the viability of the Wurtsmith reuse effort to the community and to its national audience while providing tangible benefits to the community. A lease with Duro-Last Roofing Co., a Michigan-based firm which is the largest manufacturer of roofing materials in the world, was actually completed a month before closure.

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

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CASE STUDY

In addition, American International Airways executed a lease for utilization of aviation facilities in August, 1993, only two months after closure. This corporate presence added significant early impetus to the local reuse effort and provided high profile anchor tenants. Both companies employ significant work forces and have leased more property and facilities beyond that contained in the original lease agreements.

Reuse financing

The Cooperative Caretaker process that allows for civilian operation of a closure facility was an early indicator of the Wurtsmith emphasis on project financing. Ultimately, the caretaker agreement with the Air Force Base Conversion Agency represented the largest such agreement in terms of annual funding and allowed for the operation and maintenance of the Wurtsmith facility for over three years. The Cooperative

Caretaker effort is anticipated to essentially end in 1998.

In addition, there was early recognition that overall project financing was critical to assure that the reuse would not languish or be completed on a fragmented basis. That recognition ultimately led Oscoda Township, along with five other local units of government and two counties in the impacted region, to facilitate the nationally recognized Wurtsmith Area Economic Adjustment Project.

This project utilized \$12.7 million for a variety of reuse initiatives, including:

- The construction of a regional water system which also serves the Wurtsmith facility.

- Extensive planning, platting and zoning to transition the Wurtsmith facility from an amorphous parcel of federal property to part of the Oscoda community.

- A multi-oriented Wurtsmith and community marketing initiative addressing industrial and tourism markets.

- Establishment of a bi-county Revolving Loan Fund to address the region's need for access to capital, as well as to facilitate the entrepreneurial reuse development of the facility.

The \$12.7 million Wurtsmith Economic Adjustment Project represents the largest grant award to an impacted community requiring no local match. In addition to federal sources, the State of Michigan provided approximately \$4 million for the project.

Continued on page 15

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BRR FORUM

BRR Forum

Implementing planning decisions —the property disposal ROD

By Randall A. Yim,
Contributing Editor

This is the last in a series of articles detailing the critical steps in a successful base closure and reuse from the LRA perspective. Previous Base Reuse Forums have discussed Identification of Opportunities and Constraints (January 1996) and Development of a Community Reuse Plan (February 1996).

The military must create and implement a final property disposal plan, but it is critical to local communities that the military not engage in reuse planning on "behalf" of the Local Reuse Authority (LRA).

Property disposal options identified during disposal planning are analyzed as alternative actions during the preparation of the environmental impact statement, and the selected actions are finalized in the disposal and reuse record of decision (ROD). Support for preparation of the disposal plan is typically provided to the military by the federal General Services Administration (GSA).

During this process, the military should not dictate or otherwise prescribe either a reuse planning process, or a reuse plan for the community. The property disposal record of decision should support local reuse decision making, rather than dictate a result.

Potential conflicts

Conflict potentially exists. the military and LRA may disagree about the nature and location of property to be retained by the military or other federal agencies, or under Pryor, which are suitable for competitive public sale. Similarly, the LRA may disagree with the state regarding jurisdiction. The most obvious example is disputes regarding lands relating to the Tidelands Trust Doctrine.

Disagreements may also exist regarding the nature of the property conveyance from the military to the eventual "owner". GSA and the military may disagree that property is eligible for public benefit conveyances or the Pryor economic development conveyances.

Personal property disposal, either as related personal property or under the Pryor regulations, may also be a stumbling block.

Conveyance of "less traditional" property such as air emission credits, infrastructure, mineral or water rights, sewer capacity, or other necessary easements or retentions may also be disputed and require negotiations. Finally, the appropriateness of land use restrictions as part of the comprehensive property disposal ROD will be debated.

Land use restrictions

Regulatory agencies may desire that land use restrictions to protect sensitive habitats, vernal pools or wetlands, be documented in the property record of decision rather than in later documents conveying title to the ultimate owner.

Comprehensive property disposal RODs need not be truly "comprehensive". Supplemental RODs evidencing changes in local reuse planning or dealing with "deferred" issues are commonplace. Once adopted, however, the comprehensive property disposal record of decision provides the legal basis for the military and the local community to implement the reuse plan with parcel-specific development proposals.

CRITICAL STEP COMPREHENSIVE PROPERTY DISPOSAL RECORD OF DECISION

INPUT

- (1) NEPA/local environmental review and compliance
- (2) adopted community reuse plan
- (3) military of federally retained property
- (4) state retained or acquired property
- (5) third-party competitive public sale property
- (6) public benefit conveyance request
- (7) LRA-negotiated sales
- (8) Pryor economic development requests

BOTTLENECKS

- (1) incomplete or not-adopted community plan
- (2) disagreements between military and LRA over property recipients, boundaries, eligibility for public benefit or Pryor conveyances
- (3) disputes regarding property suitable for competitive public sale under Pryor
- (4) disputes over property conveyance methods
- (5) transfer of utility systems

OUTPUT

- (1) installation restoration program
 - cleanup
 - budgeting
 - priorities
 - phasing
- (2) establishment of reuse priorities for timing/phasing of reuse and infrastructure development
- (3) development of marketing strategy
- (4) regulatory agency review & concurrence for parcel-specific disposal implementation
 - CERFA
 - FOSL/FOST
- (5) financing, including redevelopment agency creation, enterprise zone or LAMBRA designation
- (6) establishment of caretaking standards



BRR FORUM

Parcel-specific disposals

Once the reuse plan has been adopted by the local community and validated by the military in the comprehensive property disposal record of decision, all participants may proceed to implementation. Specific parcels of property may then be leased on a long term basis or title transferred to implement the reuse plan.

Certain prerequisites exist to lease or transfer. Typically, findings of suitability for leasing or transfer must be prepared by the military. These FOSLs or FOSTs require input from environmental regulatory agencies to determine that the proposed reuse does not create adverse risk exposures to either human or environmental receptors. The parcel-specific reuse plans must also be screened to prevent disruption to the ongoing cleanup programs.


Similarly, the implementation of reuse plans for specific parcels must be consistent with planning alternatives evaluated under both NEPA and counterpart state environmental reviews. Mitigation measures adopted as part of these environmental review processes must be followed during implementation.

Phasing and timing

Phasing of implementation is critical. Infrastructure development or upgrades must be timed with environmental cleanup, to bring those properties with the highest potential for reuse on line as quickly as possible. Phasing and timing will also affect marketing strategies and redevelopment financing.

Installation management or caretaking until property is transferred or leased from the military to the local

community is also critical. The bases are depreciable assets. Conflicts may arise between the military and local community about the "level of care" or standard to be maintained. The military may adopt a "maintenance" standard; the community will want a "property management" standard that enhances the "attractiveness" of the property for marketing purposes.

Ultimately, the military will convey property consistent with the adopted community reuse plan, and the initial and common goal of successful reuse will be achieved. 

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

Next: Reconciling privatization and base conversion

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.

SEVENTH CRITICAL STEP PARCEL-SPECIFIC DISPOSALS

INPUT

- (1) adopted community reuse plan
- (2) establishment of reuse priorities
- (3) timing and phase-in of reuse and infrastructure development
- (4) marketing strategy
- (5) comprehensive property disposal record of decision
- (6) final NEPA and local environmental documents
- (7) concurrence on findings for suitability for transfer or lease

OUTPUT

- (1) transfer of title
- (2) interim, long-term and short-term leasing
- (3) redevelopment area creation & financing
- (4) enterprise zone or LAMBRA designation
- (5) successful reuse

BOTTLENECKS

- (1) lack of toxic contamination data
- (2) disputes over FOSLs or FOSTs and risk assessments
- (3) air conformaty determinations
- (4) wetlands, habitat and endangered species mitigations
- (5) inability of property recipients to finance reuse



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LEGISLATION

Legislative Update

'97 budget—a difficult beginning, with parts of '96 still unresolved

By Josh Kirschenbaum

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

The 1997 federal budget year is off to difficult start, as many aspects of the 1996 budget remain unresolved. However, new programs and funding to enhance the base closure process have escaped the legislative paralysis in Washington with the recent approval of the National Defense Authorization Bill (S1124).

In late January, Congress approved the second version of the Defense Authorization legislation and the president is expected to sign it soon. The original bill was revived by Congress after the concerns between Congress and the president over the budgeting for weapons programs was resolved.

In conjunction with the Defense Appropriations legislation (PL 104-32) passed in October 1995, the authorization language provides the required legislation for all of the provisions for the base closure process outlined in the February issue of the BASE REUSE REPORT.

As adopted in conference, S1124 would authorize \$265.3 billion for defense programs in fiscal 1996. This is

\$7.1 billion more than the president requested and \$2.8 billion more than in fiscal 1995.

The revised draft does not include two provisions Clinton opposed:

- A mandate to deploy by 2003 an anti-missile defense.
- A requirement that the president submit various reports to Congress when he places U.S. military forces under United Nations command. One provision that remains unchanged is a House initiative requiring military personnel with AIDS to be discharged or retired within six months of their diagnosis.

In most other respects, the revised version simply reprises compromise language encompassed in the original Bill (HR1530).

With the final round of base closure announcements behind us, this is expected to be a light legislative year for base closure-related legislation. Many other issues will occupy Congress and the president during this election year. Most of the new legislation introduced will address problems in the conversion process and provide corrective measures to ensure more effective and efficient redevelopment of former military bases.

This is evident in the sole piece of legislation introduced thus far this year.

Pending legislation

HR2847—Coyne (D-Pa.) 01/04/96

A bill to amend the Internal Revenue Code of 1966 to permit the issuance of tax-exempt bonds for the economic development of distressed communities.

(BILLTRACK; CRS 01/25/96—digest 22 lines)
Item Key: 5268

In addition to tracking relevant base closure legislation, the BRR will continue to monitor the Federal Register Notices and Rules and Regulations. These announcements provide the final rules for implementing legislation and notices of new programs developed in past legislation. There were 14 new listings since the last update.

Department of Housing and Urban Development (HUD)

of the Assistant Secretary for Community Planning and No. FR-3778-N-70

Notice: Office of the Assistant Secretary for Community Planning and Development; Federal Property Suitable as to Assist the Homeless

Contact: Mark Johnston, (202) 708-1226
(FEDREGISTER 61 FR 3939 02/02/96; 626 lines.)

Department of Defense (DoD)

Department of the Navy

Community Redevelopment Authority and Available Surplus Buildings and Land at Military Installations

Designated for Closure: Research Laboratory, Underwater Sound Reference Detachment, FL (NRLUSRDO)

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LEGISLATION

Contact: John J. Kane, (703) 325-0474
(FEDREGISTER 61 FR 3008 01/30/96; 102 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: Point Molate Fuel Department, Richmond, CA

Contact: John J. Kane, (703) 325-0474
(FEDREGISTER 61 FR 3009 01/30/96; 129 lines.)

Department of Defense (DoD)

Department of the Navy

Notice: Record of Decision for the Disposal and Reuse of Naval Hospital, Long Beach, California, Parcel A

(FEDREGISTER 61 FR 1902 01/24/96; 425 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 Air Warfare Center, Aircraft Division, Indianapolis, Indiana

Contact: John J. Kane, (703) 325-0474
(FEDREGISTER 61 FR 2235 01/25/96; 114 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 Reserve Center, Huntsville, Alabama

Contact: John J. Kane, (703) 325-0474
(FEDREGISTER 61 FR 2235 01/25/96; 99 lines.)

Department of Defense (DoD)

Department of the Navy

Community Redevelopment Authority and Available Surplus and Land at Military Installations Designated For Closure: Surface Warfare Center, Crane Division Detachment, Louisville, Ky.

Contact: John J. Kane, (703) 325-0474
(FEDREGISTER 61 FR 2236 01/25/96; 113 lines.)

Department of Defense (DoD)

of the Navy

Notice: Community Redevelopment Authority and Available Surplus Buildings and Land at Military Installations Designated for Closure: Naval Reserve Center, Sheboygan, WI

Contact: John J. Kane, (703) 325-0474
(FEDREGISTER 61 FR 3009 01/30/96; 100 lines.)

Small BusinessAdministration (SBA)

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

Final rule: Business Loan Programs

Contact: John R. Cox, (202) 205-6490

Effective Date: 03/01/96

Application Date: 03/01/96
(FEDREGISTER 61 FR 3226 01/31/96; 6522 lines.)

Department of Energy (DoE)

Western Area Power Administration (WAPA)

Notice of Availability: Central Valley Project, National Defense Authorization Act Power Allocation

Contact: Zola M. Jackson, (916) 353-4421

Application Date: 11/30/03

Action Date: 02/26/96

(FEDREGISTER 61 FR 2503 01/26/96; 124 lines.)

Department of Defense (DoD)

Department of the Navy

Notice: Notice of Intent To Prepare an Environmental Impact Statement on the Proposed Disposal and Reuse of Naval Air Station Agana, Guam

(FEDREGISTER 61 FR 1566 01/22/96; 80 lines.)

Department of Defense (DoD)

Department of the Navy

Notice: Notice of Public Hearing for the Draft Environmental Impact Statement for the Disposal and Reuse of Naval Base Philadelphia, Philadelphia, PA

(FEDREGISTER 61 FR 3010 01/30/96; 53 lines.)

Department of Defense (DoD)

Department of the Army (DA)

Notice of availability: Draft Environmental Impact Statement (DEIS) on the Disposal and Reuse of Vint Hill Farms Station, Warrenton, Virginia

(FEDREGISTER 61 FR 712 01/10/96; 49 lines.)

Department of Defense (DoD)

Department of the Army (DA)

Notice of availability: Record of Decision on the Final Environmental Impact Statement (FEIS), on the Disposal and Reuse of Jefferson Proving Ground, Madison, Indiana

(FEDREGISTER 61 FR 712 01/10/96; 56 lines.)

Contact:

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

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Business Incubators . . .

Continued from page 1

With 10 years of frustration under its belt, the city moved to restructure the venture. The new focus would be on small businesses—the healthiest segment of the U.S. economy in terms of job creation. In the early 1980s, the city created the Brooklyn Navy Yard Development Corporation (BNYDC) to oversee operations at the yard. In addition to rental space, BNYDC would offer tenant companies comprehensive business advice and services, ranging from pre-loan application assistance to business planning. In doing so, BNYDC became the world's largest business incubator.

Business incubators are business assistance programs that target start-up and fledgling firms. They have been used successfully by many communities to create jobs, diversify local economies, revitalize neighborhoods, and facilitate technology commercialization. As more and more communities are hit by military base closures, they are considering business incubators to help address a twofold problem: “empty” real estate and loss of jobs.

Success story

In the case of BNYDC, more than 200 tenant companies are now located in the yard's sprawling complex. These companies have created more than 3,000 jobs, at a rate of 150 per year. The program has been so successful that the yard will soon be launching a targeted-industries incubator with three distinct components geared to the garment, jewelry and multi-media industries.

Valerie White, BNYDC incubator director, says that a 70,000 square foot building within the yard complex will be renovated to accommodate the latest incubator project. In addition to new floors, walls and elevators, BNYDC plans to construct a runway to showcase the work of garment clients and a teleconference center for its multi-media tenants. The renovations will be covered, in part, by a \$1.7 million grant



BASE DEVELOPMENTS

from the Economic Development Administration (EDA).

The EDA is not the only agency to offer relief for military downsizing. Thomas Shea of the DoD's Office of Economic Adjustment (OEA), says that DoD offers grants to communities that have experienced base closures or substantial job losses due to downsizing of military contractors. These grants can

“A military base closure has much in common with the closure of a large factory.”

be used to fund overall economic development plans as well as feasibility studies on business incubation.

“We recognize that small business incubators are valid and useful mechanisms for helping communities create jobs that were lost due to defense downsizing,” Shea says.

Shea adds, however, that the DoD program is only in its second year. “Of the handful of communities that are doing incubator feasibility studies, none has an incubator up and running yet,” he says.

Models scarce

Thus, models of communities that have converted military bases to incubators are scarce. Most bases were closed in the 1960s or 1970s, before the concept of business incubation took hold. The **Brooklyn Navy Yard** and the **Inland Empire Business Incubator** on the former Norton Air Force Base in California, discussed in the last issue of THE BASE REUSE REPORT, are exceptions.

But a military base closure has much in common with the closure of a large factory, with similar economic impacts on the respective communities. Both situations involve large amounts of vacant—but potentially valuable—real estate, and the need to attract new businesses to create new jobs.

There are numerous models of communities that have successfully converted abandoned factory space into thriving incubators.

In 1957, a Massey-Ferguson plant shut down in Batavia, N.Y. More than 2,000 jobs were lost. In response, the **Batavia Industrial Center** was created. The center, which has worked with more than 1,000 firms, currently houses 100 businesses that support 600 jobs. The success of the project has spurred the development of several industrial parks, as firms grew out of the incubator and moved to larger spaces or constructed new buildings of their own. The estimated value of the buildings owned by Batavia Industrial Center's graduates is \$17 million.

In Meadville, Pa., the **Meadville Industrial Condominiums** converted 250,000 square feet of abandoned factory space into multi-tenant real estate. Approximately 50,000 square feet were reserved for a business incubator. This project now boosts nine start-up and fledgling firms—many machine tool and tool-and-die related. The client companies utilize the expertise of the region, and were instrumental in attracting a subsidiary of General Motors to the area.

These incubators and others like them focus on nurturing small businesses through the critical start-up years when they are most likely to falter due to inadequate financing or lack of management expertise. Incubators do this by providing flexible space and leases, shared administrative services, and business consulting.

In addition, the incubator manager plays a crucial role in the project. He or she serves as the “champion” of the incubator clients, orchestrates exposure to a network of community and regional

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BASE DEVELOPMENTS

resources, offers advice, facilitates networking among client firms, represents the incubator to the community, and often manages the building.

Manager is pivotal

Obviously, the incubator manager is pivotal to the success of the project. He or she must be able to rally the resources of the business and financial community and have the experience, enthusiasm and skills to make sure incubator clients get the high-quality support they need. If a community is interested in developing an incubator, it should be willing to invest in the right manager. In addition, there are several other key points to keep in mind before launching an incubator project:

• **Solicit community support.** Many incubators are joint public-private partnerships. Universities, banks, economic development corporations and local business service advisors may provide financial and technical resources to

the developing incubator. The incubator, in turn, can offer these entities substantial benefits. For instance, an incubator can help commercialize technology developed at a university, thus helping the university earn returns on intellectual property.

• **Manage stakeholder expectations from the start.** Get a handle on what the incubator supporters want, and if possible, try to get them to quantify their expectations. For instance, if a city official says, "I want to see jobs created," find out *how many* jobs. Within what period of time? In other words, discuss expectations and bring them in line. Also, make certain you drive home the point that this is a long-term investment.

You may want to avoid stakeholders who have a reputation of favoring one project today, another tomorrow.

• **Make the incubator an integral part of the community's economic development strategy.**

The incubator should be recognized as the most visible and dynamic focal point of community efforts to support new, entrepreneurial firms and to lessen the barriers to their success. Many incubators have found that they can help with job retention, expansion and attraction—not just the job creation aspect of economic development.

• **Run the incubator as a business.**

The best incubators are as entrepreneurial as their clients. They pay close attention to their own bottom line, and they pride themselves on fostering an entrepreneurial spirit. They keep their eye on the prize emerging companies—

Continued on page 16

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Continued from page 1



Illustration by Gaylord Bennett

going around the country and physically visiting hundreds of bases and installations, where the people know you're coming there to look at them and the object is to close them, you get off the airplane and there are thousands of people in line and bands and everything else, and they've got signs and they're sending you messages—"Don't take away my job!" Well, let me tell you something, that's unpleasant, terribly unpleasant. It's a job I would never take again. The worst job I have ever held in my lifetime. And I am proud of the job we did, but I would never want to repeat it.

BRR: So, in retrospect, if they'd offered it to you and you had known what you know now, you would have turned it down?

Dixon: Well, I say that, but when the President of the United States says, "We have to have you, you are the only one with the experience and the ability to do it," a man would have to examine his conscience, because I am a patriot and love my country and would do what's right. But, if you're asking do I want to do that again, the answer is I would rather have a flogging than do that job again... Although, you know, all experiences in retrospect are valuable to a person in the growing process of a lifetime, and I don't mean to imply that it wasn't an interesting experience. It was just a doggone tough job.



INTERVIEW

BRR: The base closure process was designed to save money for more critical defense requirements. Has that happened?

Dixon: Oh, yes. We closed or realigned 107 this time and saved about \$20 billion. Over the entire experience of the '88, '91, '93 and '95 base closings, I have no idea how many billions were saved, but it was a very, very substantial number. So I think the whole process has been very much worthwhile.

*"I would rather
have a flogging than
do that job again"*

BRR: You expressed concern that there needed to be additional rounds of closures, which would require legislation. What is the likelihood of that happening?

Dixon: We recommended another base closing round in 2001, but the Congress did not do anything about it. I think that until memories fade, the Congress probably won't do anything about it again. So I doubt very seriously that for the next decade you'll see another process like this.

BRR: How will dwindling federal funds affect reuse, and specifically toxic cleanup?

Dixon: Adversely. There just isn't enough money for all the cleanups. Frankly, even before we did this last round there were a lot of things not being done in base cleanups that were necessary. But that is true generally of the environmental programs in the United States. There isn't nearly enough money available right now to do the job that needs to be done. So it is a very, very serious problem that will impact us sometime soon. I happen to be one of those

who believes we have to balance a budget, it's a high priority and something must be done. But I really worry about this because there are a lot of these bases that we have ordered closed that, realistically, will not receive the full impact of our order and a genuinely valuable economic reuse because the cleanup cannot be afforded.

BRR: Isn't this short-sighted budgetary planning?

Dixon: The simple fact is that it is human nature. This is a huge expenditure, and nobody sees an immediate benefit, don't you see? So everybody says "Wait! Let's spend it on student aid that they see right away. Let's spend it on parks. Let's spend it on this, that and the other acquisition by the federal government." Environmental cleanup—that's just the thing that most people don't see readily. Maybe they see it years later like when they cleaned up the Potomac and now you can fish in it. At one time you could light a match and burn it [in the Potomac]. But they don't see that for a period of years, so people don't have the level of consciousness that is required to make it attractive to them.

BRR: What is your view of the so-called privatization of closed bases?

Dixon: I think the privatization concept is excellent if appropriately used. For instance, in Louisville and Indianapolis where they are talking about privatization, where they are really keeping the equipment and the personnel that can do the job and giving it to the private sector to do instead of the federal government—I think that will work. But I think if you're talking about using privatization to service the political system and exploit, from a political standpoint, the necessary needs and locales around the country to avoid closure, when in reality you have excess capacity, then I think privatization is something of a farce.

I personally favor privatization wherever we can do it on the grounds that



INTERVIEW

the private side and independent business interests do a better job, generally, than government.

BRR: *How might the base reuse process be better coordinated?*

Dixon: The major problem is what we do post-closure. It doesn't really work as well as it should. You have a lot of federal agencies fighting over the scraps. . . All of those things where the government continues to mess with it after the closure takes place do a great deal of damage to a process that would work better if we let the private sector function better in it.

BRR: *Do you think the changes in the McKinney Homeless Assistance Act have improved the process?*

Dixon: I think the McKinney Act is a mistake as a part of a reuse of military installations. There are places it will work and places it ought not to be employed. To go into places like, say, Fort Sheridan, which is a highly valuable section of real estate along Lake Michigan above Chicago, where very wealthy people live, to go in there with a McKinney Act effort is just sort of counter-productive. It won't work. You cannot put a place for the homeless next to mansions. Lord knows we've got to take care of the poor, but there is a method of doing it that makes sense and there are ways of doing it that don't make sense at all. Unfortunately, the government applies solutions generically when it won't work generically.

BRR: *Has the red tape involved in the reuse process been reduced?*

Dixon: No. This administration—with its new efforts on post-closure, mostly by Sen. David Pryor and the Pryor Amendment—has done a lot to improve post-closure. But there are still a lot of problems . . . Once you inflict the trauma on a community of closing a base, Lord knows you ought to go out there and help them do it in a way that pleases them. But to inflict the trauma and then say from Washington, "Now that we've

inflicted the trauma, here's the way we'll cure it for you." That's a mistake only the worst kind of liberals could have invented.

BRR: *How would you change the process?*

Dixon: When you have closed the base, let them form their own group in the area affected by the closure, and let them do what they want to do and try to help them. Don't go imposing all kinds of rules that mess things up. Let them solve their problems. If they need some help, help them. But don't go out and mess them up all of the time. The problem is we are doing exactly that.

BRR: *Could you give us an example of an effective reuse effort?*

Dixon: In my view, it worked best in the village of Glenview, Ill. In all candor, it worked great there because the entire base that was closed was inside the city limits of the village of Glenview, which is a town of about 35,000 or 40,000 people. They formed their own committee, and they began work immediately. They worked with the federal government, articulated their concerns, spent money to go to Washington and talk to people and did the right kind of a job. They had their own group in place from Day One.

Sigrid Bathen is the editor of the BASE REUSE REPORT

Next month: *The BRR Interview with Deputy U.S. Undersecretary of Defense Maj. Gen. John Phillips, former commander at McClellan Air Force Base in Sacramento, Calif., who will oversee privatization efforts for DoD.*



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NEWS BRIEFS

News Briefs

Oakland, Calif.

NAID western region conference will focus on issues, marketing

The **National Association of Installation Developers** will host a three-day conference in Oakland March 13-15. During the first two days, the focus will be on marketing and addressing issues facing base reuse efforts in California.

On the third day, the session will be expanded to include end users of facilities, such as developers, brokers and corporations. Local reuse authorities will market their facilities at display tables. For more information, please contact NAID at (703) 836-7973.

San Antonio, Tex.

Kelly AFB contractor receives first Delta defense 'crossover' loan

A San Antonio company received the nation's first loan Monday to help

wean small businesses from defense to private-sector contracts. The \$600,000 loan was provided through the **Delta loan program**, a part of the U.S. Small Business Administration's 504 loan program, is targeted to small companies whose primary income is from contract work at military bases that are closing or being realigned.

"The Delta loan is the key to **BBS Express'** survival. We are now able to build a facility that will better serve our needs and to restructure our overhead," said **Robert Saxon**, whose family has contracted with the military since the late 1950s. Since 1989, the company has operated a business at Kelly

AFB to repair and maintain material-handling vehicles.

The Loan Guaranty program will provide funds for individual loans of up to \$1.25 million and the Certified Development Company program will provide an additional \$1 million. The program, which also offers technical assistance to those companies, is a joint effort of the Small Business Administration and the Department of Defense.

Source: San Antonio Express-News © 1996

San Diego, Calif.

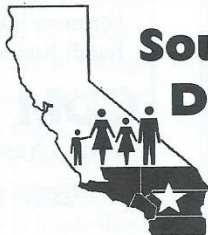
ICMA schedules workshops on reuse, dispute management

The **International City/County Management Association (ICMA)** is hosting a two day workshop in San Diego on April 25 and 26. The workshops are co-sponsored by the **National Association of Installation Developers**, the **National Association of**

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NEWS BRIEFS

Counties, San Diego State University, and the ICMA Military Base Reuse Consortium.

The workshop on April 26, *Military Base Reuse Technical Training Workshop*, will discuss specific aspects of base reuse for the local practitioner. The workshop will feature panel presentations which will be followed by open discussion. Panels will be comprised of local government, military, and federal agency officials, as well as other experts in each field. The cost to attend just this workshop for non-ICMA members is \$150.

Managing Disputes in Your Community: Collaboration, Consensus Building & Conflict Resolution will be the workshop on the previous day. A variety of information and techniques will be provided through lecture and "real world" simulations. The cost to attend both workshops for non-ICMA members is \$350. For more information, please call (202) 962-3645.

Ayer, Mass.

Fort Devens lands new tenant—Gillette Co. distribution center

The **Gillette Co.** plans to consolidate outmoded warehouse and distribution operations in **Andover, Wilmington** and **Lynnfield** in an \$18 million, 410,000-square-foot facility at the closed Fort Devens, in Ayer, Mass. The building is scheduled to be completed in spring 1997.

Gillette had been seeking sites for a consolidated distribution center throughout New England and was attracted by an aggressive campaign by **Gov. William Weld's** office, the **State Legislature**, the **Massachusetts Land Bank** and officials in neighboring towns.

The presence of a high-visibility international company like Gillette should be a stimulus for further private-sector development. Gillette is not the first private enterprise to announce development plans at Devens; **Fraunhofer USA** will break ground this spring for a modest research and education institution.

Source: *Telegram & Gazette*

San Francisco, Calif.

Treasure Island's future wide open as city considers wealth of options

Treasure Island is located on a 400-acre island in the San Francisco Bay. A long time home to the Navy, the base will be transferred to the city in 1997. **Mayor Willie Brown** said, "San Francisco's getting its hands on that real estate is a gem for us."

Brown recently proposed that the island's brig be used as a women's jail and that its 900 housing units serve as a home for public housing residents. Members of his staff were "already proposing a day camp program for summer for city-based youngsters. During his recent campaign, Brown also suggested that the island could be used as a casino (See Oct. 1995 BRR *Newsbriefs*), but he now dismisses the idea.

The mayor's latest proposals will compete with plans already floated for the island, including a high-tech park, sports and entertainment complex, and an education center. A citizens committee is currently developing plans for the property and will make its recommendations in March.

A potential obstacle to all options, however, are reports that the island has sunk four feet since its construction in 1936, and it might cost as much as \$577 million to reinforce it against potential earthquake damage.

Source: *San Francisco Examiner*

Syracuse, N.Y.

Seneca Depot to remain open; \$175 million lacking for closure

According to an article in *The Post-Standard*, the Army has ordered the Seneca Army Depot closed by 2001, rather than 1997, due to a lack of Army funding for the closure.

Continued on page 14

RFP Ad

Memphis Depot Redevelopment Agency is seeking a qualified consultant to prepare a **BASE REDEVELOPMENT PLAN** for the Defense Distribution Depot Memphis. Request for Proposals will be available March 1. Deadline for proposal submission is March 29, 1996, 5:00 p.m. (CST). If interested, please contact: Cynthia Buchanan, (901) 942-4939 or at 2163 Airways Blvd., Memphis, TN 38114.

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NEWS BRIEFS

Continued from page 13

San Francisco, Calif.

Technologies respond to clean-up needs at closing military bases

Clean-up of the Bay Area's closing military bases got a boost when the **Bay Area Defense Conversion Action Team's (BADCAT) Environmental Technology Project**, a program of the **Bay Area Economic Forum (BAEF)**, received 21 proposals from 19 environmental technology developers seeking to demonstrate their technologies (See Feb. 1996 BRR *Newsbriefs*).

Eleven of the proposals were from Bay Area technology companies and two were from the region's national laboratories, with others coming from as far away as the East Coast and Canada.

The proposals were in response to BADCAT's solicitation for new solutions to common contamination problems on the closing bases to facilitate faster, better, cheaper and safer ways to turn the bases into productive real estate for the region's benefit.

Over the next month, several of the companies will have their technology proposals evaluated for putting their technologies to the test at one of several test sites established at selected Bay Area Navy bases. The new technologies will be evaluated for cost and performance benefits as compared to traditional characterization and clean-up methods. Companies with technologies that

perform well could be awarded clean-up opportunities.

BADCAT initiated the Environmental Technology Project to link expansion of one of the region's competitive industries to base conversion as a means to replace lost military jobs and dollars in the local economy and to accelerate clean-up and transfer of Bay Area bases for local use.

The BADCAT Environmental Technology Project is a partnership between BAEF, **Bay Area Regional Technology Alliance (BARTA)**, **U.S. Navy, California Environmental Protection Agency (CAL EPA)**, **Chevron** and other technical experts collaborating with technology companies to test the efficiency of these new detection and clean-up methods.

The partnership is an agreement to work together, during an era of scarce federal dollars for clean-up, to incorporate new technologies into base conversion and to focus on ways to reduce the time required for clean-up and the \$1.1 billion dollars the **Governor's Office of Planning Research** estimates it will take for clean-up of the region's 12 closing bases.

Anniston, Ala.

Reuse Authority, National Guard overcome Fort McClellan impasse

On Dec. 21, the **Fort McClellan Reuse and Redevelopment Authority** and the **Alabama National Guard** announced the resolution of their dispute over the reuse of **Fort McClellan**.

BRAC awarded the National Guard the exclusive use of Pelham Range and other essential land and facilities to serve as a National Guard enclave. Since that announcement, the Reuse Authority and the National Guard have been negotiating the size and location of the enclave. The Reuse Authority objected to the National Guard's first proposal because it encompassed prime civilian use land and because the facilities might revert to the General Services Administration if the National Guard ceased using the enclave.

The agreement states that the enclave will consist of 500,000 square feet in buildings and 30 acres of land—the National Guard, however, will only have exclusive right to 22 acres.

Both parties will conduct a study to determine the feasibility of retrofits and find funding sources. With the enclave agreement settled, **Robert H. Richardson**, executive director of the authority, said that "Fort McClellan is open for business."

Written and compiled by Christopher G. Hart.



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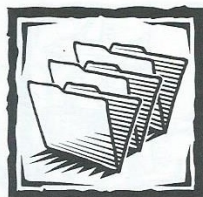
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CASE STUDY

Wurtsmith AFB . . .

Continued from page 3

The Wurtsmith Area Economic Area Adjustment Project required a high degree of community consensus, including five local communities and two counties.

The Oscoda Township community also took the innovative approach of actually acquiring the base electrical and gas distribution systems from the Air Force through a soon-to-be-completed Economic Development Conveyance and selling them to large Michigan-based utility companies. The sale of the electrical system is anticipated to generate \$1.2 million and the sale of the gas system will generate an additional \$350,000 in upfront payments.

In addition, \$675,000 in incentive payments will be paid to Oscoda Township if electrical and gas sales eventually achieve certain levels on the base. Along with actual cash payments, Oscoda also received ownership of a local campground previously owned by one of the utility companies.

Fundamental lessons

The Liaison Group involvement in the Wurtsmith effort—including design and negotiation of the Cooperative Caretaker Agreement and development and administration of the Wurtsmith Area Economic Adjustment Project—impressed upon us two fundamental lessons:

First, the entrepreneurial orientation of the reuse effort provided an unusually proactive orientation by the local community—both in terms of its

utilization of all possible federal, state and local funding opportunities, with targeting of actual private sector entrepreneurs.

Secondly, the high level of consensus in the region was instrumental in ultimately procuring the Wurtsmith Economic Adjustment Project—real world financing that provided the foundation for a variety of critical initiatives.

Challenges remain

Challenges to the on-going Wurtsmith effort remain. Successful utilization of the base housing stock, implementation of market initiatives and linking the facility to the fabric of the community are yet to be completed.

Clearly, however, the next phase of the Wurtsmith reuse effort will be accomplished on a foundation of entrepreneurial innovation.

Thomas M. Chatel is President of The Liaison Group, Inc., a consulting firm with offices in Michigan and Washington D.C. He has been involved in a variety of base reuse initiatives and is recognized for his emphasis on project financing, consensus building and innovation.

Contact:

The Liaison Group, 1864 North US-23, P.O. Box 383, East Tawas, MI 48730, (517)362-0280, (517)362-0281 Fax liaison@michamber.com e-mail

Calendar of Events

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

March 13-15: The NAID Western Regional Conference—Oakland, CA (703) 836-7973

March 28: DoD and LRA complete personal property screening

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.

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

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



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BASE DEVELOPMENTS

Business Incubators . . .

Continued from page 9


rather than on politics, real estate or other distractions.

• **Know your market.** An incubator may be general purpose or targeted to a specific industry sector. In the latter case, however, it is critical to ensure that a sufficient interest exists. For instance, careful examination of the market is required prior to developing specialized food-processing or biotechnology incubators. Some incubators, like the Navy Yard, have chosen to start as general incubators and create targeted industry strategies later as the need and resources emerge.

• **Conduct thorough research and planning.** Financial projections must be realistic, and financial support from federal, state and local sources should be secured during the early stages of the project. If possible, avoid any debt service on the building, so that rents and

fees gathered from clients can support the business assistance program rather than amortizing debt. There is little debate in this economic climate that incubators must develop from the start the means to become self-sustaining in a few years.

• **Join the National Business Incubation Association (NBIA).** With 800 members worldwide, NBIA is the largest membership organization of incubator developers and managers. The association offers its members professional development and education, networking and contacts, and publications on incubator development, facility management and effective business-assistance programs. It will be sponsoring the 10th National Conference on Business

Incubation May 22-25 in New Orleans, La. The NBIA's latest book, *A Comprehensive Guide to Business Incubation*, is a good place to begin exploring the possibility of an incubator project. 

Nanette Kalis is a free-lance writer and contributing editor to NBIA Review, the primary newsletter of the National Business Incubation Association.

Contact:

NBIA at 20 E. Circle Drive, Suite 190, Athens, Ohio 45701; (614) 593-4331; fax (614) 593-1996; e-mail (slindern@reach.com).

Resources:

(Available from NBIA)

Growing New Ventures, Creating New Jobs: Principles & Practices of Successful Business Incubation, by Mark P. Rice and Jana Matthews (Quorum Books, Westport, Conn.) 1995.

Forging the Incubator: How to Design and Implement a Feasibility Study for Business Incubation Programs, by Robert A. Meeder, (NBIA, Athens, Ohio) 1993.

Bricks and Mortar: How to Find and Design the Best Business Incubator Facilities, (NBIA, Athens, Ohio) 1992.

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