

Economic Conversion

Best Practices for Military Base Redevelopment in Transitional and Developing Countries

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Editor's Note: The following paper formed the basis for Mr. Cunningham's presentation at the Economic Conversion seminar. The whole paper will be available in electronic form at <http://www.foreignpolicy-infocus.org/basecleanup>, including case studies drawing lessons from redevelopment experiences in Central and Eastern Europe, Panama and the Philippines, and bibliographic references. For reasons of space, these written proceedings include only the summary analysis of recent redevelopment efforts worldwide.

Executive Summary

How a country cares for a base immediately after closure may seal its redevelopment fate. A coordinated military withdrawal, a clear land disposal process, and cooperative political actors must emerge quickly to help a base make the difficult transition to the civilian economy. Longer term policies in the areas of the environment, marketing, and finance will also help communities get the most out of their base conversion effort.

Transitional and developing countries face greater obstacles to base redevelopment in financing, government support, and development capacity. However, they also face advantages over stable, developed countries, such as greater demand for housing and industrial space and a fluid policy environment where more innovative redevelopment policies are possible. Capitalizing on these advantages could help base redevelopment efforts in transitional and developing countries thrive beyond the modest performance of bases in richer, more stable countries. Bases, like Cubic Bay in the Philippines, prove it can happen.

Introduction

More than 8,000 military sites covering well over a million hectares will have been turned over to civilian use by the turn of the century. Most of the closed sites existed in the territories of the North Atlantic Treaty Organization and the now disbanded Warsaw Treaty Organization. However, many less transitional countries, such as the Philippines, Panama, and South Africa, also face substantial base closures. Although less is known about base redevelopment in LDCS, some lessons can be drawn from the experiences in transitional countries.

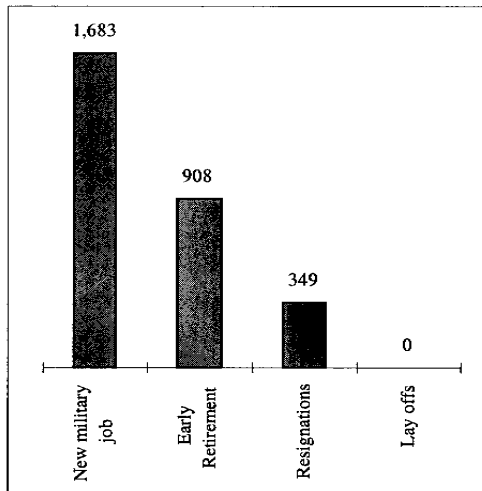
The sites vary greatly in size, type, and location. The largest closed bases - troop barracks, air bases, naval bases, and maintenance facilities-employed tens of thousands of military and civilian personnel. Conversely, less consequential sites such as warehouses, communication posts, and single-unit houses create few jobs. Equally diverse is the condition of returned land in terms of environmental contamination and infrastructure. Nuclear waste, unexploded ordnance, and petroleum-spoiled ground-water are among the most severe forms, but every military base contains some level of contamination. Although many governments trade valuable infrastructure to avoid responsibility for clean-up, others leave poor facilities and serious contamination behind.

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Although a welcome sign of easing world tensions, military base closures have provoked serious economic consequences for many neighboring communities. Large base closures can deprive an economy of needed jobs, income and stability. Widespread predictions of disaster have generally not come true, however, for three reasons. First, a significant proportion of the income of soldiers living on-base did not enter the local, civilian economy. Second, the massive unemployment never occurred. Figure One shows that not one of the vulnerable civilian workers at the Mare Island Naval Shipyard was laid off when the base closed in 1996. Nationwide, only three percent of civilian workers at closed bases were forced to leave service. Third, the specter of lost jobs must also be balanced against the opportunities offered by more efficient long run land use.

Closed bases may be viewed as potentially useful vestiges of global demobilization. Unlike surplus weapons, much of the world's excess military infrastructure has direct civilian application, and therefore, commercial value. Closed barracks may become college campuses, while air bases may become cargo airports. For instance, most air bases look like any other civilian airport from the air.

Figure 1: Where did they go? The fate of civilian workers at Mare Island Naval Shipyard Following Closure



Source: GAO, 1996

Creative Conversion strategies can help avoid saturation of certain markets in regions with high concentrations of base closures.

Base redevelopment requires considerable amounts of time, leadership and resources to restore the environment, maintain facilities and attract investment. Most failed efforts result from poor market analysis, bureaucratic hurdles, local infighting, or a lack of necessary investment resources. Despite these obstacles, a wide range of conversion successes demonstrates that base redevelopment can become an engine for growth well beyond the economic potential of the former military base.

Local authorities charged with the responsibility of civilian base redevelopment are therefore eager to find income-generating alternatives. The state can help communities by providing an environment conducive to investment, consensus and economic development. In particular, strong

environmental redemption programs, streamlined base closure and disposal procedures, and modest planning grants have established a model for success in developed nations. While many of these lessons also apply in transitional and developing countries, they also face additional obstacles and opportunities. They tend to have more limited development resources and capacity but they can to have greater growth potential and demand for base infrastructure. Due to their lower overall development status, former military bases take a relatively high development priority and importance in transitional and developing countries. The need for quick results in transitional economies also places greater pressure also raises the stakes for redevelopment.

Despite the differences and importance of this issue, few researchers have focused on base redevelopment in transitional and developing countries. As a result, this study draws on the lessons from base closures worldwide in an attempt to tailor some best practices for those countries.

Base Redevelopment in Transitional and Less Developed Countries

Similarities

Countries face the many of the same issues when military bases close. Although there are differences in technology and layout, there is significant overlap in the types of facilities bases contain. For instance, permanent air bases in every country tend to have air strips, taxi ways, hangars, fueling depots, a control tower, storage areas, administrative buildings, housing, and a protective fence surrounding the base. These similarities will spill over into the redevelopment process. Several of the most important similarities are discussed below.

Mixed bag of infrastructure. Military bases include a variety of facilities. Some of these facilities have direct civilian applications that can improve the site's redevelopment potential. Other facilities, such as weapon storage and testing areas, have no civilian use. Often too expensive to demolish, these useless facilities usually remain as reminders of the site's military legacy. The closed Hahn Air Base in Germany illustrates the mix of infrastructure contained on most bases. The warehouse bordering the airstrip on one side and a rail dock on the other is one of the site's most attractive features-ideal for a civilian air cargo center. Several yards away, however, are 24 hardened F-16 hangars. Without windows and too small for commercial planes, the hangars have no practical civilian use. Since they were designed to withstand direct bomb hits, they are also difficult to demolish. German authorities estimate it will cost more than US \$30 million to demolish the hangars. Without these resources, the hangars remain today as they were when the NATO abandoned the site in 1993.

Commercial market disconnect. Location is considered the crucial factor for determining a site's commercial value. However, the location of a military site has nothing to do with commercial real estate demand. Some sites are located in very desirable locations, such as the close Presidio in downtown San Francisco, but most bases have less desirable locations, such as Wurtsmith Air Base in Michigan's upper peninsula. How closely base location matches civilian real estate demand varies by strategy and type of base.

- **Military Strategy.** A country's military strategy plays an important role in base redevelopment. For instance, the United States isolated its important domestic military bases from civilian population centers in an attempt to limit civilian casualties in wartime. However, the United States pursued a different strategy in Germany. Since most of its bases were established during the occupation following World War H, the United States located its bases in or near Germany's major population centers to ensure rapid response to civil emergencies. Consequently, US domestic bases are significantly more difficult to redevelop than its bases in Germany.
- **Base type.** The base's mission can have an important impact on the base's location. Training bases and strategic air bases are isolated from population centers, but barracks and administrative centers can have more urban locations. Naval bases, however, are almost always located in commercially desirable locations. Military vessels require deep harbors with easy access to open water. These are the same features that make a good commercial port. Since most of the world's best ports are already fully developed, the closure of major military ports, such as Long Beach Naval Station in California, is welcomed by developers.

- *Base origin.* The military may have seized civilian structures for its use, as happened in Europe after World War II and South Africa during Apartheid. If these structures had commercial value before they became military bases, they are more likely to have value after closure. This is especially true if the structures on these bases have historical or architectural value.

Environmental contamination. While no military base enjoys a complete absence of environmental contamination, some cases are worse than others. When environmental contamination is too severe, bases are simply retained by the military regardless of need. Even when environmental clean-up is possible, it can delay economic recovery and is often the greatest obstacle to productively using closed bases. The US Department of Defense has detected about 27,000 potentially contaminated areas on 9,700 of its domestic. Similarly to military bases in other countries, petroleum and lubricants are the most common sources of contamination. Although the responsible party for this contamination is usually clear, it is harder to determine responsibility for clean-up. For instance, although the US Department of Defense takes responsibility for cleaning the contamination on domestic sites to an extent, it often leaves the clean-up of its foreign bases to the host country.

Political infighting. Regardless of country, political factors are a constant factor in military base redevelopment. Political struggles can occur within or between levels of government.

- *Federal politics.* The inter-agency turf battle must be overcome first. Military bases are operated by the military, but other agencies become involved upon closure. A federal-level turf battle is currently occurring between South Africa's Department of Defense and Minister of Public Works. While the Department of Defense operates the bases, Public Works actually owns all federal government land. The struggle has caused delays and ambiguity in South Africa's base closure process.
- *Federal-local relations.* Local governments often oppose the federal government's actions regarding military bases. Sometimes local governments fight for a neighboring base to close, as occurred with the US Air Force Reserve base on O'Hare Airport in. More often, however, the local government opposes the closure of a military base for economic reasons. These fights can become so contentious that they delay redevelopment. In 1991, a group of Pennsylvania politicians sued the federal government on Constitutional grounds for attempting to close the Philadelphia Naval Shipyard. For the two years they fought in vain to overturn the decision, little redevelopment planning occurred at the site.
- *Local jurisdictional battles.* Military bases rarely reside in just one government jurisdiction. They can fall within the jurisdictions of several city, county, and even state governments. Unless communities start working together immediately, these ambiguities can lead to damaging turf battles among the interested governments. Such disputes delay planning and could cripple redevelopment. In one of the most extreme examples, several local governments sued each other in 1988 for the rights to redevelop George Air Force Base in California. As a result, almost no redevelopment of any kind has occurred on the site in the last ten years. Lower level disagreements are very common, especially for bases with high economic value.
- *International Disputes.* Bases operated in foreign countries can cause international disputes when they close. Issues of timing, property rights, and the condition of the base can cause significant problems for the closure and redevelopment of the base. The argument over the responsibility for environmental contamination at the former US bases in the Philippines have caused controversy

for and friction from the closure in 1992 to. Nearly every country in Central and Eastern Europe objected to the poor condition of the facilities and land left behind by the Russian military forces, but they eventually agreed to accept responsibility Just to get the troops to leave.

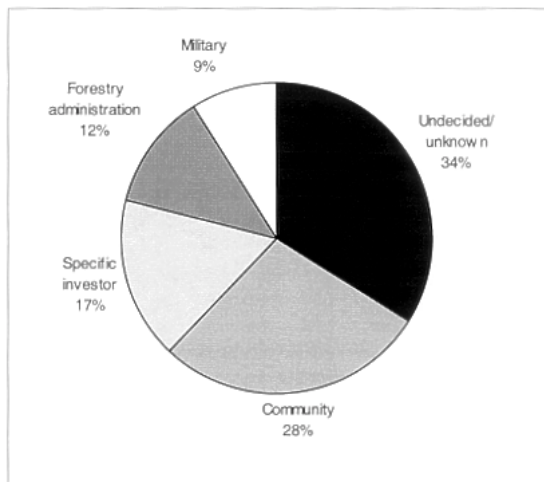
Differences

Although the basic military base redevelopment issues are the same, many take on a different scale for transitional and developing countries. Most differences in the base redevelopment issues of developed and less developed countries spring from the very differences in capacity and resources that define countries' different development levels. Most transitional and developing central governments lack the development resources or the governmental structures needed to effectively manage large-scale redevelopment projects like military base redevelopment efforts. Transitional countries also tend to suffer from tight resources and inexperience. The following specific differences in the redevelopment experiences have emerged from the author's research and field observations. Additional research may uncover additional variances.

Government Capacity. Military base closure is a relatively recent phenomenon for most countries. Only the United States has substantial experience prior to 1990. However, governmental structures for disposing of excess government land already exist in most developed nations. For instance, although the German government had not closed a military base since World War 1, the Bundesvermogensamt already existed to manage the government's real estate holdings. Once seven

nations began closing large numbers of bases in the early 1990s the federal agency only needed to increase its staff to handle the extra work.

Figure 2: A Regional Leader. Responsibility for Parcels of Land on Closed Russian Bases in Poland (1995)



Source: Wieczorek and Zukrowska, 1995

These government structures are usually absent or insufficient in closed LDCS. Without a legitimate, competent federal authority to direct the land disposal process, base redevelopment languishes. Forestry Such a case currently exists in Ukraine. While the military has obviously abandoned numerous military sites, local leaders are unsure if the bases are officially closed, who maintains title for the sites, and what government agency has the authority to transfer ownership. As a result, local citizens and businesses are reluctant to redevelop the sites. Although Ukraine is an extreme example, this problem exists to some level in nearly all

transitional and developing countries. Figure 2 illustrates that even Poland-one of the regional leaders in base disposal-has experienced problems assigning responsibility for all of the 70,500 hectares abandoned by the Soviet Union between 1991 and 1993.

Regulatory Framework. Beyond the base disposal mechanism discussed above, there are numerous regulatory issues that affect base redevelopment in transitional and developing countries. Many of the regulations enforced in developed nations facilitate redevelopment efforts. Environmental regulations, for instance, protect the land purchaser from liability for undiscovered or unreported contamination. Other regulations in transitional and developing countries, however, can impede redevelopment. Restrictions on business licensing and foreign ownership, price and import controls, and land ownership constraints can block redevelopment efforts. How can a country sort out the unhelpful regulations? Simply put, the same regulations that inhibit business creation generally will

also hinder base redevelopment. The advantages of regulatory reform are more fully explored in the Subic Bay case study.

Development Resources. Developed countries possess a variety of development resources unavailable in LDCs and many transitional countries. Governments at all levels can finance base conversion. The state of Rheinland-Pfalz in Germany, for instance, paid US \$5.7 million in grants and guaranteed an additional US \$75 million of loans to a private company that attempted to convert a former US tank maintenance facility into a street car maintenance facility. After the company went bankrupt in two years, the state redirected its conversion money to the closed Hahn US Air Force Base where it invested US \$25 million in a new radar system. Communities in the United States that experience major base closures receive US \$1 million to plan for reuse and additional federal grants for implementing the plan. These levels of government investment would be impossible in other parts of the world, and non-government resources are also in short supply. The financial sectors in LDCs are not well developed making investment capital scarce, and international donors and venture capital firms also shy away from base redevelopment projects due to the obstacles discussed in this report. Transitional countries are often focused on other urgent development needs, such as struggling government-owner industries, to redirect significant resources toward base redevelopment.

Fluid policy environment. Transitional nations that close military bases are usually also making political and policy changes on other levels. This is not always the case with developed nations. The United States and England, for instance, decided to close bases to offset budget reductions and changes in security needs. The countries' economy and political environments remained stable throughout the period. In transitional nations, base closures are often the result of broader transitions. South Africa illustrates this point. The end of apartheid has changed the country in every way. Military base closures are just one small result of South Africa's transformation. Massive change brings opportunities and obstacles for base redevelopment. Since base closure is a relatively small part of a larger movement, it can receive less attention from policy makers. This was the case in many Central and East European countries. With large numbers of people unemployed and an insolvent, noncompetitive manufacturing sector, politicians did not place a high priority on the fate of abandoned military bases. However, there are also advantages to a fluid policy environment. More things are possible, and clever policy makers can weave base redevelopment into the larger fabric of change. In South Africa, the case of land reform and base closure shows how two problems can have a common solution. As discussed later in this paper, base closure could hold the key to revitalizing the stagnant land reform process.

Relative quality of infrastructure. Military bases have a similar look and feel all over the world. Some countries build better bases or maintain them better than others, but these differences are minor compared to nonmilitary infrastructure. Military bases in the United States and Western Europe usually require significant modifications to meet civilian standards. Few civilians, for instance, are interested in renting a room in an army barracks, and base family housing usually resembles government subsidized housing projects more than private homes. The same situation applies to the other base facilities, such as administrative offices and recreational centers. The relatively poor quality of the buildings and facilities poses marketing problems in developed nations. The exact opposite is true in many transitional and developing countries with chronic housing shortages. While military bases tend to meet a standard level of quality and style, the quality of civilian infrastructure varies significantly between nations. For instance, the multi-family housing units from Fort Kobbe in Panama would probably seem plain in the United States, but these homes would represent a step up for the majority of Panamanians. This is also true of domestic bases in LDCs since the militaries in those countries usually enjoyed a privileged position in society. As a result, the demand for closed

base facilities is much higher in transitional and developing countries than in developed countries. The World Bank cited the above average infrastructure at Subic Bay as one of the site's competitive advantages. A similar site, such as the Philadelphia Naval Shipyard, is considered obsolete in the United States.

Real estate demand. The different focus of real estate demand also provides important benefits to for base redevelopment in transitional and developing countries. In established, developed countries, real estate demand is known and understood. If a new business park or airport would be a profitable venture in the United States or Europe, a developer would have already built it. Base closures can rarely surprise developers by filling an unknown market in a developed economy. To the contrary, the private sector might seek a base closure to fill specific real estate shortage. For instance, Germany paid the United States to close its air base co-located on the busy Frankfurt Rhein Main International Airport. Usually, however, a base closure hurts the local real estate market in a developed economy by flooding the market with new land and buildings without regard for local demand. This is not necessarily true in transitional and developing countries. Since investment capital may be limited, as noted above, all of the demand for housing and commerce may not be filled by the private sector. An air base closure that frees up an operational runway and control tower may allow the local economy to establish a much needed civilian airport. Additionally, since housing is almost always in high demand in LDCS, the markets could quickly absorb new housing of any style or quality.

Military popularity. Most developed nations have a good relationship with the military. Military bases are considered partners in their communities. Soldiers attend local schools, shop at local stores, and help out in natural disasters. This is not the case, however, in many developed countries. In numerous transitional and developing countries, foreign bases have come to symbolize an oppressive regime or colonial power. The many of citizens in Panama, for instance, resented the United States military presence in their country. This example is not unusual. The Philippine legislature voted down the basing agreement that would have allowed the United States Navy to remain in that country, and many in Central and Eastern Europe resented the Russia's military presence during the Cold War. The civilian populations in transitional and developing countries also resented domestic military forces. In South Africa, the military was seen as a tool of oppression and prejudice.

These negative feelings toward the military can ease the pain of base closure for transitional and developing countries. Developed nations often face stiff civilian and military resistance to military base closures, which can slow or halt the closure process. The political fight can become so intense that people refuse to give up even after the closure decision is final further delaying redevelopment. Transitional and developing countries can avoid this problem by capitalizing on the good feelings generated by a decrease in the military presence in the area. As in the case of the Philippines, these emotions can overwhelm the economic benefits of the military base.

Economic performance. Transitional and developing economies are marked by greater fluctuations of growth and contraction than developed countries. Developed countries will grow onto former bases slowly, but transitional countries with strong economic growth can move much quicker, or stall completely if the economy falters. Estonia, for instance, is relying on an extended period of strong ten percent annual growth to help it quickly fill its large number of closed Soviet bases. Tartu, a city in Estonia, has chosen to reserve a closed nearby air base for future development over parcelization in the short run. Economic volatility can cut both ways. Grand plans for an international air cargo center at Krzywa Air Base in Southwestern Poland dissolved when that region's growth lagged behind the more urbanized sections of Poland.

High stakes. Base conversion is rarely a national development priority in developed countries. The United States focuses on the economic consequences of base closure during the base closure process, but policy makers and the media tend to lose interest once the closures are completed. That is not true in LDCs where the bases can represent a much larger percentage of the overall economy.

“The Panamanian government recognizes that its ability to develop the closed US bases will define its long-term economic fate.”

Numerous LDCs have placed base reuse at or near the top of their list of development priorities. Panama is the most extreme example. The Canal Zone and the numerous US military bases that guard it are all scheduled to be returned to Panama by the end of 1999. The location of the military bases at the mouth of both sides of the canal and all along the banks are prime areas of development. The Panamanian government recognizes that its ability to develop the closed US bases will define its long-term economic fate. All of the Baltic countries also place base redevelopment near the top of their national priorities. In each country, the former bases covered two percent or more of the entire country and represent a large share of their development-ready land.

Best Practices

While some economic factors, such as the performance of the local economy and the condition, type, and location of the base are potentially decisive factors in redevelopment, transitional and developing countries can maximize their redevelopment efforts by applying the lessons learned in other countries. It is particularly important that transitional and developing countries redevelop military bases efficiently because they do not have resources or time to waste repeating mistakes. The following list represents some of the best practices in base redevelopment in transitional economies as they apply to LDCs. Since Subic Bay has been a particularly successful redevelopment effort, it is the focus of many of the best practices.

Land Disposal

What a government does with a military base between the time it closes and the time its long-term owner takes control is crucial. These steps require a high level of coordination between government actors that may not be used to working together. For instance, in South Africa, military bases are owned by the Public Works Department but occupied by the different branches of the Ministry of Defense. If these two bodies fight over political turf instead of expediting the redevelopment process, development will suffer. The following steps will help assure that the process facilitates smooth redevelopment.

- *Negotiate a smooth transfer.* When the US left Clark there was no local authority to take control, and the base was completely looted. Conversely, the SBMA negotiated a structured turnover that allowed Philippine officials to adequately secure the base before it could be looted and claimed by refugees.
- *Provide adequate security to valuable bases.* Legnica, Poland took great care to secure every important site of the former Northern Group Soviet Forces Headquarters located in their city. As a result, they have successfully sold many of the sites to people eager to use the existing

structures. Other countries, such the Ukraine and Panama have seen the value of their bases erode due to insufficient security.

- *Establish a fair, efficient, standard base disposal process.* Planners and investors need to know the process that a base goes through when it is closed. LDCs can implement the same type of screening process that developed nations have established. The national government receives the right of first refusal on any military base, followed by state, and local officials, and then private investors. However, an agency must be responsible for expediting the process. The longer the bases remain vacant, the more the government must spend to protect and maintain them. Estonia has led other LDCs and many developed countries by privatizing almost half of its bases in just over one year.
- *Privatize the most economically valuable sites.* Most transitional countries make the mistake of retaining the most valuable sites for their own use. This was particularly true in Legnica where the city and state governments retained a large number of historic, architecturally interesting sites for themselves, when those sites could have been used to lure much needed outside investment to the city. Subic Bay took a more practical approach of selling the best parcels to international companies.
- *Provide seed capital for deserving projects.* Governments can not afford to sponsor every redevelopment site. Some Central and Eastern European countries seem to have a closed military base in every city and town. As suggested above, some projects will find their own funding, others will never become self-sufficient. However, some bases in depressed, but promising, areas could use limited government funding to build a profitable development center. Transitional countries prove this. Subic Bay has clearly benefited from strong local and national government support. In Parnu Estonia, the local government took it upon themselves to fund the improvement of a former Soviet vehicle storage site. Once the land was cleared and a new shopping center constructed, the city sold the new retail sites quickly and easily.

Environmental Cleanup

Environmental issues are the most significant development obstacles for most transitional countries because the polluting party either does not have the resources or the will to clean the closed sites. transitional and developing governments also lack sufficient resources to return all of their closed bases to pristine condition. However, several steps can help limit the degree to which environmental problems block base redevelopment.

Seek international assistance. Environmental issues have worldwide appeal. NATO initiated two projects to help limit environmental contamination on Central and Eastern European military bases. The World Bank and European Union have also funded numerous environmental projects--several with military base components. Latvia took the international approach another step by creating a Scandinavian network of support for cleaning up the Baltic Sea.

Conduct environmental screening of potential commercial sites. International investors fear the unknown on former military bases. Visions of toxic contamination, illnesses, and lawsuits can chill the hottest redevelopment project. However, evidence shows that contamination in transitional countries is no worse than that in developed countries. A simple Level I environmental base line study is a quick, inexpensive way to allow local officials to identify the sites that pose the greatest danger. The suspicious sites should then be exposed to a Level II investigation to identify the level of

contamination. The practice of some local officials of ignoring possible contamination is unethical and bound to backfire in the long run.

Implement a triage-style clean-up program. The environmental studies will likely uncover more environmental contamination than it is possible to remediate, forcing government officials to make difficult decisions. By taking a pragmatic approach, government officials can maximize the development impact from their environmental dollar. The environmental screen should contain three levels.

1. Clean the most dangerous sites as fast as possible.
2. Attract private sector participation in the most valuable sites.
3. Stabilize the contamination and allow nature to reclaim the site.

This three-layered approach will allow governments to include some logic in their base clean up process. Several countries refuse to differentiate between different clean-up projects, and they end up spending a minuscule amount on each site.

Development Policy

Governments take very different approaches to development policy. Some countries have focused on funding economic development projects through subsidies and tax breaks. Other policies involve creating a business friendly economic climate without subsidies (through deregulation). Regardless of what approach a country favors, the following points could improve the process.

Market Studies. Conduct realistic market studies for any government sponsored project. As with environmental contamination, local officials hurt their project by covering up the real risks of a project. A local official's real goal should be to attract the most profitable investor-project mix. Three types of studies can help to make that match.

1. First, local officials should conduct a market demand study. It does not matter how perfect a military air base is if the local economy does not demand a passenger or cargo airport. Understanding the market demand will limit the base's menu of redevelopment options.
2. Based on the market demand, local developers can conduct a best-use study. That will reveal the degree of intersection between what the market demands and what the site can provide.
3. Finally, once a development plan has been established, developers must calculate the project's net present value. That will show if a project's future benefits sufficiently compensate for the up-front investment. Resources are too scarce to fund unprofitable projects. If the base project has a negative present value, the investment capital could be better spent elsewhere.

An entrepreneurial environment. Many transitional and developing country policies inhibit entrepreneurial business creation. For instance, price and interest rate ceilings actually serve to block market entry. An awkward, inefficient business licensing system can also reduce entrepreneurial activity. Although these policies may be difficult to change nationwide, creating a deregulated

entrepreneurial zone on a former base is easier to accomplish. Subic Bay showed that government officials will make special exceptions to help a targeted area.

Development Financing

Seek external donors. World Bank loans do more than provide investment capital. They provide credibility. Private investors may find LDC development efforts too risky without a substantial feasibility study. However, private investors are not willing to investigate every project that comes along. It is much easier to follow the lead of an experienced, proven investor, like the World Bank. Subic Bay is perfect example of how international private investment runs in packs. Once the World Bank became confident enough in the Subic Bay Freeport project to invest its money, dozens of other international investors quickly followed suit. It is impossible to say how much investment Subic Bay would have attracted without the World Bank loans, but it probably would have been substantially less.

Work with private investors. Government officials can fail if they treat private investors like charity. Redevelopment projects must consider the private firms' profit motive. Subic Bay proved that private investors will respond positively to profitable investment opportunities. By providing tax holidays or matching public works investments for private sector investments, a redevelopment effort help the private sector to compound the value of its investment. The trades do not need to be one-for-one. For instance, the local government might agree to improve the utility system in exchange for capital investments by several firms.

Develop domestic equity. Transitional and developing governments can help build the personal capital of it citizens by allowing them to purchase land, businesses, houses, or apartments on closed bases at very low prices. Since the government did not pay for the base land, it does not have a real need to secure a high sale price. The government payback can come from the increase taxes and growth that comes from increased domestic capital production.

An Environmental Justice Framework for Base Conversion

By Martha Matsuoka, Okinawa Peace Network

I. Introduction

I was asked to share some lessons learned from the base closure and conversion process in the San Francisco Bay Area that begin in the late 1980's. I share these lessons from the work done with the Economic Conversion Project of the Urban Habitat Program, a nonprofit environmental organization based in San Francisco. The framework we used to understand and take action on base closures in the Bay Area was based on principles of environmental justice and recognized that:

- In the U.S., poor people and their communities bear the heaviest burden of the presence of military facilities
- People speak for themselves; that issues are raised by people most impacted by environmental issues;
- Because of how US bases developed in the States, these people are mostly low income, poor, people of color. They are also women and children.
- The environment is defined as the place where people live, work, play.

- That environment is comprehensive – that it is integrally linked to public health, to education, to economic development, to the overall condition and quality of life

This environmental justice framework enables us to think about cleanup but importantly about, what next. What to do with the land and all the infrastructure that so impacted the communities in which they were located – not only in terms of environmental toxics, noise and the like. But also the economic conditions.

Base closures in the Bay Area

In the Bay Area, within a period of 3 years, 6 facilities closed. 10,000 acres of land. 11,000 workers lost their jobs. A seventh, Hunter Point Shipyard was closed in the 1970's but is still not actively redeveloped.

Four of the seven base closures are industrial facilities located in low-income communities of color and along the shoreline of the San Francisco Bay. Historically these communities were the labor force that built and sustained the military facilities in their neighborhoods. They were the labor that supported the steel and manufacturing industries that supported the military. Plant closures in the 1980's resulted in high unemployment rates and job dislocations in these neighborhoods.

The location of these closing facilities – most along the shoreline of San Francisco Bay - in one of the strongest regional economies in the country – was seen as a boon for local cities and for developers. For the communities outside these facilities, closing facilities represented an ongoing battle to address military toxics in their neighborhoods. But base closures also represented an opportunity to use land and resources to address economic, social and environmental needs of the community that had been neglected.

“Base closures also represent an opportunity to use land and resources to address economic, social and environmental needs of the community that had been neglected.”

II. Lessons learned

Nearly 10 years since the announced closing of the Presidio and subsequent other base closures (and 25 years in the case of Hunters Point), there are some things we learned.

Lesson 1: Plan early

It was critical to start putting together a community vision and process for developing a plan for conversion. And it was important to do it early on.

Communities know best what their needs are and it was critical to begin generating ideas and developing a community vision of what the community wanted to see at the closing base. New activities such as housing, services, employment were immediately raised as community needs. For example, we organized (with ArcEcology and the Center for Economic Conversion) a regional group of grassroots, community, and NGO leaders to begin sketching out key aspects of community generated visions for what to do with these bases. Through this organizing and planning, we identified four key areas that we knew had to be a part of local redevelopment plans: That if we did

the planning, we could then have an agenda to push through our governments/development corporations.

1. Whatever economic activity was generated by the base planning and redevelopment process had to address the employment needs of the community.

Demands included programs that would require new economic activities to develop not only jobs but also employment training programs for local people. Part of this strategy was to ensure that the city or development corporation make this policy a requirement of all new activity.

2. The plan specifically outlined the need for contractor policies that required redevelopment companies, construction firms, architect and engineering firms, new users, and particularly those who were receiving public subsidies to hire local women-owned and minority-owned businesses.
3. That plans for re-use had to address local needs: This included sufficient affordable housing, needed social services. Central to this was the belief that the kinds of re-use had to meet local needs and place environmental justice first so that new activities on the base were not simply replacing old activities that were creating toxics, noise, or not serving local needs.

Lesson 2. Organize and push your plan

While the plan was a first step, it was necessary to engage in active organizing and advocacy in order to get the plan and its components adopted.

As we continued to work with communities to develop our plan, others were also planning their own visions for reuse of the facilities. Universities, private businesses, government and others were busily putting forth plans for the base. Many of these plans did not include participation by people who lived near the base arguing that the facilities were a "regional asset" and serving more than those who lived within the neighborhoods where facilities were located. While it was true that the bases affected the region both in their closure and in their ultimately in their redevelopment, it was necessary to recognize the many neighborhoods and people who did not enjoy the benefits of the military base economy and its services. We believed that the conversion of the land into a local or regional serving activity must address neighborhood conditions.

Many of the proposals for re-use that emerged early in the conversion process were proposed by large institutions rich in resources. Well-organized special interests were able to mobilize quickly, secure resource commitments, approach decisionmakers, and influence public policy decisions. Projects such as the Alameda Center for Environmental Technology (ACET) was an early proposal put together by UC Berkeley, the Lawrence Berkeley Laboratory and others which projected thousands of new jobs to be generated through the development of a technologies research and development entity to locate at the Alameda Naval Air Station. Such proposals and the resources available in large institutions to develop proposals and plans dwarfed community-based projects and planning.

To ensure a community-based voice in the process, we worked through the East Bay Conversion and Reinvestment Commission established by Congressman Ron Dellums to oversee the conversion of the closing facilities in Alameda County. The Commission included representatives from the large

institutions but also those from community-based organizations and advocacy organizations so that voices of neighborhood people were heard in the process. Having a plan, an agenda, and an organized constituency was critical to making sure that our agenda was pushed through the Commission.

Lesson 3: Take advantage of confusion

When we began our work in base conversion, there was much confusion about which policies applied, when, to whom, and how. Much of this confusion still exists in the environmental cleanup side as we heard yesterday. When we tried to find out what the process and rules were, we quickly found out there was much

“Having a plan, an agenda, and an organized constituency was critical to making sure that our agenda was pushed through the Commission.”

confusion between the Federal government, state government, local government, regulators. We also found that even where there were policies, these policies were not followed unless there was tremendous community pressure. For example, federal base closure law requires that base housing go to the needs of homeless people in the community first (McKinney Act) and that public benefit conveyances must be implemented to ensure that reuse activities benefited the public. In both examples, local as well as federal government officials did not know quite how to implement the law. Rather than wait for interpretation, housing and homeless advocates organized themselves around the housing issue and pushed local and federal officials so ensure that affordable housing was a key aspect to the reuse plans adopted by the local governments in Alameda and in Oakland.

III. Economic development on closing bases and in our communities

Base redevelopment is unique but similar to overall economic development

Through this experience of base conversion – and we are still watching the process unfold - we can see that redevelopment of bases has particular challenges that we had to face – related both to the scale and scope of redevelopment and to the challenge of toxic cleanup left by the military.

But we also found that the way redevelopment of the bases happens is not unlike other big economic development projects that are proposed in our communities - project planning, financing (private and public subsidies), construction, etc. Importantly we learned that:

1. We, as communities heard this all day yesterday are continually overpowered and underresourced by industry and our governments. We struggle (especially in this globalizing economy) to get our governments to deal with the issues of our communities instead of paying so much attention to the wishes of the large private corporate sector.
2. Economic and environmental needs in our communities were not going to be addressed by what resources we had in our communities. That there was a need for resources, for capital, for investment, that we no longer had in our communities.
3. We needed to demand that communities were fully involved in the planning processes of base redevelopment - not only in the planning process, but in the monitoring

process to make sure that the community was at the table throughout the redevelopment process.

- This understanding of economic development - the technical aspects as well as the power relationships that define local development - was critical. We watched in other places, including overseas redevelopment projects such as at Subic and Clark, that "successful" redevelopment was the completion of resort hotels, condominiums, and other economic activities that are designed to develop a tax base and generate economic activity, but which also were economic activities that were out of reach to most of the people in the Philippines. We were critically aware that development strategies that assumed the infusion of outside capital without the necessary local infrastructure to control such capital would not address the needs of our communities. Currently in Okinawa, the government is proposing the development of a multimedia industry. It is not at all clear that Okinawa has the labor force, physical facilities, and existing economic and industrial structure to support a multimedia industry. Needed public resources to address existing economic development, social, and environmental will be diverted to create an industry that has little relevance to Okinawa.

Out of these lessons, we have to ask hard questions about development strategies.

The most dominant development strategy heard earlier is a capital attraction strategy – a strategy that host governments – whether in the US or abroad use to help bring investment into places that need development. For example, Free Trade Zones. In this country the same concept can be applied to programs such as the Enterprise Community program, an example of public policy that applies public funds to support activities that are not necessarily public. Out of these concerns we must ask ourselves:

1. Public Money – who benefits?

We paid for these facilities; how they are turned over should also be public.

Governments – with our public dollars – give private firms incentives to locate onto the base. In Alameda Naval Air Station, the City is floating bonds to pay for the repair of infrastructure (Sewers, electricity, etc.). In this way, the City (and its residents) is being forced to front the costs of these private companies who are receiving tax breaks for the next 30 years. These public subsidies to private companies must be questioned.

The purpose of a free trade zone is to attract capital, but you are undermining the tax base by providing subsidies to bring them here. The game is to go as low as possible to get that foreign capital. Question: is the country better off if the profits are captured in the free zone? We see many examples of this development approach outside military bases - the public financing of convention centers, sports stadiums, etc.

2. Goods and Jobs – for whom?

- a) The policymakers will argue that by creating these new zones, firms will come and create new economic activity and new jobs. We know now that this is not the case. New firms drawn to communities will take advantage of the tax breaks but bring their own employees. We see this in the US in our enterprise zone experiments. Within Free Trade

Zones - we see that foreign businesses bring foreign staff and hire only a handful of local folks, mostly at the lower level jobs with little chance of mobility within the companies.

- b) Creating zones – whether free trade or enterprise communities – creates separate sub-economies in areas that really do need overall economic activity. Special zones – such as free trade zones – we can see replicate the way in which the military created a separate economy for itself – where people bought gas, groceries, clothes, etc. on base rather than in the outside economy. Price for goods are lower on base (as many know) than the price of goods in the local economy.
- c) Capital attraction zones – especially free trade zones – really just replicate the way in which the military created a separate economy in the host nation. Not hard to see that what we, as residents, pay for will not be returned. Creating these special areas replicates the reason why the military's impact on local economies aren't so great; folks buy at PX, own gas, etc. to get cheaper goods than in the local market. The problem of bases is that folks don't go out in the community to shop and otherwise; allowing locals in makes it worse.

IV. Strategies for Alternative Approaches

In base conversion, we recognized that there is a need for investment and resources from outside the neighborhood, your city, your state. Yet these resources can be leveraged and directed to address neighborhood and regional needs. Strategies include:

Local hiring/contracting and a local workforce strategy

Instead of attracting only external corporate actors, demand that public policy and resources be directed to building up local businesses and the local workforce.

The establishment of community monitoring mechanisms

Once plans are adopted, it is critical to have ongoing monitoring of the implementation of these plans by community residents. Establish oversight committees and other collective bodies - both within the formal re-use process as well as outside the process - to review re-use plans and proposals and how they benefit/impact local residents and address the needs of the poor and communities of color.

Never stop community organizing

Organizing is key – particularly building a strong grassroots base to push for your proposal and our agenda. Organizing was the key (and it could've been better) to developing a community-based plan for re-use and conversion. Ongoing and continued organizing is also necessary to make sure that the community monitoring mechanisms remain strong and accountable to the community. As we have come to understand in this Forum through the organization of the Vieques coalition, organizing in all of its dimensions - education, lobbying, base building, etc. - will be the way we take back our military bases and convert them into useful and sustainable places for our communities.