

A Reprint from *Tierra Grande*, the Real Estate Center Journal

Turning Swords into Plowshares

New Life for Military Bases



By Jennifer S. Cowley and Matt L. Cypher

The breakup of the Soviet Union signaled an end to the Cold War, prompting the federal government to reduce and realign U.S. military resources. Downsizing in facilities and personnel began with 1988 legislation and continued with the Defense Base Closure and Realignment Act of 1990 (BRAC), which mandated full or partial closure of selected military bases across the nation. A bipartisan committee recommended which installations should be closed, subject to the approval of Congress and the President.

Before the first round of BRAC closures, Texas was home to 21 major Texas military bases. Currently, after four rounds of closure and realignment, 16 installations remain open. Nine were closed entirely or realigned, meaning that the military presence remains, but parts of the bases were closed. San Antonio, Texarkana, Lubbock, Austin, Beeville, Grand Prairie and Fort Worth all have experienced economic fallout from conversions. While some of these communities have successfully transformed military bases into public or private use developments, others still face serious challenges.

The transformation of Bergstrom Air Force Base into the Austin-Bergstrom International Airport is an example of an exceptionally successful base conversion. Before Bergstrom was targeted for closure, Austin faced the 21st century with an antiquated airport facility increasingly incapable of handling the area's burgeoning air transportation needs. Robert Mueller Municipal Airport ranked 50th nationally and 133rd in the world in number of passengers, according to Airports Council International.

When Bergstrom AFB appeared on the list of base closures in 1990, the City of Austin conducted a feasibility study to explore the possibility of turning the base

into a civilian airport. Ultimately, through innovative design, unique financing and use of many of the base's existing facilities, the city turned the base closure into a cost-effective solution to its airport problem. Despite the enormity of the project, Austin-Bergstrom International Airport opened in May 1999, within the established time frame and budget. The converted facility is expected to handle six-million-plus travelers this year.

Another high-profile base conversion is taking place at Kelly Air Force Base in San Antonio, which is scheduled for final closure in July 2001. With the help of Trammell Crow and EG&G Management Services, the Greater Kelly Development Corporation has been able to attract major tenants to the base. Boeing and Lockheed Martin each are expected to bring more than 1,000 jobs to the base.

When the conversion is completed, Kelly AFB will have 11 million square feet of leasable space on 2,000 acres. To date, the development corporation has acquired about 50 percent of the available space, 97 percent of which is currently leased. Future plans are to transform the site into a multimodal distribution facility to capitalize on NAFTA trade from Central and South America.

Reese AFB in Lubbock was a casualty of the 1995 round of base closures. The Lubbock Reese Redevelopment Authority is successfully converting the base into a research and technology business park. Texas Tech University and South Plains College are the major tenants. Currently, 40 percent of available square footage is occupied. Texas Tech occupies 15 buildings totaling more than 160,000 square feet; South Plains College leases more than 100,000 square feet in six buildings.

Texas Tech plans to locate a High Performance Computing Center at the Reese development that will be available to all tenants. The center will offer advanced computer technology, high-performance computing, three-dimensional imaging and supercomputer distributed interactive simulation.

Texas Tech and the Texas Tech Health Sciences Center have teamed up to create the Institute of Environmental and Human Health (TIEHH) at the base. Research conducted at the TIEHH will include the effects of exposure to toxic chemicals on humans and the environment. The institute also has planned a national countermeasures training center.

Conversion Challenges

Conversion success stories make redevelopment of military bases seem deceptively easy, but the process is in fact long and arduous. Transferring property from the federal government to local authorities is a time-consuming process and requires substantial effort from all entities involved.

Environmental contamination and the liability assumed on ownership is another major conversion issue. Generally, the federal government has taken responsibility for cleaning up ground contaminants before property is transferred. But the Naval Air Station, Dallas, is an example of the difficulties that may arise. The Navy is unwilling to clean the property to the extent Grand Prairie city officials believe is necessary for the property to be redeveloped as a private airport. Resolving this issue has delayed the redevelopment process.

Matching appropriate tenants with available space has proven difficult. Existing buildings often are highly specialized and require a specific type of tenant. When a perfect match cannot be made, the redevelopment authority may be forced to settle for a less profitable tenant.

Location may be a stumbling block to redevelopment. In Beeville, the rural location of Chase Field has proved a major problem in finding tenants.

The time and red tape required to complete the transfer of base property from the government to redevelopment authorities poses a major challenge. Prospective tenants may be discouraged when they find out how long they have to wait to occupy converted property.

Texas Military Bases

Open

Abilene: Dyess AFB
 Del Rio: Laughlin AFB
 El Paso: Fort Bliss
 Ingleside: Ingleside NS
 Killeen: Fort Hood
 Kingsville: Kingsville NAS
 San Angelo: Goodfellow AFB
 San Antonio: Brooks AFB
 San Antonio: Fort Sam Houston
 San Antonio: Lackland AFB
 San Antonio: Randolph AFB
 Wichita Falls: Sheppard AFB

Closed

Austin: Bergstrom AFB
 Beeville: Chase Field NAS
 Dallas: Dallas NAS
 Galveston: Galveston NAS
 Lubbock: Reese AFB
 San Antonio: Kelly AFB

Realigned

Corpus Christi: Corpus Christi NAS
 Fort Worth: Carswell AFB
 Texarkana: Red River Army Depot

Source: Real Estate Center at Texas A&M University

Keys to Successful Redevelopment

Successful base conversion efforts begin with a strong redevelopment authority. In many cases, the redevelopment authority forms partnerships with cities, universities or other economic development entities in the community, which help attract tenants to the base. Such partnerships sometimes yield sources of revenue to aid in base conversion.

Partnering with universities may draw tenants interested in high-tech resources that benefit their business activities. Not surprisingly, the most successful redevelopments are located in larger metropolitan areas where high demand exists for industrial property.

Opportunities for Real Estate Licensees

While some redevelopment authorities handle the leasing of converted properties, others sell the property and buildings, resulting in opportunities for real estate agents to list and sell properties. In Texarkana, the Red River Redevelopment Authority listed 53 buildings and 765 acres from the converted Red River Army Depot with a local real estate agent.

With some military base closures and realignments in progress and others still to come, Texas developers and licensees can learn from what worked — and what didn't — during earlier base conversions. ♣

Dr. Cowley is a research associate with the Real Estate Center at Texas A&M University, and Cypher is a former graduate research assistant.

Greater Kelly Development Corporation Tenants

Tenant	Operations	Leased	Employment
Boeing	Airframe maintenance and modification	1.4 million square feet	1,000; 2,000 projected
Lockheed Martin	Aircraft engine maintenance	1.4 million square feet	1,400 projected
EG&G Mgt. Svcs. of San Antonio	Logistics provider and base operations	3.2 million square feet	300
Standard Aero	Gas turbine engines	300,000 square feet	500
Pratt & Whitney	Jet engine maintenance	180,000 square feet	300
QS Inspection	Scientific and engineering laboratory	53,000 square feet	40
Safety Equipment Company	Uniform and safety equipment distributor	50,000 square feet	5+
Ryder Integrated Logistics	Logistics provider	40,000 square feet	25+
General Electric	Electronic equipment calibration and repair	27,000 square feet	45
Questron Aerospace Logistics	Inventory logistics management	3,800 square feet	n/a
Clark Freight Lines	Transportation services	1,648 square feet+ 1-acre storage yard	10+
AAR Aircraft Component Services	Gas turbine engine service and repair	9,214 square feet	15+
Rail Car America	Rail car repair	32 acres	135
Frost Bank	Financial services	1.5 acres	15+
San Antonio Credit Union	Financial services	1.5 acres	15+

Source: The Greater Kelly Development Corporation



LOWRY MAYS COLLEGE & GRADUATE SCHOOL OF BUSINESS

Texas A&M University
2115 TAMU
College Station, TX 77843-2115

<http://recenter.tamu.edu>
979-845-2031
800-244-2144 orders only

Director, Dr. R. Malcolm Richards; **Associate Director**, Gary Maler; **Chief Economist**, Dr. Mark G. Dotzour; **Senior Editor**, David S. Jones; **Associate Editor**, Nancy McQuestion; **Associate Editor**, Wendell E. Fuqua; **Assistant Editor**, Kammy Baumann; **Editorial Assistant**, Brandi Ballard; **Art Director**, Robert P. Beals II; **Circulation Manager**, Mark W. Baumann; **Typography**, Real Estate Center; **Lithography**, Wetmore & Company, Houston.

Advisory Committee

Gloria Van Zandt, Arlington, chairman; Joseph A. Adame, Corpus Christi, vice chairman; Celia Goode-Haddock, College Station; Carlos Madrid, Jr., San Antonio; Catherine Miller, Fort Worth; Angela S. Myres, Kingwood; Nick Nicholas, Dallas; Jerry L. Schaffner, Lubbock; Douglas A. Schwartz, El Paso; and Jay C. Brummett, Austin, ex-officio representing the Texas Real Estate Commission.

Tierra Grande (ISSN 1070-0234), formerly *Real Estate Center Journal*, is published quarterly by the Real Estate Center at Texas A&M University, College Station, Texas 77843-2115. Subscriptions are free to Texas real estate licensees. Other subscribers, \$30 per year, including 12 issues of *Trends*.

Views expressed are those of the authors and do not imply endorsement by the Real Estate Center, the Lowry Mays College & Graduate School of Business or Texas A&M University.