

REDEVELOPMENT BOOT CAMP

To survive the latest round of base realignments and closures, military-centric communities will have to find ways to turn barracks and bombing ranges into something marketable BY CHARLES GERENA

A talkative group fills the restaurant booth near the front door of Ida's Kitchen. They chew the fat about the latest movies and exchange neighborhood gossip while a gray-haired lady listens quietly from a chair pulled up beside the booth. She is the owner of the establishment, which provides catering services throughout rural Southside Virginia as well as a hot platter of Southern cooking for walk-ins.

Right away, two things stand out. Only one man is seated at the booth, and he is dressed in the camouflage colors of an Army National Guard

uniform. Actually, there is something else different. The long, flat building looks like it belongs on an Army base. In fact, Ida's operates in what used to be a mess hall that fed soldiers stationed at Fort Pickett. Outside, C-17s practice sorties at a nearby airfield four times a week. Sometimes, they fly so low that a passing motorist can almost make out the pilot's face.

Fort Pickett covers 42,000 acres, making it larger than Washington, D.C. The vast facility's economic influence spreads even farther, encompassing the small town of Blackstone and surrounding Nottoway County. Both fared OK after Fort Pickett landed on the Base Realignment and Closure (BRAC) list in 1995. The facility was taken over

by the Virginia Army National Guard, which manages it pretty much as the U.S. Army did for more than 50 years.

"The military presence continues, and thank goodness for that," says Joe Borgerding, a bank manager in Blackstone who recently served on the board of the local chamber of commerce. And a small section of Fort Pickett made available for private development has supported some economic activity, mostly small businesses like Ida's Kitchen.

Other localities in the Fifth District lost military installations during the four previous BRAC rounds between 1988 and 1995, but they were spared the major closures that shook up communities in states like California. (The big exception was the shutdown of the Charleston Naval Complex, which cost the South Carolina city thousands of jobs.) In fact, a few places like Naval Air Station Patuxent River in southern Maryland and Marine Corps Air Station Cherry Point in eastern North Carolina enlarged when they received personnel from closed facilities.

The Fifth District may dodge the bullet again. Fort Monroe in Hampton, Va., was the only major installation targeted for closure when Defense Secretary Donald Rumsfeld announced the preliminary 2005 BRAC list in May. And Naval Station Norfolk in Virginia, Fort Bragg in North Carolina, and other

Most of Fort Pickett, which covers more ground than the nation's capital, was retained by the military rather than redeveloped.



PHOTOGRAPHY: COURTESY OF FORT PICKETT

facilities could end up with a net gain in employment once the dust settles. But a nine-member commission can modify Rumsfeld's list before they present it to President Bush for his consideration in September. Until then, every community with a major military presence faces an uncertain future.

It's hard to generalize about how well they will fare judging from Fort Pickett's experience alone, especially since the installation was "realigned" instead of closed. But the effects of previous BRAC rounds on communities like Blackstone and efforts to mine the economic potential of military installations like Pickett offer some important lessons. Most importantly, the odds of success increase when redevelopment complements what the local community already does well.

"Rome wasn't built in a day, and you aren't going to redevelop bases in a day either," advises William Harvey, former chief of the Army's BRAC office and president of an Alexandria, Va., consulting firm that helps redevelop federal property. "The time [required] is based on the area's absorption capability and the demand for that type of property."

Being "Brac"-ed

Before the release of the initial 2005 BRAC list, news stories appeared with ominous headlines like "Base Closings Will Hit Like Tsunamis." Past experience doesn't justify this level of pessimism.

A recent analysis by the U.S. Government Accountability Office found that about 85 percent of local civilian jobs lost during previous base closures have been replaced through the development of the properties. "Two key economic indicators — the unemployment rate and the average annual real per-capita income growth rate — show that BRAC communities are generally doing well when compared with average U.S. rates," the report states.

Other research has found that, in the aggregate, the economic effects of a base closure don't spread far beyond the immediate vicinity over the long run. Even then, the ripples rarely become the tsunamis that people predicted.

One of the researchers who reached this conclusion is Ted Bradshaw, a community development expert at the University of California-Davis. "If you are losing a base [that] has thousands of people, you cannot assume that your economy is going to go down the tubes," he says. "You don't have that local customer base [anymore], but the net effect over a number of years is going to be possibly neutral or positive."

For individual communities recovering from a closure, though, the short run can be painful. "The recovery process has not necessarily been easy, with the strength of the national, regional, and local economies having a significant bearing on the recovery of any particular community facing a BRAC closure," noted the 2005 GAO report.

The shutdown of a military installation tends to hurt rural communities more than urban locales. Bradshaw and others say that's because such facilities account for a relatively large share of employment and spending in an economy with a relative lack of business diversity. The impact of a closure also depends on the type of installation, which determines how much of its payroll and procurement dollars are spent locally. (See the cover story, "Dollars and Defense," in the Summer 2003 issue of *Region Focus*.)

The Army built Fort Pickett during World War II to prepare Army soldiers and reservists for battle. Tens of thousands of these warriors spent money locally during their stay, while the facility employed hundreds of civilians to maintain the grounds and purchased some supplies locally. Fort Pickett revved up again during the early 1950s to prepare soldiers for combat in North Korea, then evolved into a transient facility for training armed forces.

Fire Sale

With the potential negative effects of a base closure on a local community come the potential benefits of freeing up military real estate for civilian use. For installations where urban development encroaches upon its borders and land is at a premium, their property could prove very valuable. In fact, the

Long Recovery

Only two of the five major base redevelopments in the Fifth District have managed to produce enough jobs from private-sector investment to replace the civilian jobs lost post-BRAC.

	Loss	Gain
Charleston Naval Complex, SC (BRAC 1993)	6,272	2,797
Fort Pickett, VA (BRAC 1995)	245	272
Fort Ritchie, MD (BRAC 1995)	1,373	42
Myrtle Beach Air Force Base, SC (BRAC 1991)	784	1,571
Vint Hill Farms Station, VA (BRAC 1993)	1,472	901

SOURCE: Office of Economic Adjustment, U.S. Department of Defense

city of Concord, Calif., lobbied for the closure of a naval weapons station in the next BRAC round so that land would be available to meet the soaring demand for residential development in the hot Bay Area housing market. (They got their wish.)

In some cases, the traits that made former bases attractive to the military are also conducive for civilian applications. For instance, naval facilities could be well suited for port operations, while other installations with aviation infrastructure could support commercial air traffic or house a plane maintenance facility.

However, there are costs involved in realizing the potential value of a military installation, some of which are borne by the Defense Department and some of which fall on other people's shoulders. Depending on the desirability of the site, these expenses may make it difficult for developers to get a good return on investment. "Where there is the will, there is a way ... and where the economics support it," notes consultant Bill Harvey.

President Bush recently proposed converting bases into oil refineries. The permitting process for such conversions might be easier compared to building a refinery on a virgin site. But energy analysts note that many bases aren't near existing pipelines or large bodies of water that are accessible to oil tankers, plus they may be too contaminated for refiners to deal with cost effectively.

Indeed, many military installations have problems similar to brownfields. "They have major toxic conditions [in soil and groundwater] that have to be remediated," notes Debbie Kern, a San Francisco-based real estate consultant who specializes in base conversions. Additionally, installations usually have at least some buildings and infrastructure in need of upgrading or replacement. On top of these brownfield issues, installations may have unexploded bombs and other munitions that defunct industrial sites don't have.

All told, dealing with these issues takes a lot of time and resources. Unless it does an early transfer, the Pentagon usually doesn't turn over an installation until it is suitable for civilian use. That can take decades, according to Kern, depending on the amount of remediation and infrastructure work required.

Nottoway County was fortunate because much of the infrastructure in the 1,654 acres of Fort Pickett transferred to its Local Redevelopment Authority was in good shape. The utilities had been operated by outside entities before Pickett's realignment, and the Army did

some repair work on water and sewer lines before the land transfer. Three buildings transferred for redevelopment were demolished, but others were in good shape and the Army repaired a few beforehand. Consequently, many structures are being reused as is, from a bowling alley to a chapel run by a former Pickett commander.

In addition to the remediation and infrastructure work that may be required before a military installation is ready for transfer, there is the transfer process itself. First, the Pentagon sees if it can use any of the property. Whatever it considers to be excess is then up for grabs by other federal agencies. Any land remaining is declared surplus and signed over to new owners, either through a direct sale or a variety of conveyance mechanisms.

In Fort Pickett's case, Nottoway County received its chunk of the facility for free under an economic development conveyance, which Kern says is a somewhat expedited process. Still, it took five years for the transfer to be completed.

Private vs. Public

Given the pecking order of base reuse, how much land ends up in private hands and how much of it gets gobbled up by Uncle Sam first? More than half of the property declared unneeded in four previous BRAC rounds — 450,000 acres, to be exact — has been retained by the Defense Department for reserve and National Guard units, or transferred to another federal agency thus far. Only 31 percent, or 264,000 acres, has gone to new owners outside of the U.S. government, including local redevelopment authorities and private developers. (See chart.)

Fort Pickett was supposed to be mothballed. That didn't happen due to lobbying by officials like the late U.S. Rep. Norman Sisisky to have the Virginia Army National Guard take over management of most of the facility. Also, then-Gov. George Allen lobbied for state officials to move the Department of Military Affairs, which oversees the state's National Guard operations, to Pickett.

Although the 1995 BRAC report noted that Fort Pickett was "low in military value compared to other major training area installations," the Pentagon reportedly decided that the Virginia Army National Guard could run it at a lower cost than the regular Army could and still train troops throughout the Mid-Atlantic.

Today, about 900 military personnel, civilians, and contract employees work in the 42,000 acres that the Guard manages as a Maneuver Training Center. It includes several specialized firing ranges and a 16-building mock city used to practice urban warfare. The Defense Department retains ownership of the center, as well as 90 acres used by the U.S. Army Reserve.

Whether a facility's economic impact changes after realignment depends on the facility. Soldiers from various branches of the armed forces, along with law-enforcement professionals and foreign troops, still come to Fort Pickett to sharpen their skills. But while more people cycle in and out of Pickett, they stay for shorter training periods due to long-term changes in how the military operates and short-term adjustments in response to the war on terrorism. This translates into less spending off base.

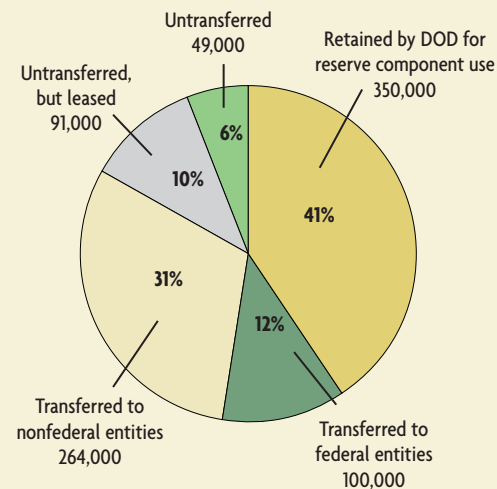
Fort Pickett itself still spends money locally, from rock used to cover 210 miles of trails to contractors who maintain and build new training areas. Officials estimate that the base spent between \$1.5 million and \$2.5 million in 2004.

In the Fifth District, there are other examples of base realignments. A naval technical center in St. Inigoes, Md., now operates as an annex to NAS Patuxent River located 13 miles away. There also are examples of federal reuse of military installations. A massive campus for the Food and Drug Administration is being developed in Silver Spring, Md., at a former naval warfare center. The Federal Aviation Administration operates a regional air traffic control center in part of Vint Hill Farms, a former communication station in Fauquier County, Va.

At Fort Pickett, Virginia Tech received 1,184 acres that had been transferred from the military to the U.S. Department

Land Grab

Uncle Sam has snatched up more than half of the 854,000 acres of military installations declared unneeded after four rounds of base closures and realignments. The Department of Defense expects the untransferred property will eventually go to nonfederal users, including local redevelopment authorities and private developers.



SOURCE: U.S. Government Accountability Office

of Education. The university used the property to create a centralized campus for its Southern Piedmont Agricultural Research and Extension Center. Other public facilities at Pickett include a satellite campus for Southside Virginia Community College and a driver training facility for state police.

While there has been extensive public reuse of bases, private uses are equally important. "It is with the value created by private development, along with subsidy sources, that you are able to add to the public benefits," says consultant Debbie Kern. "You have a new tax base."

When Uncle Sam Doesn't Want You

Yet the hardest part of the redevelopment process can be attracting private investment in a former military installation. Depending on whether the facility has something that the market wants, it can take awhile to replace lost military and civilian jobs.

Since 2000, Nottoway County has been turning its acreage at Pickett into an industrial complex called Pickett Park, but progress has been slow. Currently, the park's largest tenant is a lumber producer named ArborTech Forest Products. The company's \$26 million, high-tech saw mill employs 65 people, 15 more than originally projected in 2000. Another company was supposed to invest \$13 million and hire 100 people, but its principals couldn't obtain the financing they needed to get rolling. Several smaller firms have moved into buildings that the military had used, while the county operates a business incubator and rents out former barracks as single-occupancy housing.

Overall, only 155 of the 1,131 people working at Fort Pickett are at private

firms in the county-controlled industrial park. If the Virginia Army National Guard didn't take over most of Pickett, a move that boosted the facility's military and civilian employment from around 750 in August 1995 to well over 900 today, there likely would have been a net employment loss after BRAC. Given the availability of industrial space in Southside Virginia, including a site in Nottoway County just a few miles from Fort Pickett, it probably wouldn't have been worthwhile for a developer to clean up the active part of the installation. About 15,000 acres is an impact zone heavily contaminated with shells and other debris from weapons fire.

"Why would a developer want to pay for a military base that comes encumbered with ancient utilities and facilities and its own environmental problems such as lead-based paint and asbestos ... when right next door might be a clean piece of property ... that they can get at the same price, or maybe cheaper?" asks Ken Matwiczak, a public affairs professor at the University of Texas at Austin. He is currently working on a report for the Congressional Research Service on the economic aftermath of BRAC rounds in rural communities. Fort Pickett is one of 16 installations his graduate students visited.

The key to a successful redevelopment is finding something about a base that uniquely addresses an existing need in the marketplace. Vint Hill Farms and Cameron Station were turned into mixed-use developments to take advantage of the demand for housing in Northern Virginia, while part of Myrtle Beach Air Force Base became an airport that supports coastal South Carolina's burgeoning tourism trade.



As many as 88,000 troops train at Fort Pickett annually, though they stay for shorter periods than before the 1995 BRAC changes.

One unique asset Pickett Park has is trees — average annual sales of timber in Nottoway County were \$7.2 million from 1986 to 2001, ranking the county fourth in the state. It is this ample supply of timber that probably attracted ArborTech and Trout River Lumber, which occupied a hangar at Pickett Park until it built a new facility in Crewe. Also, a World War II-era officers club has been beautifully restored into an event and meeting space. The club has attracted a lot of business because it is one of the few facilities of its kind available in Nottoway.

It is much harder for a redeveloped military installation to support new industry, especially in remote rural areas with limited economic activity to leverage. "[Large corporations] don't have a reason to come to rural areas," says Matwiczak. "... There isn't transportation infrastructure [or] opportunities to interact with other industries."

Military base closures hurt. Whether communities can recover from the loss ultimately depends on how they utilize market forces. "You have some tools that can somewhat offset it," notes Kern, "but base development has to be primarily market-driven." **RF**

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