

Chapter 7

Easing the Impact

Communities that lose military bases are naturally concerned about the impact on local business and employment. The Commission was sensitive to these concerns and, as part of its deliberations, explored the various means by which the adverse effects of base closings might be mitigated. It heard testimony to the effect that, in the past, any hardship has usually been temporary and that closures have been far less traumatic than people anticipated. Many communities that have dealt with closures have thrived. Former military bases are now being used as colleges, vocational-technical schools, industrial and office parks, and airports (see Appendix I).

The Commission heard from leaders who were prominently involved in their communities' redevelopment efforts. They testified that local economies need not suffer if the community works together with the federal and state governments to develop and execute a plan of action. The Commission feels it is imperative that this cooperation be continued and, wherever possible, improved.

The federal government established several programs to help communities and individuals affected by the wave of base closures in the early 1960s. With this help, many communities were able to make resourceful use of the former bases so that the land previously occupied by bases now provides more jobs, services, and business for the communities. Displaced employees who wanted to continue working found other employment within the Department of Defense, and many were helped in

relocating their households. The programs that provided this help are basically still in place.

The Homeowners Assistance Program (HAP) was authorized by the Demonstration Cities and Metropolitan Act of 1966 to assist employees who are forced to move as a consequence of base closures. HAP is an entitlement program that pays cash benefits to people who meet the program's criteria. In general, if a homeowner displaced by a closure cannot sell his home at a reasonable price within a reasonable time, the government will buy the home for 85 percent of its value prior to the base-closing announcement; if the owner sells the house for less than this value, the government will reimburse him the difference up to 95 percent of this value. The program also provides relief if a displaced employee faces foreclosure.

The DoD Priority Placement Program is another measure that was originally established to help employees adjust to the base closures of the 1960s. The program resulted directly from Secretary McNamara's policy that every Department of Defense employee affected by a base closure would be offered another comparable job within the Department. That explicit policy has since been discontinued, but the effectiveness of the current program is essentially the same. The computerized system established to support the original policy is still in place and, over the years, has helped 90,000 employees find new assignments.

The Priority Placement Program is highly regarded. The General Accounting Office has judged it to be the most effective placement program in government. Periodic surveys have shown that 99 percent of placements are considered successful by the supervisors with whom the employees have been placed. Two thirds of the placements have maintained or advanced the employees' grades and salaries and 60 percent of placements have been within the commuting area of the original jobs. In addition, relocation expenses are paid when the new job is beyond commuting distance.

A third initiative was the President's Economic Adjustment Committee (EAC), chaired by the Secretary of Defense and including the administrators of seventeen other executive agencies who coordinate their agencies' programs on behalf of affected communities. Between 1973 and 1980, the federal agencies that constitute EAC provided between \$80 and \$90 million a year in assistance to communities affected by base closures. Grants for planning and infrastructure were vital in securing productive reuse of former bases. More importantly, federal money was used to leverage private investment, to improve facilities, and to provide municipal services so that the former bases could become more attractive to business.

In the 1960s, economic-adjustment assistance to communities, under the direction of the Department of Defense, was an essential part of the base closure process. DoD provided invaluable services to the affected communities, not only as the focal point for contact with the federal bureaucracy, but also as an advocate for community interests. DoD was frequently successful in expediting federal help for or removing obstacles to redevelopment. It also supplied assistance in creating and

executing redevelopment plans for communities that did not know how to manage such efforts. The Commission feels strongly that such assistance needs to be an integral part of implementing its recommended base closures.

Communities can and do learn quickly and, by all accounts, the communities themselves were the heroes in the successful recoveries of the 1960s. The affected cities and towns assembled dedicated teams that not only drafted ambitious plans, but also made their cases effectively to public agencies and private companies, often travelling extensively to do so. The best of the organizers were relentless. The communities went to great lengths to make themselves and the former bases attractive to investors and business. Roads were built; sewer pipe was laid; and services were improved.

The Commission has identified five components of past successful redevelopment efforts: (1) there must be an effective local organization to provide strong leadership and overall policy direction for the recovery effort; (2) there must be a recovery action plan for redeveloping the former facility and for attracting jobs; (3) the recovery effort must focus on the entire community, taking into account the transportation network, public facilities and services, health care, housing, schools, and other attributes; (4) the community itself has to demonstrate its capacity to engage and sustain new business growth through intensive, ongoing, economic-development programs; (5) federal and state agencies must participate in and buttress this community effort by responding on a priority basis to the key actions identified in the community recovery program.

Another factor in past successful

recoveries was the ability of the Department of Defense to turn over to the communities the bases' land, facilities, and equipment. Often these assets were elaborate, substantial, and valuable. This allowed communities to make very attractive offers to would-be tenants and buyers. Roads and utilities were in place. Machines and even furniture were left behind. The attractions were therefore great, particularly for new small businesses and schools.

Circumstances have changed, however, in the years since the last major round of base closures. First, in the 1980s the federal government has made a concerted effort to realize proceeds from the disposal of assets. With regard to the recommendations of this Commission, there is a clear expectation that the Department of Defense will derive financial benefit from the sale of base-closure real estate. This expectation is evident in a reading of the legislative history of the statute that endorses the Commission's work, and the Commission believes that the Department should realize some return on its properties, especially if they are in "high-rent" districts or have some other intrinsic value. This objective can conflict with the communities' interests, however. Communities would often prefer that properties be conveyed expeditiously so that economic recovery can get off to a quick start, and the government's waiting for reasonable bids may frustrate that goal.

To help mitigate this situation, the Department of Defense should develop an efficient and time-sensitive property-disposal strategy for the transfer of land and facilities for redevelopment. In addition, the President's Economic Adjustment Committee should immediately offer to help all affected communities plan for the reuse of the land and facilities of

the closing bases. Time is a particularly precious commodity for private investors. When a community has assembled a package that includes private investment, success often depends on getting real-estate matters settled so that redevelopment can proceed.

As quickly as possible, the Department should develop schedules for phasing down activity on bases to be closed and for their ultimate closure. Communities should be informed of these schedules. In particular, contractors who provide services to bases should be told where they stand in light of these schedules.

Another change from the 1960s has been the proliferation of competing interests for the use of federal property, particularly for social ends such as sheltering the homeless, drug rehabilitation, and prisons. There are also longer-standing policies and laws regarding conveyance of property, often without reimbursement, for airports, schools, hospitals, parks, and other public uses. Finally, local interest groups or the communities themselves may prefer to dedicate properties to public uses, such as government facilities or parkland, rather than commercial development.

The community may decide to develop and implement a balanced, community-based, land-reuse plan that takes all interests into consideration. The federal government can contribute to the success of this approach in several ways. First, the Department of Defense can, when requested, provide technical assistance and funds to help develop a plan. Second, federal agencies that by statute are given an option on base facilities should exercise such options quickly, and only if funds are available for the operations to be put on the land. Also, federal agencies should

position their facilities on the base in the least intrusive manner possible to preserve the greatest flexibility for use of the remaining property. Third, the same principle of minimum intrusion should be applied with regard to federal laws and regulations that prescribe the use of federal property for functions such as drug rehabilitation and shelter for the homeless.

Within the last decade there has been a diminution of federal money available to assist affected communities. Between 1966 and 1986, the federal government, under the auspices of the President's Economic Adjustment Committee, provided \$503 million in adjustment assistance to communities impacted by base realignments and closures, but most of the federal programs that provided this money have been curtailed or eliminated during the 1980s. Between 1975 and 1980, the Economic Development Administration (EDA) gave \$57.5 million to 31 base redevelopment projects. EDA now has only \$12 million for economic adjustment grants. This trend, shared by other federal agencies such as the Department of Housing and Urban Development and the Farmers Home Administration, poses a problem.

If sufficient federal monies are to be available to give assistance to affected communities, Congress should consider expanding these programs. In addition, under the base-closure statute, the Secretary of Defense is authorized to provide economic-adjustment and community-planning assistance if financial resources from other sources are inadequate. The Commission recommends that the Congress increase funding for this program. No specific funding levels are recommended here since the need cannot be predicted in advance and, until the communities draw up their plans, the

extent of required federal redevelopment assistance will not be clear.

A positive change since the 1960s has been the substantial growth in state development agencies. Every state now has such an agency, with budgets ranging from \$360 thousand to over \$180 million. The average is \$17.5 million with 110 employees. These agencies provide technical and managerial assistance, trade promotion, financial aid, training programs, and tax incentives. They have grown adept at attracting investments, including in some cases setting up offices in foreign countries to attract investment, and have combined to begin a collective, taxable-bond initiative to provide alternative financing for state and local projects.

The gap caused by reductions in federal development programs has been largely filled by state development agencies. The one example of concerted state action during an earlier round on base closures was a resounding success, and bodes well for future state involvement. The Governor of Massachusetts established the Massachusetts Base Closing Commission in the 1960s to deal with the closing of Boston Army Base and the Boston Shipyard. This commission assembled a professional staff and contracted for studies that addressed the redevelopment of these sites. Consequently, the Commonwealth of Massachusetts was able to contribute indispensable help to affected communities. It is reasonable to expect that today's more-seasoned state development agencies will be full partners in helping communities recover from the closings.

With respect to employment, the federal government should provide whatever assistance it can to help affected communities develop or expand job placement offices. Defense Department

personnel should be fully informed of the programs that are available to help them, particularly the Homeowners Assistance Program and the Priority Placement Program. The Commission recommends that civilian employees who lose their jobs as a consequence of base realignments or closures be guaranteed other jobs within the Department. Whenever possible, those jobs should be at least at the employees' current grade and located geographically where the employees want to be. Past experience suggests that this is feasible in many cases.

Additional resources will be required to mitigate the impact of base closings on government employees. The Homeowners Assistance Program will require additional money for its revolving fund. The fund is replenished by the proceeds from the sale or rental of properties that the government purchased under the program, and also by Congressional appropriation. Since there have been no base closures for ten years, HAP has been largely inactive, receiving no appropriations from 1984 to 1986. For 1989, the program has received an appropriation of \$2 million, but an ongoing realignment is expected to use this money. The average cost of a case has been running about \$23 thousand, but administrators of the program believe that a more reasonable estimate would be \$30 thousand for cases resulting from this Commission's recommendations. Therefore, Congress must appropriate a substantial

sum for HAP if it is to meet its obligations to the people who will be eligible for the program.

Not every base closure has led to economic recovery. Some communities have done better than others. Certainly, it helps when a base is located in a metropolitan area where land values are high and the economic infrastructure is well developed. When a base is closed in a remote, rural community, however, redevelopment is more difficult. While the federal government can provide a degree of mitigation, its ability to relieve the full impact of a base closing is limited. The federal government must work closely with communities, placing special emphasis and focusing resources on the needs of those where recovery is not a foregone conclusion.

In summary, the Commission recognizes that implementation of its base-closure recommendations will create concern in communities that will be affected. The Commission urges these communities to treat these actions not as problems, but as opportunities. Communities should take advantage of the programs outlined in this chapter and expend their energy enhancing the opportunities. Experience has shown that if the affected communities, teamed with the appropriate federal officials, will work aggressively to create new opportunities, recovery will be rapid and communities will emerge even stronger.