

Utah – Military Operations and Economic Development

By Rick Mayfield

STRENGTHENING MILITARY JOBS IN THE STATE

Utah has a long tradition for supporting the USA's Armed Forces, and through economic development efforts, has sought for ways to assist in strengthening and sustaining these military operations. **Utah Defense Alliance, Inc. (UDA) was formed to prevent** efforts of future military closures. Through the insights of this organization and the support of Utah's Legislature, the **Military Installation Development Authority (MIDA) was formed to focus on building and strengthening Utah military installations**. Not only does this authority act as a liaison between the military and the state, but it also coordinates development projects while working closely and cooperatively with local governments. MIDA's mission is to help build the future, not just for Utah, but for the country.

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MILITARY OPERATIONS AND ECONOMIC DEVELOPMENT

By Rick Mayfield



Photo Credit: Sunset Ridge Development Partners.

Conceptualization of Falcon Hill.

INTRODUCTION

Utah has a long military tradition. Residents continually pay tribute to soldiers who put their lives on the line to preserve cherished freedoms. Neighbors line the streets near the homes of fallen soldiers with American flags. The governor attends funerals of soldiers killed in action. Community celebrations are held to honor those serving and those who have served their country. There is a tremendous reverence in Utah for those who have or are wearing a military uniform of the United States Armed Services.

Preserving our freedoms is the primary reason Utahans honor the military, but there is a secondary reason – economics. For at least as far back as World War II, Utah has welcomed the United States military into the state. Military installations and operations mean jobs, professional and skilled jobs, jobs usually paying salaries higher than the

Utah average. During the 1940's and 1950's, military jobs, mostly civilian jobs, at military installations helped transform some northern Utah counties from agriculture to industrial. As defense jobs increased in the area, family owned farms were operated on a part-time basis as farmers, their wives, and older children obtained jobs at military installations.

The great "desert" state of Utah once boasted of having a naval supply depot located 750 miles from the nearest ocean. Prior to any formal Base Realignment and Closure Commission (BRAC) process, that naval installation was closed by the Navy in the late 1960's. The depot, comprising approximately seven million square feet of warehouse buildings, was transferred to private investors who transformed the Navy Base into a storage and manufacturing facility now known as the Freeport Center. It took many years for the private enterprise to come into its own, but now boasts a high occupancy rate and accounts for approximately 6,000 jobs in the area.

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WAKEUP CALL FOR STATE ECONOMIC DEVELOPERS

The 1993 BRAC was a wakeup call for state economic developers. After a valiant effort to avoid an installation closure in the state, the closure ax fell. What many thought could never happen, happened. The Army's \$125 million, "state of the art" truck repair facility at Tooele Army Depot was closed before it was officially opened and completed. A brand new facility did not BRAC-proof the depot.

Attention was then turned to protecting other military assets and jobs in the state from possible BRAC '95 closure. Hill/DDO '95, a grassroots nonprofit group, was formed to save Hill Air Force Base (Hill AFB), Defense Depot, Ogden (DDO), and the Utah Test and Training Range (UTTR). The group raised funds from private companies, local government, and the state legislature. Professional help was retained, experts were used to identify strengths and weaknesses, and an action plan was put into place. Regardless of the magnificent effort of the group, Defense Depot, Ogden, was closed by the 1995 BRAC Commission. It was not a huge loss for the state, but it was a loss. There was some consolation and relief as Hill AFB, one of the great jewels of the state employment base, was not severely affected by BRAC '95. However, BRAC 2005 was looming in the future.

HILL AIR FORCE BASE

Hill AFB is one of only three remaining Air Logistics Centers (maintenance depots) in the United States Air Force. The other two are Tinker AFB, near Oklahoma City, and Robbins AFB, in Georgia. Two others were closed by the 1995 BRAC.

Going into 2005 BRAC, there was speculation that cuts would be so deep that one of the three remaining Air Force depots would be closed. The three states and communities surrounding the depots worked to save the depots. Working together, they all supported the theme that all three were extremely important to Air Force's flying missions. The closure of one depot would mean a transfer of missions and jobs to other bases, but the three states and their congressional delegations were sincere in their promotion of saving all three for the sake and safety of the Air Force.

Hill AFB has been the heart of the economy in northern Utah for decades. Located 25-30 miles north of the Utah State Capitol in Salt Lake City, it covers approximately ten square miles of untaxed federal land in Davis and Weber counties. The Base's operation is the largest defense installation in the state and annually contributes over \$1 billion directly into the state economy.



Photo Credit: UDA/MIDA

Falcon Hill Signing Ceremony (l to r) Jerry Stevenson (UDA President), Stuart Adams (MIDA Chairman), Senator Orrin Hatch, Karen Jenson (Sunset Ridge) & Rick Mayfield (UDA/MIDA).

Hill AFB has been the heart of the economy in northern Utah for decades. Located 25-30 miles north of the Utah State Capitol in Salt Lake City, it covers approximately ten square miles of untaxed federal land in Davis and Weber counties. The Base's operation is the largest defense installation in the state and annually contributes over \$1 billion directly into the state economy. It has been estimated that the economic impact is about \$3.5 billion. For many years, Hill AFB has been one of the largest employers in the state with 20,000-24,000 employees.

The Ogden Air Logistics Center (Hill AFB) per its website has, ". . . many operational and support missions." They include ". . . worldwide engineering and logistics management for the F-16 Fighting Falcon, A-10 Thunderbolt II, Minuteman III intercontinental ballistic missiles and depot maintenance for the F-16, A-10 and C-130 Hercules aircraft." The depot anticipates support, maintenance, and repairs of the F-35 Joint Strike Fighter and unmanned aerial vehicle systems.

GEARING UP FOR BRAC 2005

In gearing up for BRAC 2005, the Utah Defense Alliance, Inc. (UDA – formerly Hill/DDO '95), commissioned a study by the Bureau of Economic and Business Research at the University of Utah to measure the economic impacts of closing Hill AFB. Some of the findings were:

- A loss of 47,400 jobs (federal and indirect jobs created by the federal expenditures). It would take 68,000 jobs to replace these federal jobs, because federal jobs pay almost twice the wage as average jobs in the state.
- A decline of \$2.35 billion in earnings and \$2.29 billion in personal income.
- The state economy would shrink by \$3.58 billion.

- An annual loss of \$192.4 million in state tax revenue.
- There would be 31,000 fewer people living in the state.

Needless to say, the results of the economic study jolted state and local officials. Hill AFB needed to remain open, and jobs and federal spending in the state needed to be retained. Action was needed, not just for BRAC 2005 but for the future. During the mid-1990's the legislature appropriated \$15 million to purchase development easements around the Base to prevent development encroachment and protect the installation's flying missions. The precedence was established. The legislature was willing to spend money to help keep Hill AFB open, operating, and viable for present and future missions and workloads.

GROWTH OPPORTUNITIES

As state and local officials were preparing a case for the 2005 BRAC for keeping Utah military installations open, the UDA hired Logistic Specialties, Inc. (LSI) to review Hill AFB growth opportunities. For several years, there had been speculation floating around Base communities that new jobs could be brought to the Base if there was money to purchase equipment required for a specialized workload. Air Force budgeting did not provide for the equipment purchases.

Through the LSI study, it was found that there were 1,425 jobs which could be brought to Hill AFB if \$14 million of required equipment could be purchased. The LSI analysis also found that some workloads assigned to Hill AFB, as a result of BRAC '95, never made it to the installation because of insufficient funds or lack of follow up. Federal guidelines prohibited Air Force personnel from seeking funds from outside normal federal funding procedures.

UDA assumed the role of soliciting funds from the state legislature. Working with installation leaders, a priority list was compiled of needed equipment, equipment costs, and resultant jobs. UDA requested a state appropriation of \$15 million with the promise of 1,425 new skill jobs being created at the Base. Competition for state dollars is always difficult, but at the end of the session \$5 million was appropriated, targeting 688 new jobs.

Giving equipment to the Air Force was not an easy task. UDA found the equipment had to be "gifted" to the Air Force and the Secretary of the Air Force had to accept the gift before the equipment could be accepted at the Base. To make this happen, equipment specifications were developed by Base program directors, prices were obtained from vendors, and purchase commitments were made pending approval of gifting authorization

from the Secretary. The process took a few months, but finally equipment was delivered and jobs were created. Everyone – the Air Force, the legislature, and local leaders – was happy with the success of the project.

ENHANCED USE LEASE OPPORTUNITIES

The next major effort in strengthening military jobs in the state was an Enhanced Use Lease (EUL) project known as "Westside Development." This project, which is along Interstate 15 on the west side of Hill AFB, was envisioned by the Base planners as a way to replace approximately 1.2 million square feet of World War II vintage warehouse buildings that had been converted into office space. They are old, out-of-date, inefficient, and need to be replaced. The federal budgeting process would never provide sufficient funds to upgrade the Base's infrastructure which included these old, inefficient buildings. So the Base planners did their homework, identified a critical building replacement need, reviewed the Base footprint, and identified 550 acres of underutilized land along the freeway that could be used for this project.



Typical building to be replaced in Falcon Hill Project.

Photo Credit: Hill Air Force Base

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Photo Credit: NMT Web Design, LLC.

Example of the type of computerized numerical control equipment purchased with the \$5 million UDA appropriation.

The initial EUL effort took a couple of years. Base officials were in front of the Air Force enhanced use lease curve. They took a chance on the project prior to adoption of the formal Air Force EUL procedures. As the formal process was put into place, the original effort was set aside, but the goal remained the same – to improve the Base infrastructure through a huge enhanced use lease project.

A Request for Qualifications (RFQ) was prepared and advertised, an “Industry Day” was held in March of 2007, and then the Air Force real estate team waited for private developer proposals. Several were received and reviewed before a selection was made. In the end, a development partnership of Woodbury Corporation from Salt Lake City; Hunt Corporation, El Paso, Texas; and Flint Ridge Development from Irvine, California, acting as Sunset Ridge Development Partners, was selected as the developers.

As the original Westside Development proposal was pushed aside and the Air Force EUL procedures were being put into place, UDA officials and a few state and local leaders looked for ways to make the project work. The proposed Westside Development was a magnificent way to improve and enhance this industrial complex that was so critical to the economy of northern Utah. Some officials thought the best way to make the project work was to set up a mechanism for the state to become the project developer. The idea was pursued with Air Force leaders who were receptive to the idea. However, in the end a new Utah authority was created to facilitate EUL projects on any military land in the state; though the initial focus was on the EUL project at Hill AFB.

UTAH'S MILITARY INSTALLATION DEVELOPMENT AUTHORITY

Several important issues played a key role in establishing Utah's Military Installation Development Authority (MIDA).

- 1) The Air Force plan was to replace 1.2 million square feet of office space, but the appraisal value of the 550 acres was only \$17 million.
- 2) To achieve the goal of upgrading the installation infrastructure, the developer needed to be creative in providing a reasonable return on investment (ROI).
- 3) The developer needed incentive money from state and local government to provide infrastructure, make the project pencil out and achieve Base and local expectations.
- 4) The EUL project is located in six local jurisdictions, four cities and two counties. Each city has its own general plan, land use regulations, municipal services, infrastructure, and tax levies. It was possible that a single building could be sited in more than one jurisdiction. To achieve the goal, all the jurisdictions needed to cooperate by jointly reviewing plans, issuing building permits, and providing utilities and services – almost an impossible task.
- 5) The Air Force desired one point of contact, preferably a state agency, with which to deal.

The original MIDA legislation was passed by the state legislature during its 2007 regular session. It passed without a negative vote in either the Utah Senate or the Utah House of Representatives, was signed by the governor, and took effect immediately. It granted broad municipal type powers to a seven-member board – five being appointed by the governor (three of which had to be mayors from cities adjoining a military installation), one appointed by the president of the Senate and one by the Speaker of the House.

In the 2008 Utah Legislature, the statute was tweaked, and again, without a negative vote in either house. In 2009, the legislature made some extensive changes to clarify the original language and added municipal taxing and bonding ability. MIDA acts quite similar to a municipal government, but the legislation includes language to prevent it from becoming a city.

MIDA is a tremendous tool which may be used to partner with DoD in improving and enhancing military operations in the state. Some of the key points regarding MIDA include:

- 1) MIDA can be a developer of military lands or partner with developers in improving military operations in the state.

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- 2) In many respects, MIDA acts similar to a redevelopment agency with bonding authority and tax increment financing ability. It can use 75 percent of the property tax increment for 25 years for such things as infrastructure development which includes helping build military buildings.
- 3) MIDA has police powers similar to a municipal government, but will contract with adjoining cities to provide protective services within a project.
- 4) MIDA is the land use authority for a project area. All plan approvals, building permits, and inspections are done through the MIDA Board.
- 5) MIDA collects all municipal type taxes from a project area and uses them to provide municipal type services. Any excess taxes collected are returned to the adjoining local governments.

The MIDA board was appointed in the spring of 2007 and began immediately working with the Air Force's Hill AFB EUL staff and Sunset Ridge Development Partners to bring the Westside Development to fruition. The project area was outlined and adopted by MIDA. Concepts were developed and the development was renamed "Falcon Hill National Aerospace Research Park" (Falcon Hill). The Air Force and developers signed a master lease agreement and master development agreement. A three-party agreement between the Air Force, the developers, and MIDA was signed in February 2009. The MIDA board has adopted the Falcon Hill Development Standards and Guidelines. Early in the process, the MIDA staff sponsored regular (usually weekly) coordination meetings with representatives of the Hill AFB EUL team and the developers.

The Utah State Legislature appropriated \$10 million for the project in 2008 and added another million dollars in 2009. Over the next several years, it is anticipated that the legislature will provide an additional \$14 million. As private buildings are constructed and added to the tax rolls, tax increments will be used to infuse an

LEGEND / STATISTICAL SUMMARY	
LAND USE CATEGORIES	GROSS ACRES
PROPOSED LAND USE	
CB (COMMERCIAL BUSINESS)	274.5
CF (COMMERCIAL FLEX)	102.9
CR (COMMERCIAL RETAIL/SERVICE)	29.42
OS (OPEN SPACE)	16
HAFB (HILL AIR FORCE BASE)	6.2
LAND USE SUBTOTAL	429.02
ROADS PROPOSED LAND USE	89.9*
LAND USE CATEGORIES TOTAL AREA	518.92
PROJECT BOUNDARY AREA	497.9
— ■ — PROJECT BOUNDARY	
* ROAD ACREAGES INCLUDE AREA FOR PARK STRIPS, ENHANCED PAVING, AND SIDEWALKS	

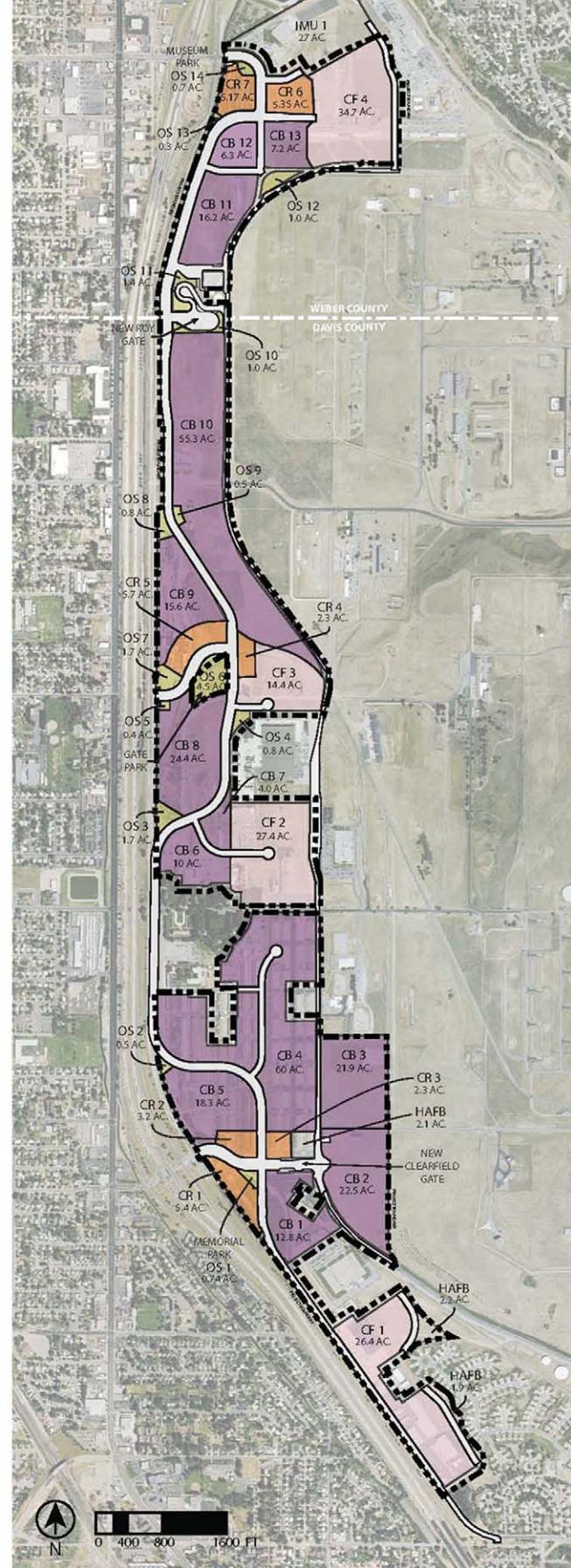


Photo Credit: Sunset Ridge Development Partners



Falcon Hill Master Land Use Plan (aka Westside Development)

additional \$25 million into the project to provide and upgrade infrastructure.

It is anticipated that construction at Falcon Hill will begin by late summer 2009. The Base's entry road is being redesigned and the gate will be moved to the east in preparation of moving the fence east allowing for public access to the research park. The first buildings are being designed, and building permits should be issued early in the fall of 2009. Even during economic hard times, this fantastic project is a bright spot in northern Utah.

CONCLUSION

Although MIDA is only two years old, it has built a reputation of local cooperation and getting the job done. Several years ago, Congress provided the Air Force with a 26-acre site in Park City, Utah, to develop a resort hotel to be used as a military Morale, Welfare, and Recreation (MWR) facility. Park City officials had designated the Air Force site to remain as open space and suggested the hotel be moved to another site. After working on several sites which did not seem to work for one reason or another, the Air Force turned to the Utah Legislature, and the legislature turned to MIDA to assist with problem mediation. The MIDA statute was expanded to include not just military land but up to 100-acres of adjoining private land to make the project work. Tax increment can now be taken from the additional 100-acres. This amendment of the MIDA law will take effect in October 2009.

The MIDA law provides the state with a tremendous tool to help in military economic development. Unfortunately, DoD construction projects often wait years for military construction money. Utah is stepping forward with its MIDA legislation to partner with the federal government to bring about DoD objectives at a faster pace. It is a win-win program. The military benefits by upgrading infrastructure, and Utah benefits by strengthening existing installations and possibly bringing in new missions and workloads. MIDA has its eye on several additional projects which could include partnerships with the Army and Air Force on energy projects. The future looks bright. 

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