

Economic Catalyst for Community Transformation

By Tom Christopoulos

THE BUSINESS DEPOT OGDEN

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economic catalyst

FOR COMMUNITY TRANSFORMATION

By Tom Christopulos

INTRODUCTION

Ogden's story can be compared to a prize fighter who, seemingly invincible at the peak of his prowess, was downed by a punch to his blind side. In the early decades of the 20th century, at the peak of Ogden's prestige, the city was a major transportation center of the American West. Over 100 trains passed daily through Ogden, Utah. The trains brought more than tired tourists; they created a vibrant economy.

Banking and financial services moved to Ogden to support the commerce generated by the trains, and the military used the city as a vital lay-over for the movement of troops and supplies from the population centers in the East to bases on the west coast. In short, Ogden was the envy of cities throughout Utah, including, in many ways, Salt Lake City.

As the city tied all of its fortunes to the railroad industry, however, it left itself open to an economic sucker punch from its blind side. In the early decades of the 20th century, nobody could have imagined that the railroad, and all of the benefits it brought to Ogden, would disappear. But that is just what happened.

During the early 1950s, nobody in Ogden saw that the foundations of the city's economy were beginning to crumble. As the interstate highway system, along with affordable automobiles and cheap fuel, began to connect the United States, the railroad industry became increasingly obsolete. As fewer and fewer trains frequented Ogden's stations, the city's business and financial community began to leave as well. As cheap air travel began to connect the east and west coasts, the military establish-



Union Station – Ogden, Utah

ment no longer needed the city as a way station. Slowly but surely, Ogden became an abandoned town in the heart of America's "flyover" country.

In 1995, the Defense Department closed Defense Depot Ogden (DDO), which served as a way station for the military and was clearly no longer necessary. The closure of DDO marked the rock bottom of Ogden's economic decline. It seemed that the city's former "prize fighter" status was down for the count.

This article may be similar to many stories of military base reuse throughout the country but is different in the extent of the loss that a rail-transit-oriented economy had on the entire city. The knowledge that all communities can gain from Ogden's experience is not how to do a base reuse project but rather the necessity to understand that communities must continually be aware that economies change. That prerequisite reinvestment that needs to take place to be in front of that change requires significant forethought and because of that – risk.

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Ogden was left with the highest poverty rates in the state and the highest level of community environmental damage and blight, very similar to that seen in rust-belt states. The city faced the dilemma of creating a new, modern economy while still taking advantage of the old and decaying infrastructure that existed from its former industrial, infrastructure-heavy economic base. With little tax base to support the change effort, the city had to find a way to capitalize the new development. DDO provides a sterling example of how Ogden faced this challenge and how the creation of Business Depot Ogden helped provide a new identity and a different image for a struggling community.

DEFENSE DEPOT OGDEN HISTORY

Defense Depot Ogden began in 1940 as the Department of Defense recognized that the convergence of the Union and Rio Grande railroads, and the mass of railroad infrastructure in Ogden, created a strategic distribution point from which DDO could move goods and services throughout all then 48 states. To this end, DDO began as a temporary facility to support World War II.

Development costs at the facility were low, especially by today's standards. The DDO purchased 1,600 acres of land for just \$400,000. Ogden City contributed \$100,000. Initial construction included 45 miles of railroad, 57 miles of roadway, 5 million square feet of warehouse space, and 13 million square feet in open storage area. DDO was planned initially to support 6,000 jobs. Total developed costs were anticipated at \$6 million.

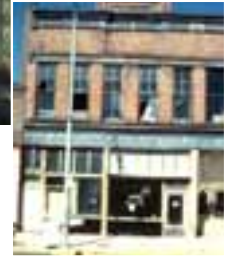
DDO reached its peak in 1943, employing 7,672 workers. Workers at the facility focused primarily on providing DDO supplies to 13 western states, although at its peak DDO provided supplies to all then 48 states. In 1957, the Internal Revenue Service (IRS) moved 2,400 additional workers to the facility, developing a new IRS Service Center for an original cost of \$5 million.

In 1958, DDO began a steady decline, essentially operating as a temporary storage facility until it was closed permanently by the BRAC Commission in 1995. When DDO was closed, Ogden City was left with 1,110 unused acres, including 156 buildings and 44 warehouses, encompassing 6.8 million square feet of under roof space and 2 million square feet in improved open storage space.

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Rundown buildings in downtown Ogden, 1950



A NEW BEGINNING

Although DDO's closure was not a total surprise, the shock of trying to replace its economic footprint was staggering. The once core economic engine of northern Utah was nearly totally dismantled with the loss of the passenger and most of the freight service and now DDO. In the years following the facility's closure, city leaders knew they had to find a way of stopping the city's economic spiral. Leadership decided that a new, modern industrial park could leverage the remaining infrastructure at DDO while simultaneously allowing the city to reposition itself for the next 50 years. And while they understood that something needed to be done, it took nearly four years to come up with a plan that the community could agree to. This plan presented many challenges.

As might be expected, DDO's 50-year-old infrastructure had decayed. Thirty-four miles of existing pipeline were in place, but it was undersized and could not handle the needs of a modern industrial park. Further, fire protection was completely undersized. The sewer system was badly decayed, and electrical service was provided by power poles and 800 electrical panels that had reached the end of their serviceable lives. Fifty percent of the 58,937 natural gas lines that provided central heating to the base were in poor condition, and many had developed leaks. The general condition of most of the buildings was good, but many were contaminated with asbestos. And there was significant environmental contamination.

THE PLAN

The city devised a simple plan based on the best information available on base closures at the time. Rather than creating a detailed community-driven strategy, the city decided to focus on defining the important roles for the parties involved. The roles were traditional – the city would provide infrastructure improvements and partner with a private developer to provide operational oversight. The strategies needed to drive the project then emerged based on the defined roles.



Business Depot Ogden, new construction and rail access

The city focused on providing infrastructure improvements on an as-needed basis, leveraging tax increment for the necessary bonding. The city issued its first tax increment bond for \$12 million for new infrastructure within the new phases of the park. It was clear that the city did not have sufficient industrial development and marketing experience to maximize the project's potential. As a result, the city chose to work with a private developer to provide operational and marketing expertise. In addition, the private developer would be responsible for the cost of vertical construction. The private developer would handle all day-to-day operations with the exception of certain major decisions, primarily investment related, that would have to be confirmed through the city.

Through an extensive selection process which presented few interested private developers, the city decided its partner would be the Boyer Company. The Boyer Company is a well respected development firm that has been active in the state of Utah for years, and Ogden felt that it was best suited to redevelop the base. Based on the shared roles played by both partners and the equity of financial risk for both parties, the city and Boyer agreed to equally split all profits generated by the new industrial park. The partnership was finalized in December 1999, and Business Depot Ogden (BDO) was born.

GENERAL OBJECTIVES AND GOALS OF THE PROJECT

After the partnership was finalized, Ogden and Boyer established specific objectives and goals for the project. These objectives and goals had to balance the demands of meeting the social needs of the community while simultaneously producing sufficient profit to compensate Boyer for its investment in the buildings.

One of the city's primary objectives was to avoid the trend of providing wholesale incentives for companies to locate at BDO. To address this objective, Boyer agreed to establish lease rates that would be competitive without the need for significant government incentives.

Another of Ogden's objectives was to establish a modern redevelopment pattern that would model future development for the entire city. Strict design guidelines were created to achieve this objective and were specifically

designed for the old structures to be enhanced by the newer buildings. The design guidelines were created in such a way that Ogden's natural environment, including beautiful mountain vistas and rivers, would be leveraged rather than hidden while accenting the history of the site.

It was important that BDO would be the catalyst to stopping the economic disinvestment the city had experienced for decades. This was perhaps the most difficult objective in that it required Boyer to establish lease rates that would allow additional redevelopment in the city to appreciate in value. All future incentives were to be built into the lease rates and could be significant. But because they were

internalized in the lease rates, the unintended result could be to reduce comparable rents and thereby subsequent values of other properties in the area. It was important, therefore, that lease rates were at or near market rates.

Ogden hoped to not only attract jobs directly at Business Depot Ogden but use the project as a tool in its business recruitment efforts throughout the city. Ogden believed that the success of BDO would show that after years of decay, businesses could once again not only succeed but thrive in Ogden. The city also hoped to use revenues from

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BUSINESS DEPOT OGDEN TIMELINE



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1940-1941	1952-1954	1971-1973	1995	1997	1999	2006	Present
DDO construction begins. First warehouse complete	Construction of warehouses complete	DDO is the largest employer in Weber County	BRAC orders closure of DDO	DDO conveyed to Ogden City	Boyer and Ogden City partner to develop BDO. Reinvestment period begins	End of reinvestment period	Ongoing partnership between Boyer and Ogden City

the industrial park to create a pool of investment capital that could be used for additional public projects.

RESULTS

Although it is important to measure BDO's success based on the objectives outlined at the beginning of the project, it is impossible to measure the psychological impact that BDO has provided the city. The project has been a success in ways both quantitative and qualitative. It has generated \$141 million in new construction representing seven million square feet of real property inventory and 2.3 million square feet owned separately by other private owners. In addition, the venture has been able to internally fund its infrastructure with no additional debt. Absorption since BDO was created has averaged over 300,000 square feet annually. Over 99 percent of new construction is leased and overall occupancy, including the older structures, now stands at over 75 percent.

In addition, 3,829 jobs have been created, and 96 highly diverse businesses ranging from distribution, graphic design, research and development, and neutraceuticals, now exist at BDO.

COMMUNITY RESULTS

The project has been a boon in terms of revenue generation for Ogden City which was able to leverage revenue generated by BDO to complete a number of redevelopment projects. Among those is a \$40 million redevelopment project that resulted in a mixed-use lifestyle center in the city's downtown called The Junction. Revenues from BDO also helped clean up the IRS campus area that allowed for an estimated 4,000 jobs to be consolidated in the central business district. Money from the project also helped enable the city to restore its deteriorating historic district to a vibrant event and shopping experience.

In addition to The Junction, the city has leveraged BDO revenues to complete \$1.3 billion in new commercial construction since 2000. Funds from the profits of BDO have helped solve development and environmental issues resulting in new Walmart and Winco markets, as well as new mixed-use developments along the Ogden River in the city's downtown. For the first time in nearly 100 years, new homes are being built in central Ogden.

Additionally, the project has aided the city in developing an economic effort that has generated over an estimated \$1 million in incremental new property taxes and an equal amount of sales taxes over the past four years. It is estimated that there are 3,000 new jobs from these activities ("Mountain Monitor: Tracking Economic Recession and Recovery in Intermountain West's Metropolitan Areas." Mark Muro and Kenan Fikri. Brookings Mountain West, September, 2011). Major new relocations include Homedepot.com, Wayfair, and the creation of an outdoor industry cluster of over 20 new brands such as Salomon, Atomic, Suunto, Hart, and Scott. In addition, Ogden has ranked as one of the nation's fastest recovering communities from the recession and in terms of percentage of job growth, has ranked as one of the largest job creators in the nation.

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Based on these measurable results and the immeasurable psychological benefits experienced by the community, BDO has truly been a game changer for Ogden City.

CONCLUSIONS

Before writing this article, I felt conflicted on what part of this project to focus on. There were a number of interesting technical aspects. Financial structures, negotiation settlements with federal agencies, and marketing methods all appeared very interesting and educational. But the project and the economic environment today have changed sufficiently to make the techniques less important than what is learned about how changing certain initiatives like this can have on a community.

It is very clear that without this project the Ogden of today would be extraordinarily different. Without the project it is clear the physical development environment would not have changed. Investment capital was the significant lubricant of that physical change. But more importantly, the project taught the leadership of the community that meaningful economic development cannot occur without a willingness to initiate and sustain change, a willingness to innovate, the drive to implement plans and fulfill objectives and, probably most importantly, the willingness to take risk.

Risk comes in many forms. Typically, the greatest stumbling block is political. That political risk is usually defined in the form of financial exposure. But the reality in today's political-and talking-point environment is the inability of political leaders to explain the difference between investment in their communities and expenses to operate their communities.

BDO is now in its 13th year, and the majority of the secondary economic benefits are just now being recognized. It is also important to note that without consistent follow-through of reinvestment in this situation by dedicated leaders in the community, the effects of the initial investment at BDO could have been greatly minimized. In this case, without the investment of the initial \$12 million, the significant results mentioned here would have never been achieved.



Salomon Center @ The Junction, Downtown Ogden

America's decaying infrastructures lie at the inability of our political processes to differentiate these issues. If Ogden had not learned the difference, it would have been impossible for the risks associated with taking on a publicly funded joint venture to take place. The focus on taking a risk to create new revenue generating projects is difficult when political leaders are wary of being perceived as spending tax monies on projects that are not deemed essential. Without the initial investment by the community and the risk politically of making that decision, all of the projects outlined in this article would not have taken place.

For political leaders, there are additional risks of creating a vision and the subsequent plans. Among those is the cost of creating sufficient expertise to drive and fulfill those plans. While it is easy to establish high-level planning, the willingness to understand the costs of implementing those plans seems much more difficult to comprehend. The business world recognizes the need for sustained investment in order to develop profits; but it seems much more difficult in the world of two-year election cycles for leaders to embrace investment cycles that may take a generation to fully implement.

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25th Street, present


Innovation and government are not typically mentioned in the same sentence. The innovations in Ogden were the creation of an economic focused, development oriented, multi-faceted economic engine and the willingness to stand behind the funding of the capital and human resources needed to create results. One of the great innovations is that economic development was allowed to drive community-development activities, and traditional public services acted to support economic development. In other words, economic development became the first priority of the community. Even the traditional services of the community, such as public safety and utilities, had to recognize and design projects that would create economic outputs and accept the notion that investment would come before those expenses normally prioritized by government.

One of the greatest challenges of short-cycle government is creating sustained community leadership. Without it, long-term strategic initiatives can be changed every cycle. BDO acted as a model to sustain the vision within the community. ☎



*American Can Building, present,
home of AmeriSports*

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