



## **Introduction**

The Association of Defense Communities (ADC) is the nation's premier membership organization supporting communities and states with active, closed and closing defense installations. ADC has prepared this paper to discuss several issues impacting America's defense communities and how these issues can be ameliorated with assistance from the proposed Federal Economic Stimulus package. ADC will highlight some of the challenges facing both defense communities and the Defense Department and offer several policy recommendations for how the new Administration can effectively address these challenges through the Economic Stimulus.

## **Summary**

A defense community is any community with a closed, closing or active military installation. There are hundreds of defense communities across the country. Today, dozens of these defense communities are addressing the challenges associated with base closure and redevelopment and mission growth. These challenges are primarily the result of the 2005 round of base realignment and closure (BRAC), as well as the Grow the Force initiatives within the Army and Marine Corps, the rebasing of troops from overseas back to the U.S. and previous rounds of BRAC. While the issues that defense communities face are not unique to them, they are highlighted and enhanced by the short time period and unique circumstances associated with military actions.

There are three groups of defense communities that will benefit from funding through the economic stimulus:

*Growth Communities* – Defense communities with growing installations face a series of unique challenges rarely encountered by the Defense Department. For growth communities the arrival of thousands of new residents in only a few years places a considerable strain on local infrastructure. Communities must provide housing, schools, healthcare, roads, police, fire, child care, sewer and other municipal services that historically have been provided on base with federal funds.

*Legacy Base Closures* – Communities with military bases that were closed in previous BRAC rounds – 1988, 1991, 1993 and 1995 – are still facing a complex base redevelopment process that is hindered by severe environmental contamination and overwhelming infrastructure costs.

*BRAC 2005 Closures* – Communities with bases slated for closure as a result of the 2005 BRAC round will be losing, in most cases, the largest employer in the region and economic engine of the community.

## **Growth Communities**

More than 20 communities are experiencing large-scale growth stemming from BRAC 2005 actions, military transformation and overseas rebasing. Estimates show that military personnel and their families will increase by a total of more than 340,000 spread across the 20 most impacted bases. By law, the 2005 BRAC actions must be completed by September 2011.

Growth communities are both eager to support their local installation and anxious to welcome the arriving missions. However, many communities face overwhelming financial challenges in their efforts to fully support large influxes due to occur between now and 2011. While this growth will eventually generate additional revenue for state and local governments, this funding stream will significantly lag behind the need for infrastructure improvements and lack the certainty needed to secure infrastructure financing. Direct assistance — in the form of assurances, loans, grants, or a combination thereof — from the federal governments is essential if growth communities are to bridge the funding gap and meet initial infrastructure requirements associated with military growth.

Federal funding for infrastructure projects in growth communities will not only result in the immediate benefit of construction jobs, but will also facilitate additional long-term economic development in growth communities so that they can meet the needs of our nation's troops, sailors and airmen.

Specifically, growth communities need funding in the following areas:

- **School Construction** – With the arrival of thousands of uniformed military, civilians and contractors, comes thousands of school-age children as well. Local school systems are faced with the daunting task of building several new schools to accommodate the rapid, and unexpected, surge in the school-age population. Additional financial resources will be needed so that communities can construct educational facilities for their new residents. Once these facilities are built, then additional economic benefits will arise with the hiring of faculty and staff.
- **Transportation** – As with schools, the sudden increase in community population associated with military growth will place a considerable strain on the community's transportation infrastructure. Many roads, from those surrounding the military base, to those located throughout the community, will need to be widened to accommodate the additional traffic that the growing installation its population will generate. There is a current program – the Defense Access Roads program – that could be used to provide funding for

roads providing access to the base; however, the restrictions placed on that program make its utilization slow and cumbersome for defense communities. Communities will also need significant resources to increase public transportation availability in the community.

- Utility Infrastructure – The rapid increase in population will place a considerable strain on the community's energy, water and sewer infrastructure. Growth communities will need financial assistance to improve their utility systems to meet the burgeoning population.
- Housing - In the current economic climate, banks are reluctant to lend money to development firms for acquisition and development loans that purport to build speculative housing that growth communities will need to meet future housing demands. Developers in growth communities will need flexibility in securing loans to construct speculative housing.
- Municipal Services – Additional funding will be needed so that communities can hire additional police and fire resources.

Federal resources directed to growth community infrastructure will not only ensure the success of the Defense Department's massive investment in military facilities but will also assist communities accommodating that growth.

### **Legacy Base Closure Communities**

Base closure communities — after the initial shock of the loss of a primary economic engine for the region — are faced with decisions on base reuse, economic growth, job creation and the maintenance of a viable tax base. The closure of a base has a dramatic and immediate impact on property values, employment opportunities and community growth. Communities are faced with the largest and most daunting economic development project that they have ever encountered along with the goal of replacing thousands of lost jobs.

There are still dozens of communities impacted by BRAC rounds in 1988, 1991, 1993 and 1995 that are continuing to face the challenges of base redevelopment. These communities are still dealing with a complex base redevelopment process that is hindered by several factors, most notably a lack of necessary infrastructure and severe environmental contamination.

Communities inherit a military base with outdated utilities, roads that don't connect to local streets, buildings filled with asbestos that don't meet building codes and land uses that make no sense. To remedy this, communities need to heavily invest in the former bases' infrastructure; however, funding is lacking.

Legacy base communities have over \$1 billion in infrastructure projects that need to be completed before additional redevelopment and job creation can begin. For many of these communities, there are numerous projects that are ready to be started tomorrow if only they had funding. These projects range from building demolition, to road

improvements, to asbestos and lead paint removal. Financial assistance from the economic stimulus will assist communities in completing these necessary projects. Immediate construction jobs will be created and additional long term jobs will be generated with the overall redevelopment.

Environmental contamination at closed military bases greatly impacts the ability of the community to redevelop the former military base and achieve economic recovery. Many times, communities are eager to redevelop, yet extensive environmental contamination hinders a timely redevelopment. These base redevelopment communities have numerous, shovel ready cleanup projects that can be started tomorrow, but there is no funding. The military services are responsible for environmental remediation at closed military bases. However, at the current limited funding levels, it will take the Defense Department several decades to complete environmental remediation at these base closure sites. CRS estimates that there is \$3.88 billion in environmental cleanup projects at legacy base closure sites. Last year, Congress appropriated \$458 million for environmental remediation at legacy base closures.

Additional funding to the military services for environmental remediation at closed military bases will create immediate jobs for those doing the cleanup and will, in the longer term, finally allow the community to complete the redevelopment of the former military base and restore the jobs that left the community when the base closed. While additional funding for environmental cleanup should expedite the Defense Department's cleanup of bases, this must also be coupled with new, environmentally friendly cleanup methods and Defense Department policies that encourage more proactive and timely environmental cleanup.

## **2005 Base Closure Communities**

There are approximately 25 major BRAC 2005 closure communities that have been aggressive in developing reuse plans, committing huge monetary and intellectual resources to shape their community's future. As 2008 closes, many of the communities already have completed their reuse plan; in most cases, creating a vision of how a former installation can be converted into a non-military community asset, providing jobs, homes, recreational opportunities and public spaces.

While these communities do not currently have the immediate infrastructure needs that legacy closure and growth communities have, they face another hurdle – transfer of property from the military to the community. In order for any economic recovery to occur, the military services must relinquish ownership of the property so that it can be redeveloped.

In 1993, Congress enacted language that permitted base closure property to be transferred to communities for economic development purposes at or below its fair market value. These transfers are formally referenced as Economic Development Conveyances ("EDCs"). In 1999, Congress enacted language that made EDCs

available at no-cost to base closure communities. No-cost EDCs enabled speedier property transfer, redevelopment, and replacement of the economic base and jobs. The military departments benefited by transferring the property sooner, thereby reducing DoD operations, utility and maintenance costs. No-cost EDCs were intended to generate jobs and spur economic redevelopment activities at or related to the closed installation. In 2002, Congress altered the statutory requirements of EDCs by restricting the no-cost provision of EDCs.

ADC is concerned that the absence of the no-cost EDC mechanism for several BRAC 2005 communities will have drastic and negative impacts on the communities' successful reuse of the former base. Today, weaker market forces will inhibit private sector interest in former military property, thereby reducing the potential for a fair-market value transaction. This will likely result in property transfer delays, which extends timing for implementing the communities' reuse plan, job creation and overall economic recovery.

ADC proposes that no-cost EDCs be reinstated in the federal economic stimulus and be made available for BRAC 2005 closure communities that intend to use the property for job creation. No-cost EDCs are a way to speed economic recovery and job creation while the federal government does not have to expend any money. This will assist 2005 base closure communities in their redevelopment efforts.

ADC also proposes that no-cost EDCs be available for legacy BRAC communities as well that intend to use the property for job creation. No-cost EDCs will expedite redevelopment that has been languishing in legacy base closure communities.

## **Conclusion**

Defense communities face a series of challenges that can be solved with assistance from the federal economic stimulus plan. All impacted defense communities need funding to assist with infrastructure improvements. These short-term infrastructure projects will have lasting economic benefits including job creation. There are also some small policy changes, such as no-cost EDCs, that will further promote economic development and job creation without any federal expenditure. ADC encourages the new Administration and Congress to assist America's defense communities.