

## *A risky, but worthwhile, mission: redeveloping former military bases*

**SINCE THE BASE REALIGNMENT AND CLOSURE (BRAC) ACT OF 1988**, 97 military bases in the US have been closed. Now, under the 2005 BRAC recommendations, a further 22 bases will be shutting their gates to military operations as well.

By statute, the Department of Defense (DoD) now has until September 15, 2007 to begin closing and realigning the installations. The process must be completed by September 15, 2011.

As the closed military recommendations become law, many communities are asking the question: What do we do now?

### **GOOD EXAMPLES**

Fortunately, there are some good examples to follow, such as developments at these former military properties:

- Bergstrom Air Force Base, near Austin, Texas, was transformed into an international, commercial airport that generates \$1.8 billion annually into the community and created 37,500 jobs.
- The former Philadelphia Navy Yard currently houses docks for ship building, a cruise terminal, a corporate park and a historic district.
- In Lubbock, Texas, the former Reese Air Force Base is now Reese Technology Center, home to several biotechnology firms.
- The Village of Glenview, Illinois, once the location for Glenview Naval Air Station, established The Glen, a 1,121-acre mixed-use district, with new homes, offices, two golf courses and retail space.

Many of the closed military bases have reinvented themselves as revitalized properties for housing, industrial, training, educational and recreational facilities and hubs of commercial business activity. This is positive news, according to the General Accounting Office (GAO) and others: the base closings have resulted in an estimated \$16.7 billion savings to the military, and are expected to continue to save more than \$6 billion a year. Additionally, according to the



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*Risky, but worthwhile, continued*

National Association of Installation Developers, 50,000 civilian jobs have been created at bases closed since 1988, more

than 1,300 private and public sector employers now operate at closed bases, and 15 communities have created more jobs at former bases than were lost because of the closures.

### JUMPING THE HURDLES

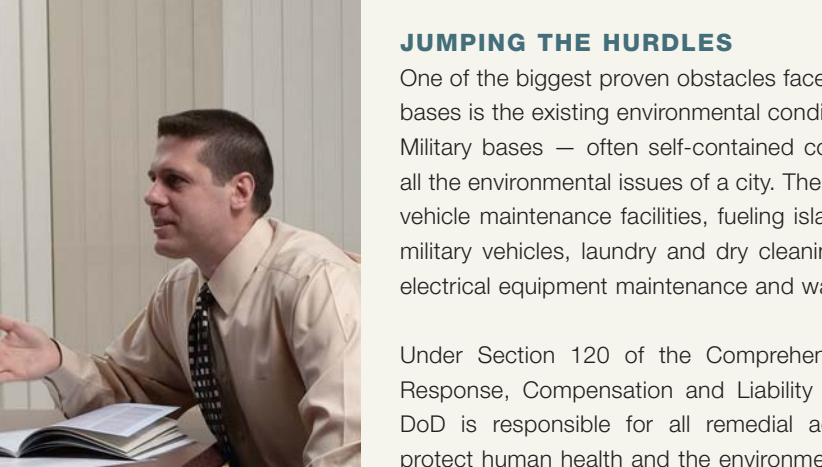
One of the biggest proven obstacles faced on former military bases is the existing environmental condition of the property. Military bases — often self-contained communities — have all the environmental issues of a city. There is housing, motor vehicle maintenance facilities, fueling islands for a variety of military vehicles, laundry and dry cleaning, mechanical and electrical equipment maintenance and waste dumps.

Under Section 120 of the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA), the DoD is responsible for all remedial action necessary to protect human health and the environment resulting from its activities in the past. The intent of the CERCLA section was to ensure that military installations would remediate to acceptable levels for human and ecological health before the property was transferred to the private sector.

Once the closure of a base is announced, a Local Redevelopment Authority (LRA) is formed and work begins on the environmental cleanup of the site and a master plan for the base's future. Once the cleanup is complete, the land is transferred to the local authority at no charge. Developers then work with the LRA to help make the master plan a reality.

Despite the DoD's best efforts to clean up the property before transferring the land, there is often concern about ongoing liability. Uncertainty surrounding the ability of the DoD to remediate a site prior to its transfer to the private sector, and the extent of the DoD's liability thereafter sometimes makes LRAs and other private sector entities unwilling to accept ownership of former military property. Examples include:

- Additional contamination may be discovered, requiring a business to halt operations on a former base for an extended period of time while remediation takes place;
- Lack of assistance in indemnifying and defending subsequent property owners if they are named as co-defendants in lawsuits brought by third parties because of an environmental incident;



**LOWRY REDEVELOPMENT  
CREATED A \$4 BILLION  
GROSS ECONOMIC IMPACT  
BETWEEN 1994 AND 2003**

- The discovery of new contamination.

Regardless of these risks, the attractiveness of these development opportunities can be enhanced and improved through the reduction of uncertainty and the addition of risk management controls.

### TOOLS AND STRATEGIES

A variety of government programs and risk management strategies, such as the purchase of environmental insurance programs, have helped both local redevelopment authorities and private developers to protect themselves against environmental liability. Environmental insurance products available today may help to eliminate or reduce the uncertainty that exists for all parties involved in a property transaction, such as the subsequent sale of DoD military base property, get BRAC facilities back on the municipal tax rolls, and aid in local job creation.

### SHOWCASE REDEVELOPMENT

The redevelopment of the former Lowry Air Force Base, outside of Denver, Colorado, is considered a military base success story. The Lowry Redevelopment Authority, an independent agency, was established to manage the site's redevelopment activities which included plans for new housing, a golf course, commercial businesses, a town center and an educational campus. Lowry Air Force Base closed in 1994 and the redevelopment is now 70% complete.

According to new research conducted

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by Development Research Partners, a local real estate analysis and economic development research company, redeveloping Lowry created a \$4 billion gross economic impact between 1994 and 2003. The majority of Lowry (89%) is in the City and County of Denver, and 11% is in Aurora. The economic impact report focused on Denver's economic benefits because very little new development has occurred to date on the Aurora portion of Lowry. Approximately \$2.3 billion directly benefited the City and County of Denver, including \$39 million in taxes and fees. The remaining \$1.7 billion benefited the City of Aurora, the State of Colorado and other states.

### LOWRY'S LESSONS

Lowry's achievements have been widely recognized for their success. Among the challenges to the project were contamination issues: a plume of groundwater pollution involving spilled jet fuel and de-icing materials extended over several hundred acres; numerous buildings contained asbestos; a contaminated landfill and various hazardous and non-hazardous substances existed on the premises.

While the Air Force had provided thorough environmental remediation at

Lowry, LRA used innovative risk management strategies in the base's redevelopment process. The use of environmental insurance offered additional reassurance to Lowry's potential buyers by eliminating or reducing the uncertainty that existed for all parties involved in such property transfers. In the event that an environmental incident occurred, Lowry had purchased an environmental insurance policy in 1997 to address ongoing liability issues.



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