

## PANEL 2: LAND DEVELOPMENT AND JOB CREATION

# Economic Development Lessons from 25 Years of BRAC

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**MONTEREY BAY**  
Extraordinary Opportunity



# Objectives

- What have we learned from the redevelopment efforts at hundreds of facilities around the country since 1988?
- What common ground is there between different scenarios – large v. small, rural v. urban?
- How can this knowledge be applied to future base closings and other similar economic “impacts”?

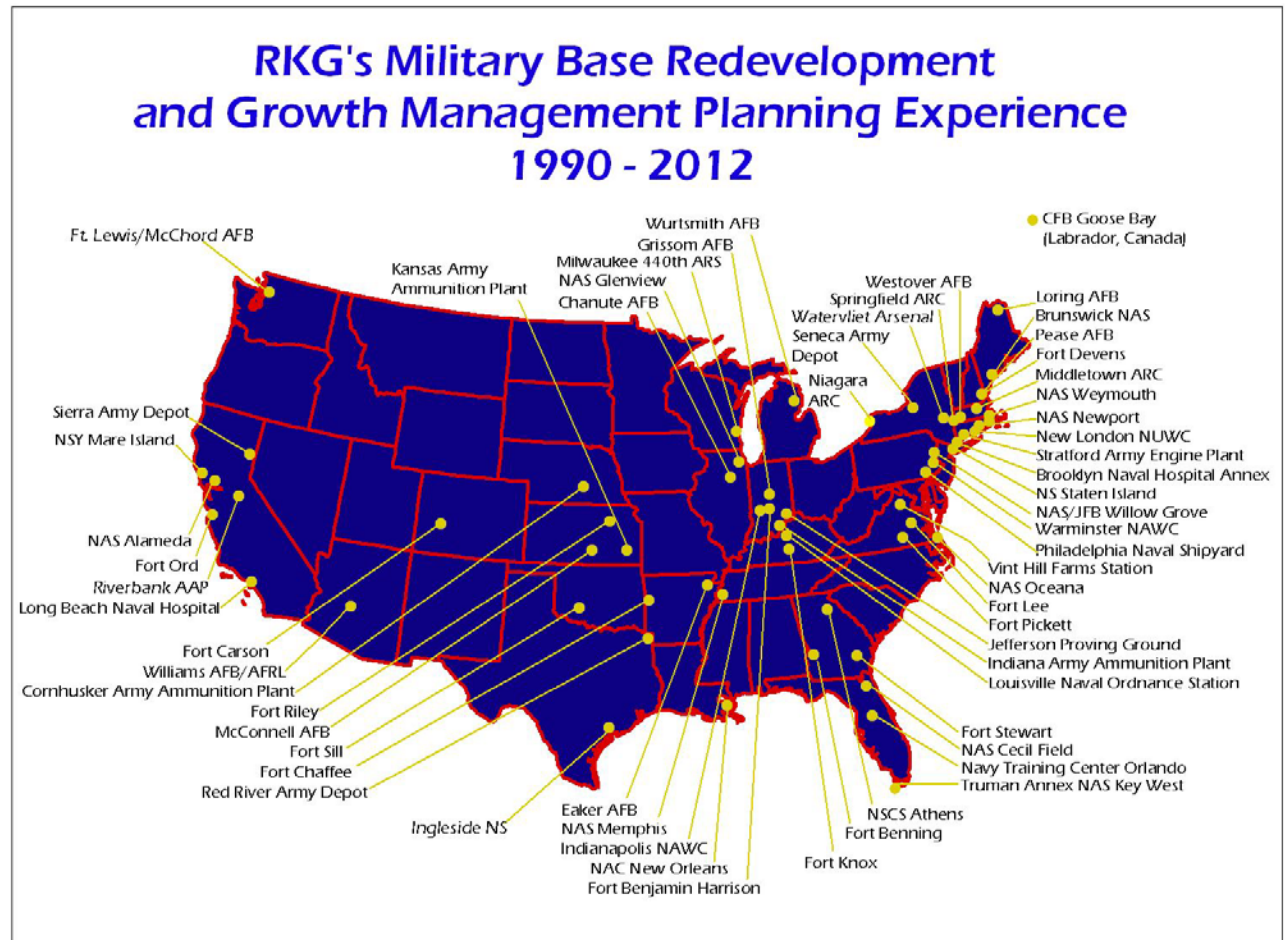
# Disclaimer

- Observations based on a sample of base closures from 1990 to today
  - Hundreds of facilities and communities have been impacted in various ways
  - Selected examples of what has worked and what hasn't
- Perspective is that of an independent analyst – no 'dog in the fight'
  - Mostly from the community's (LRA) corner
- Not a planner, environmental scientist or politician

# RKG Associates & BRAC



Economic  
Planning  
and  
Real Estate  
Consultants



# Major Themes

- Market Forces
  - Real estate cycle (timing is everything)
  - Location, location, location
- Funding
  - Financing the “Cash Flow Gap”
  - Access to capital
- Expertise
  - Experience/knowledge of LRA & Military Dept.
  - Political support
- Environmental Conditions
  - Complexity
  - Expertise of decision-makers

# BRAC (Base Realignment & Closure)

- Five “rounds” since 1988
  - Process started in late 60s, early 70s
  - 1988 – (17)
    - Some major sites included Pease AFB, Presidio, Chanutte
  - 1991 – (29)
    - SAC bases, older “urban” Forts, Navy shipyards
    - California: Fort Ord, Hunter’s Point, Treasure Island, Castle, Tustin, Moffat, Long Beach, Sacramento, Alameda, Oakland, San Diego
  - 1993 – (32)
    - Navy hit hard (21), as was California *again* (10)

# BRAC

- 1995 – (32)
  - Mix of large & small, urban & rural
  - *Only* 10 more in California
- 2005 – (89) 13 closures and 12+ realignments
  - Major and minor facilities
  - Some “iconic” urban properties
  - Many smaller Guard & Reserve units
- 2015 - ????
  
- BRAC included creation of Joint Basing
  - Need to plan for expansion
- BRAC sought to create jobs while improving the DoD’s efficiency through better asset management

# Case Studies (from 1988 & 2005 rounds)

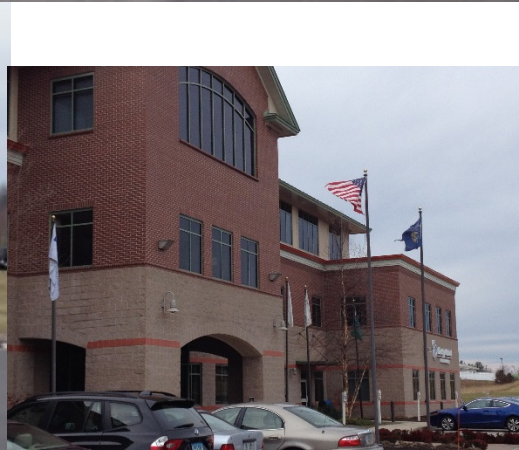
- Pease AFB
  - Portsmouth, NH, 45 miles north of Boston
  - 3,000+/- acres
- Chanute AFB
  - Rantoul, IL, 25 miles north of Champaign-Urbana
  - Former major training facility
- Walter Reed Army Medical Center
  - 67.5 acres in NW Washington, DC
  - Iconic historic campus
- Niagara Army Reserve Center
  - 20 acre airport industrial site



# Pease Int'l Tradeport

- 1988 BRAC, closed the gate in 1991
- Extensive public planning process
  - State played key role
- Guiding principles of the planning process: Job creation, environmental quality, fiscal responsibility, and economic viability.
- Tough environmental & infrastructure issues
- Today – economic engine for Seacoast Region of NH
  - 8,500 high tech jobs (bio, mfg, dist, education, health)
  - ANG – just landed new tanker basing
  - 1,100 acres of pristine waterfront wildlife habitat





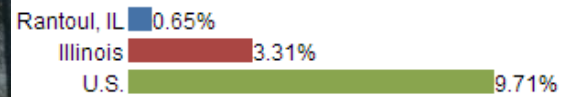


# Chanute AFB

- 1988 BRAC, closed in 1990-1991
- Former major AF training base (for non-flying jobs)
  - Active base since 1917, 926 acres, large airfield
  - Extensive infrastructure, buildings
- Village of Rantoul (pop. 12,000)
  - Farming community
- Reuse Plan called for major airline maintenance hub
  - Did not work out – no Plan B
  - AF auctioned off all real estate that had value
  - Minimal job creation
  - Environmental issues took over, process slowed
  - 600 acres still have not transferred (EDC in process)
    - Village assuming infrastructure & liabilities
    - AF paying \$\$\$ for demolition of White Hall, Steam Plant, etc.



### Population Growth Since 2000, #570



<https://www.youtube.com/watch?v=Ot64FLN2WOs>

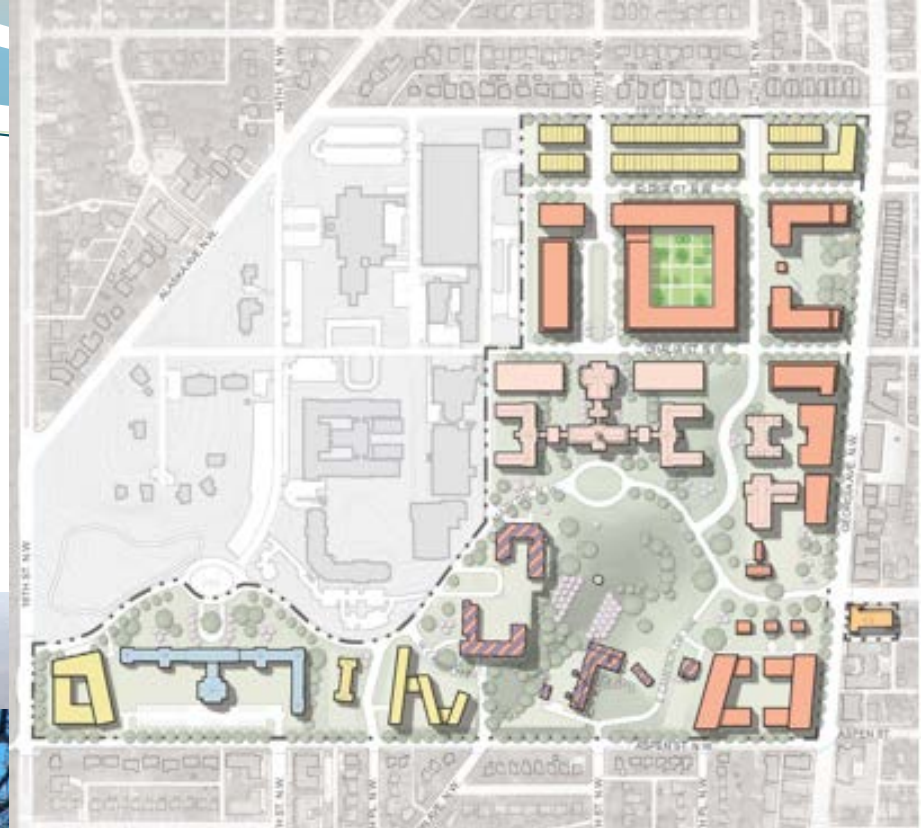


# Walter Reed AMC

- 2005 BRAC Realignment
  - 110 acre campus, 6 million SF, 65 bldgs.
    - Operational since 1905
  - 5,630 direct jobs lost
    - Hospital and other functions moved to MD & VA
  - Reuse Plan calls for new \$1B urban mixed-use village
    - On 66.5 acres with remainder to Dept. of State
    - 3 million SF, 1,800 new homes, office, retail, education
    - Retain/Reuse 600,000 SF of historic buildings & grounds
    - All new infrastructure
    - 3+ million SF of demolition
  - EDC negotiations in process
    - LRA to turn to Master Developer to carry out Plan
    - Huge difference in perception of value

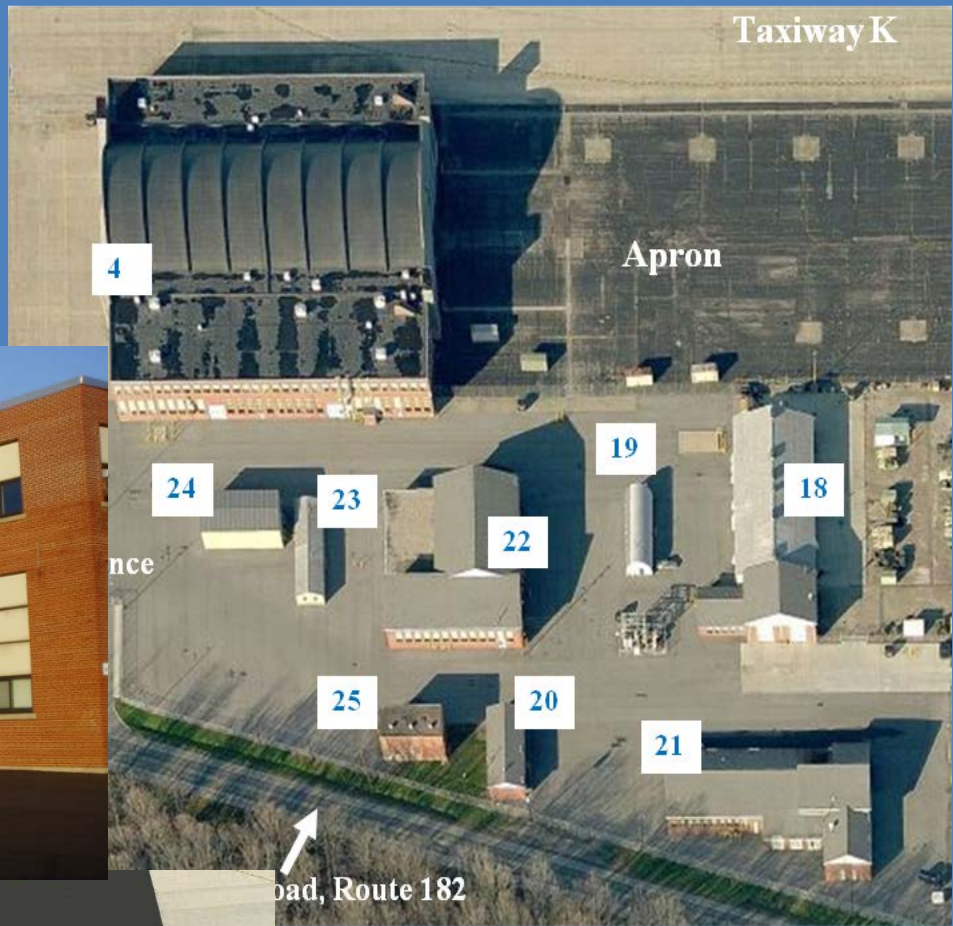






# Niagara Army Reserve Center

- 2005 BRAC realignment
- 19.8 acre site adjacent to Niagara Falls Int'l Airport
  - 160,000 SF in 10 buildings
- LRA is Town of Niagara
  - Reuse Plan calls for similar Industrial Uses
- EDC submitted over 2 years ago .....
- Price below FMV \$\$\$ with future payments
- Environmental concern
  - Possible PCBs found in one spot
  - Need to subdivide
  - Roof leak went un-repaired for 2 years



# Common themes

- ***Market Forces***

- Pease
  - Good location, relatively strong market over 2-3 cycles
  - A few missteps, but kept to the plan, 20+ years in-process
- Chanute
  - Locationally challenged, not competitive with greenfield sites
  - Village left with dregs and little cash flow
- Walter Reed
  - Location not yet proven, not on Metro, 15+ year build-out
  - High up front costs for demo & infrastructure
- Niagara
  - Challenged, rust-belt area, but otherwise competitive
  - Bureaucratic foot dragging holding back attempts to reuse site

# Common themes

- ***Funding***

- Pease
  - State supported \$50 GO bond and \$200 Revenue bonds
  - EDA grants for gateway & demolition
- Chanute
  - Bootstrap all the way ....
  - AF sold off potential cash flow, Village operated utilities
- Walter Reed
  - PPP with Master Developer, minimize public funding
  - Huge up-front cash required for demolition & infrastructure
- Niagara
  - Town to cover cash shortfalls, once they get the property
  - Payment to Army will come from lease revenues (or short-term loan)

# Common themes

- ***Expertise***

- Pease
  - First out of the gate, so hard learning curve for all players
  - Local squabbling led to State control (and \$\$\$)
  - Legal teams broke new grounds
- Chanute
  - Once Plan A fell through, process lost momentum
  - Pot finally stirred when AF needed to get out
  - Now entire project being integrated into a regional ED strategy
- Walter Reed
  - Strong LRA (DC Dep. Mayor for ED), good team
  - Benefitting from experience on both sides, plus private sector
- Niagara
  - Lack of BRAC knowledge on Reserves side slowed process

# Common themes

- *Environmental*

- Pease
  - Plumes, ACM, LBP, etc.
  - Public Benefit Conveyance & State control were critical
- Chanute
  - Huge environmental issues and lack of attention/focus
  - Driving ahead at a snail's pace
- Walter Reed
  - Issues are manageable, but ACM/LBP are huge costs
  - Demolition of Bldg 2 (2.6M SF) will be key
- Niagara
  - PCB issue was not dealt with in a timely or focused manner

# Lessons Learned

- Large redevelopment sites are complex, and require:
  - Knowledgeable players
  - Patience, but persistence
  - Adequate financial resources
- Size of property not a good indicator of complexity
- Strong market demand solves a lot of problems
  - But, the unexpected will happen
- Turnover of personnel can slow process
  - State regulators can be a help, or a hindrance



# Lessons learned (con't)

- Cash Flow is King, except when it runs out
  - Need for solid financial planning systems
  - Initial development is where patient money is needed
- Increased reliance on Future Revenue funding
  - Tax Increment Financing bonds
  - User fees (DIF, BID, etc.) – but increasing resistance
- Politician as Partner (rarely the silent one)
- Private Sector Partners
  - Very different time frames for ROI

# Questions/Comments?

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