FINAL ANALYSIS OF THE VIABILITY OF RECONSTITUTION OF THE TECHNICAL WORKFORCE OF FORT MONMOUTH, NEW JERSEY AND ITS IMPACT ON REGIONAL REVITALIZATION

Fort Monmouth
Military Base Realignment and Closure (BRAC) Study

Submitted by:
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November 21, 2007
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Executive Summary

In its Request for Proposals (RFP), Monmouth County identifies three issues of concern to be addressed by this Study:

- Army mission integrity: the need to protect the current Ft. Monmouth C4ISR capability so that the mission can be transferred to Aberdeen without a major breakdown in the delivery of equipment and services to the war-fighter.
- The impending closures’ potentially grave impact on the State and regional economy, and especially on Monmouth County from the impending job losses and their direct and ripple or indirect economic effects.
- The preservation in New Jersey and the regional economy of the skilled members of the workforce who chose not to move to Aberdeen, and the potential for these talents and skills to be put to optimum use supporting the Army’s continuing C4ISR mission and new [and existing] commercial ventures in the State of New Jersey.

Successful revitalization of the Monmouth County regional economy by implementing approaches designed to retain the jobs of some of the current Ft. Monmouth 9,000 strong federal and contractor workforce who do not wish to move to Aberdeen would help protect the impacted communities, Monmouth County and the State from potentially threatening tax revenue impacts, as well as downward pressure on real estate values, and would mitigate labor market impacts.

In the approach recommended in this Study, the workforce will be redeployed via public-private partnerships and private sector expansion to ensure the Army’s capacity to complete the BRAC transition mission to Aberdeen and to provide a basis for subsequent growth into strategically important defense, homeland security and security missions. This private sector growth could provide the impacted communities, Monmouth County and the State of New Jersey substantial benefits from new tax revenues and would also support and positively impact the labor market for high skill, high compensation jobs in Monmouth County and the entire State.

Feasibility Conclusions

The recommended approach contemplates the creation and operation of a public-private entity, The Partnership, that will employ current Ft. Monmouth federal civilian employees who do not want to move to Aberdeen, MD simultaneously with the movement of their Army mission elements to Aberdeen Proving Ground (APG). The Partnership will also provide a platform for coalescing contractor and military personnel desiring to stay in central New Jersey. This public - private entity would enter into a contract with the Army to provide the services of mission critical former Ft. Monmouth employees who would be stationed in New Jersey (NJ) and other required services in New Jersey using former Ft. Monmouth facilities and commercial facilities during and after the transition period of the current Ft. Monmouth missions, currently set to begin in Fiscal Year (FY) 2010.

In addition to satisfying its Army transition mission and any other Army support workload that may develop, this Partnership would deploy its workforce into future strategically important defense,
homeland security and research and development missions. This will benefit the region and provide a viable method for expanding private sector employment to provide defense and homeland security requirements, as well as commercial needs.

**Advantages of Public Private Partnership**

Our analysis reveals significant advantages for the Partnership [that will employ former Ft. Monmouth employees] if it is properly structured as a public-private partnership – with the public component being a non-profit corporation chartered for a public mission. The Partnership could be formed by a partnership with a current non-profit organization with a related public mission, such as an academic institution of higher learning or formed by a new non-profit entity created for this specific purpose. The Partnership would be established by the State of New Jersey and local government economic development entities, and its workforce would be composed of former employees of Fort Monmouth and its local support contractors.

The current civilian employees of Ft. Monmouth and local support contractor employees impacted by the closure would be eligible to transition voluntarily to potential employment by the public-private Partnership or employment directly by its partners as well as to participation in workforce development programs operated by the Partnership. This transition to public-private partnership employment status or workforce development plan participation would generally be expected to occur concomitantly with the Army’s transfer to APG of mission elements that currently employ the Ft. Monmouth and contractor workers. However, the public-private Partnership would also accept for transition employment and workforce development programs Ft. Monmouth and contractor workers that choose to make the transition earlier than the dates that their current mission elements transfer to APG.

**Partnership Business Operations**

The Partnership could directly contract with the Army, or it could utilize existing contracting vehicles already currently employed by its public government, academic and non-profit partners and its private sector partners. The contract would be designed to fully reimburse the Partnership for the costs of providing and managing the required mission critical services to the Army, but not to produce surpluses or profits for the entity or its partners. The contract would provide for the future provision of services past the contemplated closure date of Ft. Monmouth. The contract could be modified or extended in the future to facilitate the provision of a wider range of C4ISR services to the Army, including R&D services and other services that may continue to be required even after the completion of missions’ transition to APG.

The proposed Partnership would enter into lease arrangements with the Army, to utilize the Ft. Monmouth facilities and equipment required to provide the mission critical services in NJ under its contract(s). It could potentially also arrange with commercial landlords in the regional economy for commercial office space for management and administrative operations and other facilities that may be more cost effectively obtained. If operations of the public-private entity begin in 2010 or prior,
then the landlord for Ft. Monmouth facilities would be the Army. For operations of the entity that extend into the 2011 timeframe and beyond, into the period where the Army will have completed Ft. Monmouth transition and closure, then the Partnerships’ could continue to lease facilities at the former Ft. Monmouth.

C4ISR Applied R&D Center

The Partnership can develop a C4ISR applied R&D Center. This non-profit R&D Center could be operated in partnership with one or more current NJ academic institutions of higher learning such as Monmouth University or Rutgers University. This non-profit R&D Center would continue its operations even after the completion of all future Army mission transition workloads, and would serve applied R&D requirements of other DOD agencies, including DARPA, the broader intelligence community, the Department of Homeland Security (DHS) and the government contracting and commercial sectors. Over time, the R&D Center could eventually join its academic partner(s) and become an operating affiliate of those partners, contributing directly to accomplishing the R&D objective of the Governor’s Economic Growth Strategy for New Jersey.

Deployment of Partnership Workforce to the Private Sector

In addition to satisfying its Army transition mission and other Army support workload, the Partnership would seek to deploy its workforce into future strategically important defense, homeland security and research and development missions. The Partnership and its individual partners would mount a business development effort in the government and commercial sectors, to develop new sources of contract revenues. These new contracts will employ those members of the public-private partnership workforce that are not required to provide services under the core Army contract.

It is possible that such workforce resources will become available in the initial term of the Army contract, if efficiencies in the provision of mission critical services can be obtained by utilizing private sector business practices, and such practices could also provide cost savings to the Army over the current cost of such services at Ft. Monmouth. If such efficiencies are not forthcoming, then expansion to serve other customers will occur when the Partnership’s workforce resources are available based on the Army’s completion of the transition to APG of each mission element. Thus, new business can be expected to be forthcoming no later than the end of calendar year 2011, when the transition to APG of some mission elements should be completed.

The Partnership will also provide a vehicle for its workforce and those in its Workforce Development programs to make the transition to private sector commercial employment. This can be accomplished by two methods.

One is for the private sector partners of the public-private Partnership, which can be expected to be government contractors providing both services and products to the DOD, to absorb the Partnership’s technical workforce and those completing their workforce development programs. Current Ft. Monmouth support contractors can be expected to devote efforts to maintaining their current
contracts and workload by providing services at APG. Not all of the required APG services would need to be provided by embedded contractors on site full time at APG, and thus it can be expected that support contractor positions would be created that could utilize the proven skills and capability of the former FT. Monmouth workers who are now employed in the NJ public-private partnership and who would be available for temporary duty (TDY) at APG.

In addition to the professional and technical skills inherent in the BRAC impacted workforce; their secure work methods, background checks and security clearances, as well as their institutional knowledge of the Army’s C4ISR and procurement operations are extremely valuable and very difficult to duplicate. Current government contractors who support DOD and DHS are publicly reporting difficulty in recruiting employees with both security clearances and requisite technical knowledge and experience. The Partnership can develop a program to identify which current employees have the clearances and skills that meet the requirements of current NJ government contractors as well as other contractors who have the interest to establish operations in NJ in order to access the capabilities of the workforce.

The second is the establishment of new private sector companies. These ‘start-ups’ have been utilized, for example, by other transitioning government entities from the Office of Personnel Management, Office of Federal Investigation’s transition into US Investigative Services, and the Navy’s Environmental Detachment’s (NAVSEA) transition into EEG, Inc. of South Carolina. The feasible approaches recommended in this Study draw heavily on the successful NAVSEA experience. This New Company, would be a new private sector government and commercial services contractor, based in the region, that would employ some or all of the former Ft. Monmouth employees now serving the public-private entity and providing service to the Army.

This contractor could enter into strategic partnership with existing Ft. Monmouth support contractors and other contractors providing services in the C4ISR and government procurement support areas. This new private sector entity could also undertake independent efforts to develop business and contracts with DOD and DHS and subcontracts with existing contractors or other commercial entities utilizing applicable technologies Both DHS and DOD are offering grants and competitions for smaller innovative companies to deliver new solutions to problems. This new commercial entity could be partly or wholly owned by its employees, thus providing a means to achieve economic rewards from ownership, which can be substantial in relation to current compensation and provide retirement benefits that may equal or exceed those available under the current federal system.
Figure 1, BRAC Workforce Transition, illustrates these methods and vehicles for transitioning the BRAC impacted workforce into Partnership transitional employment and workforce development programs and for the transition of the workforce served by the Partnership to the private sector.
1. Introduction and Background

In the RFP, Monmouth County, New Jersey (“MC”) identified its intent to study the feasibility of a project “to capitalize and preserve the Intellectual Capital currently existing at Fort Monmouth, New Jersey; to ensure the ongoing, uninterrupted support by the Army for the war-fighters during relocation of the mission and to expand high wage, high skill employment opportunities for those Fort Monmouth workers that choose not to move. The project, when completed, will support the United States Army’s critical mission as well as the overall economic revitalization and redevelopment efforts for the region”.

All Fort Monmouth stakeholders share MC’s intent that the plan developed preserve the current intellectual capital in the form of the highly educated, highly skilled workforce at the Fort, and protect the integrity of the mission without interruption as the Army relocates that mission to Aberdeen MD.

The Study and the Plan called for in the RFP are also intended to demonstrate the feasibility of assisting the Army in protecting its mission by creating a public and/or private entity in New Jersey to continue to support this mission, utilizing those current Fort Monmouth workers who choose not to move to Aberdeen.

The resulting Plan details a business model that can benefit the Army by preserving the current intellectual capital, providing a vehicle for achieving any potential cost savings, and ensuring mission integrity while the new work force in Aberdeen is trained and gains mission capability. This Plan will also benefit the State of New Jersey and directly benefit the Fort Monmouth region of central New Jersey by helping to retain high skill, high wage jobs and to transition this job base to the private sector.

As Monmouth County’s consultants, the ESOP Advisors Team (The Team) has conducted a feasibility study and is proposing a viable plan to address these complex workforce and mission continuance issues involved in the impending closure of Fort Monmouth, expected to begin in 2010.

The Team’s efforts, and those of the MC and the State of New Jersey are designed to support and supplement the Army’s efforts to provide for our war-fighters, to continue the global war on terror and to move the flag from Fort Monmouth to Aberdeen by the end of Fiscal Year 2011.

The RFP, in the Statement of Work identifies three issues of concern to be addressed by the Study:

- Army mission integrity: the need to protect the current Fort Monmouth C4ISR capability so that the mission can be transferred to Aberdeen without major breaks in the delivery of equipment and services to the war-fighter.
- The impending closures’ potential grave impact on the State and regional economy, and especially on Monmouth County from the impending job losses and their direct and ripple or indirect economic effects.
- The preservation in New Jersey and the regional economy of the skilled members of the workforce who chose not to move to Aberdeen, and the potential for these talents and skills
to be put to optimum use supporting the Army’s continuing C4ISR mission and new [and existing] commercial ventures in the State of New Jersey.

The recommended approach would successfully revitalize the Monmouth County regional economy by implementing approaches designed to retain the jobs of the current 9,000-strong Fort Monmouth federal and contractor workforce who do not wish to move to Aberdeen. It would thereby help protect the impacted communities, Monmouth County and the State from potentially threatening tax revenue impacts, including downward pressure on real estate values, and would mitigate labor market impacts.

The recommended approach will redeploy this workforce using **public-private partnerships** and **private sector expansion** designed to ensure both (a) the Army’s capacity to complete the BRAC transition mission to Aberdeen and (b) subsequent growth into strategically important defense, homeland security and security missions. This private sector growth could provide the impacted communities, Monmouth County and the State of New Jersey substantial benefits from new tax revenues. It would also support and help grow the labor market for high skill, high compensation jobs in Monmouth County and the entire State.

The feasible approach developed by the Team, based on successful prior experiences in similar BRAC base closings, creates a viable public/private entity structured to preserve existing intellectual capital and provide potential cost savings by employing current Fort Monmouth workers who do not desire to relocate to the Aberdeen, MD area. This will maintain uninterrupted mission capability and integrity as these missions are relocated and new workers in the Aberdeen area are recruited and trained to mission standards. This approach will also benefit Monmouth County, the Fort Monmouth region and the State of New Jersey by preserving human and intellectual capital in the region.

The Team’s approach will also help to rebuild the Central New Jersey area as a center of C4ISR technology. Some of the technologies that make up C4ISR (Command, Control, Communications, Computers, Intelligence, Surveillance and Reconnaissance) were born in New Jersey. However, the region has fallen behind the Washington, D.C area, California, Texas and others as a center for C4ISR program management and technology. The Team’s approach can provide a nucleus for expanding private sector employment in the region that can serve both defense and homeland security requirements and commercial needs.

Revitalization by the methods contemplated on the RFP and using feasible approaches developed by the Team and delineated in this Study would complement Economic Redevelopment and Revitalization efforts being undertaken by the Fort Monmouth Economic Redevelopment and Planning Agency (FMERPA). Combined, they would provide a foundation to support an engine of growth for the private sector business community in the Monmouth County region. This private sector growth would provide the impacted communities, Monmouth County and the State of New Jersey substantial benefits from new tax revenues based on converting federal assets and a government employment base to a private sector base that produces tax revenues.

Successfully revitalizing and reconstituting some or all of the technical workforce of Fort Monmouth as defined in the RFP – utilizing recommended approaches – would have positive critical economic and labor implications. It would mitigate the impact of the closure for Monmouth County, and at least the communities of Eatontown, Little Silver, Oceansport, Shrewsbury, and Tinton Falls as well as 9 other central New Jersey communities identified by Monmouth County.
2. Development and Analysis of Feasible Business Model

Based on Monmouth County’s intent, issue concerns and requirements, the Team has identified, developed and analyzed the business model inherent in the workforce preservation and transition project that Monmouth County presented in the RFP.

The Team’s approach contemplates the creation and operation of a public-private entity that will employ current Fort Monmouth federal civilian employees who do not want to move to Aberdeen, MD when their Army mission elements move to Aberdeen Proving Ground (APG). It would also provide a platform to coalesce contractor and military personnel who desire to stay in central New Jersey. This public-private entity would enter into a contract with the Army to provide (1) the services of mission critical former Fort Monmouth employees who would be stationed in New Jersey and (2) other required services in New Jersey using former Fort Monmouth facilities and commercial facilities during and after the transition period of the current Fort Monmouth missions, currently set to begin in FY 2010.

In addition to satisfying its Army transition mission and any other Army support workload that may develop, this New Jersey entity would deploy its workforce into future strategically important areas. These include defense, homeland security and research and development missions. This redeployment would build on public-private partnerships and help drive private sector expansion. This will benefit the region and provide a viable method for expanding private sector employment to meet defense and homeland security requirements and provide highly skilled employees for commercial needs.

Public Private Partnership

Our analysis shows that the New Jersey entity that will employ former Fort Monmouth employees would gain significant advantages if it is properly structured as a public-private partnership – with the public component being a non-profit corporation chartered for a public mission. The public-private partnership (“The Partnership”) could be formed by partnering with a current non-profit organization with a related public mission, such as an academic institution of higher learning. Or it could be formed by a new non-profit entity created for this specific purpose. The Partnership would be established by the State of New Jersey and local government economic development entities. Its workforce would include former employees of Fort Monmouth and its local support contractors.

The current civilian employees of Fort Monmouth and local support contractor employees impacted by the closure would be eligible to transition voluntarily to:

1. Potential transitional employment by the public-private Partnership or
2. Employment directly by its partners, as well as
3. Participation in workforce development programs operated by the Partnership.

This transition to public-private partnership employment status or workforce development plan participation would generally be expected to occur concomitantly with the Army’s transfer to APG of mission elements that currently employ the Fort Monmouth and contractor workers. However, the public-private Partnership would also accept for transition employment and workforce development
programs Fort Monmouth and contractor workers that choose to make the transition earlier than the dates that their current mission elements transfer to APG.

**Partnership Business Operations**

The Partnership could directly contract with the Army, or it could utilize existing contracting vehicles already currently employed by its public government, academic and non-profit and private sector partners. The contract would be designed to fully reimburse the public-private entity for the costs of providing and managing the required mission critical services to the Army, but not to produce surpluses or profits for the entity or its partners. The contract would provide for the future provision of services past the contemplated closure date of Fort Monmouth. The contract could be modified or extended in the future to facilitate the provision of a wider range of C4ISR services to the Army, including R&D services and other services that may continue to be required even after the completion of the missions’ transition to APG.

The proposed Partnership would enter into lease arrangements with the Army to utilize the Fort Monmouth facilities and equipment required to provide mission-critical services in New Jersey under its contract(s). It could potentially also arrange with commercial landlords in the regional economy for less-expensive commercial office space. If operations of the public-private entity begin in 2010 or prior, then the landlord for Fort Monmouth facilities would be the Army. For operations of the entity that extend into 2011 and beyond, into the period where the Army will have completed Fort Monmouth transition and closure, then the Partnerships could continue to lease facilities from the new owners of the former Fort Monmouth.

**Deployment of Partnership Workforce to the Private Sector**

In addition to satisfying its Army transition mission and other Army support workload, the Partnership would seek to deploy its workforce into future strategically important defense, homeland security and research and development missions. The Partnership and its individual partners would mount a business development effort in the government and commercial sectors, to develop new sources of contract revenues. These new contracts will employ members of the public-private partnership workforce not required to provide services under the core Army contract.

It is possible that such workforce resources would become available in the initial term of the Army contract – if using private sector business practices achieves efficiencies in the provision of mission critical services. Such practices could also provide cost savings to the Army over the current cost of such services at Fort Monmouth. If such efficiencies are not forthcoming, then expansion to serve other customers will occur when the Partnership’s workforce resources are available based on the Army’s completion of the transition to APG of each mission element. Thus, new business can be expected to be forthcoming no later than the end of calendar year 2011, when the transition to APG of some mission elements should be completed.
BRAC Precedents for Partnership Approach

BRAC precedents for the recommended Partnership Approach include the successful privatizations of the former DOD BRAC facilities at the Indianapolis, IN Naval Air Warfare Center (NAWC), the former Newark Air Guidance and Metrology Center in Newark, Ohio (AGMC) and NAVSEA’s creation and privatization of the Environmental Detachments at the former Mare Island Naval Shipyard (Vallejo, CA) and the Charleston, SC Naval Shipyard. These precedents are discussed below. It should be noted that the successful privatizations at the NAWC and the AGMC were accomplished using a policy, “Privatization-in-Place”, that DOD no longer uses and thus is no longer available.

Furthermore, the innovative NAVSEA privatizations that establish one of the precedents for the use of a non-profit organization to employ former federal workers occurred under different circumstances. NAVSEA’s objective was expressed as “Taking Care of Our Own” in the article detailing the Navy’s experience included in Appendix E. The Navy’s successful approach does offer a model that can be utilized by the Army and the Partnership. NAVSEA’s approach was to create the Environmental Detachments at each location prior to the transfer of the bases – to retrain 425 NAVSEA personnel who would have reached full retirement within the BRAC window as environmental engineers and technicians, utilizing Navy BRAC retraining funds. The Navy redeployed these federal personnel to undertake site environmental characterization and cleanup in Vallejo and Charleston on a cost reimbursable basis. The outstanding capability of the Detachments led to their generating more cost reimbursable work for the Detachments from other DOD and federal civilian agency customers.

The Partnership can encourage the Army to undertake the same approach at Fort Monmouth, creating and utilizing an Environmental Detachment to undertake required environmental characterization and site remediation at Fort Monmouth prior to the transfer of the land and facilities to FMERPA or a Master Developer. The Detachment personnel could be identified among those who currently undertake base or garrison operations workloads, and who would be expected to have fewer opportunities to transfer to APG or to redeploy their current skills in the private sector.

If the Fort Monmouth Detachment thus created can demonstrate the capability and business skills exhibited by the NAVSEA Detachments, then it is possible that the Fort Monmouth Detachment could be privatized in the same successful manner that the NAVSEA Detachments were. The NAVSEA Detachments, at the time of the transfer of the former Mare Island and Charleston shipyards, had a 6 month backlog of work to be accomplished, and satisfied customers who desired to have the Detachments continue to provide services, but were going to go out of business according to the Navy plan as the Detachment workers reached retirement. The Team and others provided support to the Detachments, contracted by NAVSEA, to establish the feasibility of and implement the privatization. The privatization allowed these current federal workers to successfully transfer their capability to the private sector, utilizing strategic partnerships with the private sector.

One partnership was implemented with a private sector entity in the planning and environmental remediation sector, while another partnership was established for the Charleston Detachment with the non-profit South Carolina Research Authority (SCRA), which was established to promote economic development in South Carolina. The SCRA partnership entity was spun-off into the private sector within 24 months, with the SCRA retaining a minority ownership interest. The new private sector
firm, EEG, was subsequently recognized by INC magazine as one of the 50 fastest growing small companies in South Carolina.

The Team has reviewed current local BRAC redevelopment and impact mitigation efforts to identify those approaches that may have relevance to New Jersey. The Team identified two efforts, the redevelopment of the former Newark Air Guidance and Metrology Center (Newark AGMC) and the Indianapolis Naval Air Weapons Center (NAWC), as being especially relevant to mitigating the job impacts of the recommended closure of Fort Monmouth.

**Newark AGMC**

The AGMC, and the Air force (AF) and the privatized contractor team achieved a seamless transition of workload, which was virtually invisible to the customer in the field. The Air Force avoided an expensive (estimated at $300 million) closure and reconstitution of the AGMC capability. The cost would have been associated with moving highly sophisticated precision equipment integrated into the existing facilities, preparing new facilities, installing and testing this equipment, and building a new skilled workforce for metrology and gyroscope repair. The ability to support ongoing missions would have been almost non-existent during this transition. The LRA, the Air Force and the contractor established an innovative facilities purchase and lease agreement assuring the Air Force workload would be sustained at a high level of support for the foreseeable future. The $200 million annual economic impact with about 940 high-tech workers has been sustained to the present day.

The Central Ohio Aerospace & Technology Center (COATC), as a private enterprise in contrast to a nontaxable federal installation, is the largest source of revenue for the city of Heath. COATC has paid more than $1 million in property taxes since the privatization took effect. The LRA, and its successor organization, the Port Authority, is entirely self-sustaining and manages the former Newark AFB without any government subsidies. The former Air Force base buildings are now completely leased. The AF Metrology and calibration program management functions still operate on COATC property, which assures the necessary synergy between laboratory operations and program management.

Since privatization, the Privatization In Place contractors have improved productivity by increasing customer system reliability and reducing repair man-hours. The Port Authority continues to install cutting-edge property management techniques and has actually reduced property management expenses over the years with lease charges to PIP contractors down 32 percent versus four years ago.

**Indianapolis NAWC**

The NAWC at Indianapolis remains the largest and most successful privatization in the history of the Department of Defense. The center’s mission of providing engineering design and development for military electronic systems was still required by DOD, despite the decision to include NAWC on the 1995 base closure list. Plans to close the base and move the majority of personnel and programs to other Navy sites created a high risk of losing more than 2,000 civilian employees, over half of whom were engineers and scientists.
Given the dismal success record of other post-BRAC attempts to transfer other large groups of employees, the then-mayor of Indianapolis, Stephen Goldsmith, proposed to transfer the cost of ownership for the existing NAWC through privatization. The Navy realized that privatization would accomplish many of its internal goals by avoiding significant costs to move functions and personnel, by preventing disruption of ongoing critical programs, and, most importantly, by retaining key investments in personnel. With both parties realizing that privatization was the best solution for the community and the Navy, rapid implementation of a privatization plan was needed to maintain momentum for a “hot turnover.” A two-phased solicitation process was utilized in which the city of Indianapolis held a four-month competition to select a company to take over the facility, hire the employees, and negotiate a contract with the Navy.

The competition was unique in that the Navy agreed to allow the city of Indianapolis to issue the solicitation for bids and perform the actual competitive selection. Knowing that a federal competition might take a year or more, the Navy agreed to a faster city-run process, utilizing input from the Navy on their critical needs as well as allowing the city to evaluate bidders on their ability to satisfy community and employee issues. This unique approach allowed the community to address local stakeholder desires, many of which would not have been addressed in a federal solicitation. The Navy mitigated its risk by reserving the right to back out of the process if the city chose a contractor that they deemed unacceptable.

This unique approach was critical to maintain momentum and keep the workforce in place. Following the announcement by the City of Indianapolis in May 1996 that Hughes Aircraft (now Raytheon Technical Systems Co.) was the city’s selected firm, Hughes and the Naval Air Systems Command negotiated a multi-year contract for the performance of current and future DOD workloads at the center. The contract was signed roughly four months after contract negotiations began. During the same period of time, necessary leasing arrangements were signed by the Naval Facilities Engineering Command, the City of Indianapolis and Hughes. In early January 1997, Hughes Technical Services Co. began operations with a workforce of roughly 2,000 employees, nearly all of whom had been government employees on Friday of the previous week. The total time from initial solicitation to the startup of the new company was less than 13 months.

Raytheon celebrated ten years of operation at the Indianapolis site in January 2007. Raytheon had become the operator of the facility by acquiring Hughes Aircraft Co. shortly after the privatized facility started operations. Raytheon honored all previous agreements with the City of Indianapolis and the Naval Air Systems Command, which helped to continue the site’s successful transition.

A look back at the project shows that the privatization initiative has been an unqualified success. Employment at the site continues to be strong with a workforce of approximately 1,500. This has allowed the city to achieve its goal of retaining these high-technology jobs. The majority of the personnel are former employees of the NAWC, allowing DOD to protect its original investment in intellectual capital.

Workload at the facility continued to grow since the closure: contract awards have nearly doubled since the first year of operation. Customer workload is much more diverse than prior to privatization with a significantly larger number of non-Navy customers and less overall funding from the Naval Air Systems Command. By virtue of the privatization, customers of the NAWC enjoyed uninterrupted execution of their programs and experienced significant cost savings over the original “close-and-move” proposal. The Navy’s original internal cost-saving study indicated an estimated
$230 million in one-time cost avoidance coupled with future yearly cost savings. Property conveyance has involved a unique partnership between the city of Indianapolis and the Naval Facilities Engineering Command. Although the privatization-in-place was the official BRAC Commission recommendation, it still was a Navy base closure action and all federal property transfer issues still had to be addressed.

Operations at the site experienced no shutdown during the transfer from the Navy to Raytheon. As a result, this “hot turnover” required significant cooperation and coordination between parties for environmental cleanup so as to minimize disruption to the company. The Navy was exemplary in its use of alternative work schedules to achieve its needed cleanup actions. Many cleanup operations at the main facility were performed after standard working hours so as not to interrupt normal facility operations. As a result of this partnership, the final parcel of property transferred to the city of Indianapolis in October 2004, completing this unique privatization-in-place.

The transfer of the property and the establishment of the private operation have continued to be successful for one primary reason: a unique three-way working arrangement among the DOD, city of Indianapolis and Raytheon. This desire to work together to achieve the best results for all three parties has been the overriding reason for success.

**Development of Applied C4ISR R&D Capability in New Jersey**

The Partnership should develop an C4ISR applied R&D capability Center as an element of its non-profit operations. This non-profit R&D Center could be operated in partnership with one or more current New Jersey academic institutions of higher learning such as Monmouth University or Rutgers University. This non-profit R&D Center would continue its operations even after the completion of all future Army mission transition workloads, and would serve applied R&D requirements of other DOD agencies, including DARPA, the broader intelligence community, the Department of Homeland Security (DHS) and the government contracting and commercial sectors. Over time, the R&D Center could eventually join its academic partner(s) and become an operating affiliate of those partners, contributing directly to accomplishing the R&D objective of the Governor’s Economic Growth Strategy for New Jersey.

The relevance to homeland security, including responses to “normal” frequently occurring emergencies, is increasingly visible and seen as important. For example, according to the recent *Army Science and Technology for Homeland Security: Report 2 – C4ISR*, issued by the National Research Council, the “responders and Army forces share many common needs. In addition to individual C4ISR technologies, the committee observes that the Army’s network-centric approach to operations could serve emergency responders equally effectively. Such a system could produce significant efficiencies in terms of sharing skills, knowledge, and scarce, high-value assets; building capacity and redundancy in the national emergency response system; and gaining the synergy of providing a common operating picture to all responders. Network-centric systems could be particularly valuable for responding to large-scale or multiple attacks with weapons of mass destruction, in which responders would have to surge capacity quickly, be able to adapt to difficult and chaotic conditions, and respond to unforeseen situations. The value of a network-centric approach suggests that individual emergency responder systems have much to gain from being linked and integrated into a national system of systems. Emergency responders require C4ISR capabilities...
similar to those enabled by Army technologies, such as the abilities to perform C4ISR in urban environments, to network new capabilities with legacy systems, and to provide protection and redundancy against attacks on responder assets.”

**Transition to Private Sector Employment**

The Partnership will also provide a vehicle for its workforce and those in its Workforce Development programs to make the transition to private sector commercial employment. This can be accomplished by two methods.

One is for the private sector partners of the public-private Partnership, expected to be government contractors providing both services and products to the DOD, to absorb the Partnership’s technical workforce and those completing their workforce development programs. Current Fort Monmouth support contractors can be expected to devote efforts to maintaining their current contracts and workload by providing services at APG. Not all of the required APG services would need to be provided by embedded contractors on site full time at APG. Therefore, it can be expected that support contractor positions would be created that could use the proven skills and capabilities of the former Fort Monmouth workers who would be employed in the New Jersey public-private partnership and who would be available for temporary duty (TDY) at APG.

The second approach for the transition to private sector employment that can be followed by the Partnership is the establishment of new private sector companies. Other transitioning government entities have used such newly formed companies staffed with former government personnel – for example, the Office of Personnel Management, Office of Federal Investigation’s transition into US Investigative Services, and the Navy’s Environmental Detachment’s (NAVSEA) transition into EEG, Inc. of South Carolina. The feasible approaches recommended in this Study draw heavily on the successful NAVSEA experience.

The public-private partnership workforce would bring, in addition to a range of proven professional and technical skills, their secure work methods, background checks and active high-level security clearances, and institutional knowledge of the Army’s C4ISR and procurement operations. These are extremely valuable and very difficult to duplicate. Current government contractors who support DOD and DHS are publicly reporting difficulty in recruiting employees with both security clearances and requisite technical knowledge and experience. The Partnership can develop a program to identify which current employees have the clearances and skills that meet the requirements of current New Jersey government contractors, as well as other contractors who could be motivated to establish operations in New Jersey in order to access the capabilities of the workforce.

In a variation on this theme, the research conducted and the experience of the Team indicate that a related but somewhat different method can also be employed to provide a vehicle for the Partnership workforce to make the transition to private sector commercial employment. This would be the development of a new private sector government and commercial services contractor, based in the region, that would employ some or all of the former Fort Monmouth employees now serving the public-private entity and providing service to the Army.
This contractor could enter into strategic partnership with existing Fort Monmouth support contractors and other contractors providing services in the C4ISR and government procurement support areas. This new private sector entity could also undertake independent efforts to develop business and contracts with DOD and DHS and subcontracts with existing contractors or other commercial entities utilizing applicable technologies. This new commercial entity could be partly or wholly owned by its employees, thus providing a means to achieve economic rewards from ownership, which can be substantial in relation to current compensation and provide retirement benefits that may equal or exceed those available under the current federal system.

Murray Williamson, a distinguished military historian, has made the point that we are in a period that has seen a reversal of the situation between 1914 to 1989, where military technology was driving civilian technology. We have now shifted to the pre-1914 paradigm: technological developments in the civilian world of computers and communications, e.g., C4ISR/C3I, are driving military technology. Both DHS and DOD are offering grants and competitions for smaller innovative companies to deliver new solutions to problems.

**Analysis of Potential Interest in Partnership Transitional Employment Programs**

The workforce eligible for participation in the Partnership transitional employment programs includes current Fort Monmouth federal employees and contractor employees who desire to remain in New Jersey subsequent to the transfer to APG of their mission elements.

Current Fort Monmouth workers that may especially desire to transition to employment with the Partnership are most likely in one of two groups based on their federal retirement status.

The first group is composed of Fort Monmouth civilian workers who possess C4ISR, procurement and program management skills and capabilities, and who will be within 4 years of being eligible for full retirement benefits at age 55 with 30 years of federal service when their mission elements transition to Aberdeen. The type of public-private partnership that is feasible and recommended to Monmouth County for implementation will be able to offer these current Fort Monmouth employees that are close to retirement eligibility the ability to obtain full retirement eligibility outside government employment by becoming employees of the public–private partnership.

Under federal law, specifically the Intergovernmental Personnel Act of 1970 (see Appendix D for more detail), such a partnership can employ these near retirement eligible employees in its non-profit partner and these employees can elect to remain eligible participants in their existing federal retirement and heath coverage programs, and retire at their current eligibility date even though they were employed for up to 4 years by the non-profit element of the partnership and at the time of their retirement. These employees of the non-profit partner are also eligible to return to federal employment at any time with no loss of status should they so desire – by entering into the standard federal internal employment and recruitment process for open jobs, utilizing any preferences to which they may be entitled due to their BRAC status, such as priority placement.

The second group of Fort Monmouth employees who may desire to transition to Partnership employment includes those current military and civilian employees who will reach full retirement eligibility during or before the time that their mission element transitions to performance at APG.
This group can be expected to transition to employment with the Partnership at lower rates than those that are not so nearly retirement eligible.

These employees will have excellent job prospects in the current federal contractor sector of the economy, due to their relevant skill sets and current security clearances. Data produced by our research indicate that excellent growth is forecast for the C4ISR sector, with the largest segments of the industry being funded by agencies other than the Army. Additionally, the workforce study undertaken by the New Jersey Department of Labor and Workforce Development (the Workforce Study) indicates that the general economy of central New Jersey has the capacity to absorb many of these skilled retirees.

Regardless, the public-private entity would accept for workforce development or entry into potential transitional employment programs any candidate in the groups above. It would accept any other current Fort Monmouth employee who would be displaced from federal employment when their mission element transitions to APG, and who desire to remain in the area rather than transfer to employment at APG or who do not have skills required at APG.

Employees in this group could include those current Fort Monmouth employees and contractor employees who currently provide services outside the C4ISR area, including, for example, base operations and military concessions. Of course, some of these employees may also have excellent private sector job prospects based on their current security clearances and job skills.

The Workforce Study indicates that approximately 2,800 contractor employees provide direct support to Fort Monmouth, and that approximately 550 of these employees provide support services to Fort Monmouth’s operation outside of the C4ISR area, including blue collar trades, clerical work, property management, etc. Other data researched by the Team indicate that 1,800 contractor employees are embedded within and directly support the Fort Monmouth technical programs, and that a total of 2,800 contractor employees support all of the technical programs.

Fort Monmouth reports based on limited data that 59% of the embedded contractor workforce will not relocate to APG. No data are available on the age distribution or retirement eligibility of the contractor workforce. But almost without exception the technical contractor support workforce maintains security clearances and a high level of skills which will translate into excellent job prospects for this workforce. However, other research data indicate that the local job demand other than through Fort Monmouth in the C4ISR area is currently relatively not very strong, and may be strongest in the Washington DC metropolitan area, Texas and California. Therefore, without the opportunities that the Partnership could create, at least some of the contractor labor force might have to relocate to avail themselves of C4ISR job opportunities.

**Partnership Provision of Mission Transition Support**

Analysis by the Team reveals that the Army could have future requirements for mission transition support in the context of the transfer of mission elements to performance at APG. However, the Army is not currently in a position to scope these requirements. The Army has received an unsolicited proposal from the private sector to provide such services at APG. The recommended Partnership has the ability to enter into contracts with the Army and utilize the contract vehicles of its
private sector partners to fulfill these and other potential future requirements in the Monmouth region of New Jersey.

Through the Partnership, a transition operation could be developed to meet the minimum requirements that can be expected from the Army. This requirement could be expected to involve a “bridge” which will provide services on a transitional indefinite quantity and indefinite delivery (IDIQ) basis to the mission elements that have transferred to APG but have not achieved full operational strength – in order to provide them with the transitional bridge capability required to ensure program integrity and meet the BRAC requirements.

Such a bridge, transitional capability could be provided by the Partnership. In doing so, it could operate out of space leased from the Army or from future commercial landlords to utilize the Fort Monmouth facilities and equipment required to provide the mission critical services in New Jersey under its contract(s). It also could potentially lease existing commercial office space in the region for management and administrative operations and other facilities that may be more cost effectively obtained commercially.

The Partnership would also be providing a customized local office “branch” or “remote” operation to APG, expanding and contracting as necessary to meet changing Army requirements and employing former Fort Monmouth employees as needed to meet specific Army requirements. It could also utilize existing Fort Monmouth specialized facilities as required together with “telecommuting” to APG with TDY and travel as required to provide mission critical transition support services. The contract(s) would provide for provision of services past the contemplated closure date of Fort Monmouth, and would facilitate providing a wider range of C4ISR services to the Army, including R&D and program and procurement management services and other services that may continue to be required even after the completion of mission transition to APG.

Given the Partnership’s non-profit structure, the contract would have to be designed to fully reimburse the Partnership for the costs of providing and managing the required mission critical services to the Army, but not to produce surpluses or profits for the Partnership or for its government, academic and non-profit and private sector partners. Employees of the partnership or any of its non-profit or commercial partners may be utilized as an integral team in meeting the Army’s mission transition requirements.

**Partnership Employment Transition and Workforce Development Programs**

The Transitional Employment program offered by the Partnership would be based on the evolving position requirements of the Army contract over time. It would also include positions available in the non-profit C4ISR applied R&D program.

This non-profit R&D entity would continue operations even after all future Army mission transition workloads had been completed. It could serve applied R&D requirements of the Defense Advanced Research Projects Agency (DARPA), the Department of Homeland Security (DHS) and support or contract with other government contractors and with companies serving commercial customers.
R&D entity would become an operating entity of its academic partner, thus contributing directly to accomplishing the R&D objective of the Governor’s Economic Growth Strategy for New Jersey.

As described above, based upon our successful application of similar methods in previous BRAC rounds, the Partnership can transition Federal employees and contractor employees from current positions by:

- Transitioning the employees to a non-profit entity
- Transitioning the employees to a current government contractor
- Transitioning the employees to a newly formed private sector entity

![Figure 2: BRAC Workforce Transition](image-url)
Our research indicates that the specific technical and program management functions, primarily those involving C4ISR, being performed at Fort Monmouth are in demand outside the Army’s immediate requirements. Key private sector companies in the C4ISR market segment include:

- BBNT Solutions LLC
- Computer Sciences Corp.
- Cubic Corp.
- DRS Technologies
- EDS
- General Atomics
- General Dynamics
- Harris Corp.
- L-3 Communications
- Lockheed Martin
- Northrop Grumman
- Raytheon
- Thales
- Titan
- SAIC
- Vanu, Inc.
- The Boeing Co.

Successfully integrating the Partnership employees in a New Jersey located operation, working with one or more of these industry leaders, looks promising.

Prospects for the Partnership employment programs in C4ISR and for private sector employment growth in central New Jersey are good. The total C4ISR market is expanding, and recent reports indicate that the total government C4ISR funding for civilian employees and contractors is increasing at roughly 6% annually. Reflecting this growth, stocks of public companies with significant C4ISR business have been increasing in value more than 10% per year. There are many possible customers in addition to the Army: Air Force, Navy, and Intelligence agencies’ C4ISR funding in total exceed the Army’s funding. Multiple program requirements and funding cover areas in which Fort Monmouth’s civilian & contractor workforce specializes.

Trends in 2006-7 in the C4ISR markets include recent emphasis to develop and implement systems for immediate battle-zone applications, and flat funding for longer-term R&D, as well as reduced contractor funding for higher-end intelligence technologies. Government contractor hiring is strong for cleared scientists & engineers, with hiring strongest in the metropolitan Washington DC area, California, and Texas, and comparatively weaker in the NY-Northern New Jersey area.

Additional Partnership Transitional employment opportunities would arise from positions required to meet the needs of subcontracts to its private sector partners as well as direct employment opportunities with its private sector partners. Current government contractors who support DOD and DHS are publicly reporting difficulty in recruiting employees with both security clearances and requisite technical knowledge and experience. The Partnership would actively work to identify which current employees have the clearances and skills that meet the requirements of current New Jersey government contractors and other contractors who could be attracted to establish operations in New Jersey to access the capabilities of the workforce.
Strategic Dimensions of Partnership Creation and Operation

Prior to discussing the Strategic dimensions of potential Partnership operation, it is useful to emphasize that the Partnership discussed and recommended in this Study will be a private sector entity, not a federal operation. Creating and operating the Partnership will not create, nor continue or expand federal jobs or federal employment opportunities.

Building on our discussion of how the potential Partnership would operate, one can analyze the relationship of the Partnership to FMERPA’s Revitalization and Redevelopment Planning efforts. Supported by expert consultants, FMERPA is currently preparing a Redevelopment and Revitalization Plan for land and facilities currently occupied by Fort Monmouth. The most likely scenario to implement redevelopment activities will be for the Army to auction the land and facilities to a Master Developer. This Master Developer will undertake specific future residential, commercial and public and private infrastructure development – governed by the Redevelopment Plan adopted by FMERPA (and, as appropriate, approved by the Army) and other relevant growth and development regulations. It is unlikely that FMERPA will take actual ownership or possession of the current Fort Monmouth property, except perhaps for a short transitional period or as a facilitator for certain future public benefit development that other state, local and regional government entities might undertake.

Based on past BRAC experience, the Team believes that the FMERPA Redevelopment Plan will likely recommend and detail potential future locations for commercial office space and commercial flexible use space that could accommodate the Partnership’s needs for facilities after the Fort closes. The Team also believes that FMERPA’s Revitalization Plan will likely identify the C4ISR industrial sector, and general communications R&D, as sectors to support in economic revitalization efforts. The Partnership would be well placed to participate with FMERPA in specific efforts to support private sector growth, expansion, and relocation to the Monmouth region of New Jersey.

The potential future business operations of the Partnership are not expected to provide any opportunities for direct economic benefit to FMERPA or its Master Developer. Partnership operations will not require purchasing or owning land or facilities. The business operations of private sector government contracting partners in the Partnership or new contractors that may be created by the Partnership’s transitional employment programs can be expected to locate in leased space, as is the norm for government contractor operations.

The Government Accountability Office (GAO) has agreed to review the BRAC actions relative to Fort Monmouth, and the cost and saving estimates that the BRAC action was based on, pursuant to a request from the New Jersey Congressional delegation. The time for completion of this review is not certain at this time. Congressional hearings have also been planned to provide oversight and further input to the BRAC process and BRAC actions at specific locations including Fort Monmouth. Such hearings were scheduled for November 8, 2007 but have been postponed.

Even though there is no historical precedent for such GAO and Congressional activities reversing previously approved BRAC activity, some BRAC actions could be called into question and modified subsequent to GAO and Congressional actions. An example of these changes to specific BRAC actions is the resetting of the movements to Fort Belvoir, in Virginia. The impact of these future modifications, in the context of Fort Monmouth, would likely be to reduce the overall need for
Partnership workforce development and transitional employment activity and/or to delay the time at which such Partnership activities are required.

The New Jersey Congressional Delegation, state officials and local supporters are mounting efforts to retain federal jobs in New Jersey, and especially those jobs associated with Fort Monmouth. In addition to supporting GAO review and congressional efforts to review the current BRAC plans, the Delegation, State and local supporters have developed approaches that would expand the operations of Fort Dix and McGuire AFB. These would potentially include certain of the current operations of Fort Monmouth that would remain in New Jersey as a remote annex or operation of APG during and after the transition of all Fort Monmouth garrisons and commands to APG. Approaches are also being considered that would locate these continuing federal operations in a continuing federal enclave composed of a portion of the current Fort Monmouth facilities. It should be noted that these efforts to retain federal jobs are not connected to this Study and were not analyzed by this Study. And the Partnership, as a non-federal private-sector entity, would not undertake or be a part of continuing federal activities, except potentially as a contractor.

The Army and the military and civilian leadership of Fort Monmouth are also attuned to mission transition issues, and are charged with making the mission transition as success. The Army and this leadership are planning for the transition and developing approaches to resolve human capital resource issues in the transition. Past BRAC experience and current data gathering among the Fort Monmouth employees suggests that not all of the required employees will make the transition to APG. This information is reflected in the Army’s approaches.

The Army has the authority to pay bonuses of up to 50% of base compensation for relocation / retention agreements for employees that agree to relocate and have critical skills that are in short supply. The Army is developing opportunities for some current Fort Monmouth employees to retain their jobs in New Jersey during the mission transition. These employees would become employees of their mission element at APG, but would operate out of a federal telecommuting center to be developed at Fort Dix or McGuire AFB. These employees would receive APG area federal pay rates – which are substantially lower than their current New Jersey pay rates, would have to be available for TDY at APG, and would be required to relocate to APG on reasonable short notice as mission requirements might dictate.

Additionally, the Army is attuned to mission facility requirements at APG that are required for mission transition success. In past BRAC rounds, fulfillment of mission facilities requirements was dependent upon military construction (“MilCon”) budgets and appropriations. Budgetary issues and competing operational demands may constrain the Army’s ability to complete the required facility construction in a timeline compatible with requirements to transition the mission from Fort Monmouth to APG. Comparing current Army MilCon funding and future funding plans vs. requirements at APG shows that such constraints could potentially impinge in the future upon the Army’s transition plan.

However, the DOD’s current approaches to facilities requirements at BRAC-impacted facilities and non-BRAC facilities include MilCon alternatives such as Enhanced-Use Leasing (EUL) at APG. That will allow the Army to finance facilities development, construction and operation from future operating budgets and not solely from current MilCon budgets. The Army has recently announced approval of a multi-hundred million dollar EUL at APG to provide specialized facilities for over 4,000 workers (see Appendix C). A review of the Army’s current Milcon costs and related personnel
expenses in addition to funding approved to date is also shown in Appendix C. The Army has
approved over 300 new employee hires from current funding to fill mission transition requirements.
FY 2008 DOD budget appropriations are still under consideration by Congress.

Research has indicated that the Army is not currently considering any strategies for moving some
Fort Monmouth mission elements early – i.e., prior to 2011. Neither funding nor budgetary
implications require such an early move. Based on past BRAC experience and current human
resources data, such an early move would exacerbate the Army’s projected human capital transition
issues, as large numbers of current Fort Monmouth employees have expressed reluctance to consider
relocation to the APG area. Such reluctance would likely increase if the Army were to contemplate
early movement. In a corollary manner, the Partnership could expect reluctance among current Fort
Monmouth workers to leave federal employment and join its private sector workforce prior to their
current expected mission transition in 2011. If this reluctance were to materialize, then recruitment to
meet the needs of the mission transition assurance contract could be compromised. The Partnership
and its employment programs to provide mission transition support could also be perceived as
enabling such an early move that would shorten their federal career path and thus generate opposition
by current federal employees to the further development and operation of the program.

Such early Army federal movement, if successful, could be expected to produce up to $20 million
annual savings from personnel expenses, given the differential in pay rates for the New Jersey and
APG areas. The Partnership would not be able to match these potential reductions in personnel
expenses based on location pay differentials, as offering current Fort Monmouth employees
comparable pay and benefits will be the key factor in successful recruitment in its employment
programs. However, as discussed in the following sections, the Partnership could offer the Army
other cost savings in its mission assurance contract that could somewhat offset the potential pay
differential savings.

It should be noted that provision of mission transition assurance support in manner contemplated in
the RFP is not limited to the Fort Monmouth region. There is the potential for private sector
transition assistance to be provided in the APG area. Such an approach has been developed and
presented to the Army, but is unlikely to be implemented.
3. Structuring and Quantifying Partnership Operations

This section presents the results of structuring and quantifying Partnership operations. It includes estimating the potential demand for partnership transitional employment programs and workforce development services. The structuring and quantification are based on a characterization of the impacted Fort Monmouth and Contractor workforce and an analysis of the skills transferability to the private sector of the workforce. Additionally, this section provides estimates of the potential impacted workforce population that could be available for recruitment into Partnership programs.

Quantifying Partnership operations is based on analyzing the underlying cost structure of typical private sector government contractor operations, and applying the results to the projected operations of the public-private Partnership – since the core operations of the Partnership will be the successful provision of contract Mission Transition Assurance services to the Army. Partnership contract operations and economics are analyzed, as is the potential cost effectiveness for the Army of the Partnership Core contract.

Partnership Mission Transition Assurance Contract Operations

The Partnership’s core Army contract will be performed in integral Teams formed of direct Partnership employees together with employees of private sector partners that may have subcontracts with the Partnership to provide services on the core contract. These Teams will operate in large part from Partnership facilities approved for highly classified work. These facilities will be required to have secure communications links with APG and access to the specialized facilities and equipment the mission-critical services demand. These facilities could also house certain continuing operations of its local private sector partners who currently provide support services to Fort Monmouth and its programs and who can be expected to continue to provide such services to transitioned operations at APG. Workers of these contractors who do not desire to move to the APG area could also use the Partnership facility to provide required contract services.

Cost savings for the Army on the core missions transition support contract are not expected to be significant or a significant factor in Army decision making concerning the core contract. However, it is possible that some workforce efficiencies in the provision of mission critical services can be obtained by utilizing private sector business practices. These practices could also provide cost savings to the Army over the current costs of such services at Fort Monmouth.

The primary future cost savings to the Army will occur from cost avoidance. The largest unexpected costs which the services have found as a result of BRAC (and other) related transformation activities, are unexpected breakdowns caused by the inability to ensure that a core of the missions’ professionals make the transition. The core contract with the Partnership will reduce or eliminate that transition related “mission breakage”.

By utilizing The Partnership, the Army can avoid the costs that would occur from program breakage in the mission transition to Aberdeen. Given the $11 billion in annual Fort Monmouth C4ISR procurements processed, these program management and procurement costs could amount to hundreds of millions of dollars.
Other potential areas of cost savings that the Team analyzed include cost savings from base operations at Fort Monmouth. These were deemed not to be potentially significant given the Army’s continuing requirement to operate the base and undertake all required environmental remediation until scheduled closure in September 2011.

**Partnership Economics**

Cost of Partnership administration of Army core contract and other contracts would be recoverable costs under the cost reimbursable contract approach recommended by the Team. Cost effectiveness of the Army contract could be improved by the Partnership funding its administrative costs from other sources.

The Partnership would seek to obtain funding for its business development efforts and workforce development programs from the US Department of Labor (DOL) and the DOD’s Office of Economic Adjustment (OEA), as a partner in economic revitalization efforts being overseen and undertaken by FMERPA. Business development efforts can also be undertaken and funded in kind by the partnerships’ private sector commercial and non-profit partners. The State of New Jersey, New Jersey academic institutions and interested foundations could provide funding for the initial operation of the contemplated non-profit applied C4ISR R&D effort that will be an integral part of Partnership operations.

The costs of the facilities the Partnership uses would also be reimbursable costs under the core Army contract. These would be recovered by the Partnership. Alternatively, the Fort Monmouth facilities utilized by the Partnership to provide direct services could be furnished by the Army as government furnished facilities and equipment (GFFE) under the contract.

In general, the Partnership should be considered to be a temporary, transitional organization. Typically, it would cease operations at the later of (a) the termination of the Army’s transition support contract or (b) the completion of its workforce development efforts. Properly run, it would end with the successful transition of all of its direct employees to employment with the Applied R&D Center, with its private sector partners or in newly created businesses formed on the basis of Partnership business development efforts.

Market research done by the Team shows that the C4ISR market is large and growing. Most demand flows from the federal government in the defense and homeland security sectors. Business development and new business entity development on behalf of the Partnership are not expected to require significant capital investment or external capital formation.

Business development efforts in the government contracting sector require bid and proposal funding, and such costs are typically recoverable under the contract by the winning bidder. The cost of such efforts is small relative to the startup capital costs of manufacturers or telecommunication service providers, and can typically be provided by accounts receivable-based debt financing if funds are not available from operating cash flows. Capital requirements for government contractors are typically modest. Most such startups do not raise equity to enter the market. At launch, if there were to be a lag between initial funding and the need to meet early payrolls, modest governmental credit support for debt financing could bridge the gap.
Proposal preparations for service contracts consist of professional and technical labor, which in a startup situation can generally be obtained as sweat equity from employees. The Team would recommend that the Partnership follow these generally accepted private sector procedures in its operations.

**Cost Effectiveness for the Army of “Mission Transition Assurance” Core Contract**

Cost savings for the Army on the core missions transition support contract are not expected to be a significant factor in Army decision making. The primary future cost savings to the Army will occur from avoiding the major costs that result from unexpected mission breakdowns. As noted earlier, these arise primarily due to the Army’s inability to ensure that a core of the missions’ professionals do make the transition. In addition, the Army would avoid having to make incentive payments to induce retention/relocation.

The core contract with The Partnership would reduce or eliminate that transition related “mission breakage”. By utilizing The Partnership, the Army can avoid the costs that would occur from program breakage in the mission transition to Aberdeen – estimated above to amount to hundreds of millions of dollars.

The Team recommends a cost reimbursable contract basis for the Mission Transition Assurance Core Contract. The contract should fully reimburse the Partnership for the costs of providing and managing the required mission critical services to the Army. But by design it would not produce surpluses or profits for the Partnership or its public government, academic and non-profit and private sector partners.

The Partnership’s contract would not be able to directly match potential reductions in personnel costs compared with the potential location pay differentials in a future Army telecommuting operation. Offering current Fort Monmouth employees comparable pay and benefits will be the key factor in successful recruitment in its employment programs. However, the Partnership could offer the Army other cost savings in its mission assurance contract that could somewhat offset the potential pay differential savings.

Potential savings in personnel cost under Partnership contract can be obtained if efficiencies in the provision of mission critical services can be obtained by the partnership utilizing private sector business practices. The magnitude of such savings cannot be currently estimated but could be expected to be no larger than the savings generated from federal commercial activities competitions, which average 20%.

Other potential areas of cost savings to the Army include potential savings from base operations at Fort Monmouth. These were deemed not to be potentially significant given the Army’s continuing requirement to operate the base and undertake all required environmental remediation until closure in September 2011. Savings under the Partnership core contract can also be obtained by utilizing required Fort Monmouth facilities as government furnished facilities and equipment (GFFE) for the contract period during the transition and prior to the sale of Fort Monmouth to a master developer.

The Partnership could also achieve cost savings on the mission transition assurance contract by obtaining funding from other sources and commensurately not charging certain cost items to the
Army, such as general & administrative Costs (G&A) and business development costs. Thereby, the full cost of Partnership contact operations would not be reflected in Army contract reimbursements. These cost areas potentially can be funded by grants and other funding from federal sources whose mission is economic development, including the Economic Development Administration of the Department of Commerce, and HUD Community Development Block grant programs. DOL funding can also be sourced for certain workforce transitional employment program operations which can reduce contract G&A costs.

The Army’s perception of the cost effectiveness of the future partnership contact could also be influenced by costs that might be proposed under a private sector offeror’s provision of Mission Transition Assurance Support at APG rather than central New Jersey. Such an approach has been developed. But is unlikely that personnel cost reductions based on decreases in base compensation due to lower pay rates in the APG area could be realized. Current contractors at APG do not have the local personnel required to meet contract requirements, and would have to induce current employees who do not reside in the APG area to relocate.

The Partnership and its programs will provide one potential specific implementation mechanism for the economic revitalization programs being planned by FMERPA. FMERPA support and funding of Partnership employment programs would be possible – particularly in business development efforts and efforts to match the skills of the Partnership’s participants in its workforce development and employment programs with the specific requirements of current government contractors.

The RFP tasked the Team with analyzing the potential of the purchase of facilities from the Army by the Partnership or its partners prior to transfer to FMERPA. Our conclusion is that the business operations of private sector government contracting partners in the Partnership, or new contractors that may be created by the Partnership’s transitional employment programs, can be expected to locate in leased space as is the norm for government contractor operations.

The Team believes it is likely that the FMERPA Redevelopment Plan will recommend future commercial office space and commercial flexible-use space that could accommodate the requirements of the Partnership for facilities after the closure of the Fort and the mission transition to APG. The Team also believes that it is likely that FMERPA, in its Revitalization Plan, will identify the C4ISR industrial sector, as well as general communications R&D as sectors to support in economic revitalization efforts. The Partnership would be well placed to participate with FMERPA in specific efforts to support private sector growth, expansion, and relocation in the Monmouth County region of New Jersey. FMERPA thus should be amenable to supporting the Partnership’s efforts.
Characterization of the Fort Monmouth and Impacted Contractor Workforce and Skills Transferability to Private Sector

Fort Monmouth Workforce Profile
The age analysis of the Monmouth Workforce indicates a significant aging trend. The average age is 48 years old. Over 60% can retire in the BRAC window between 2010 and 2015. The age breakdown for the federal FTEs is:

<table>
<thead>
<tr>
<th>Age Distribution</th>
<th>%</th>
<th>#</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under 30 Years</td>
<td>15%</td>
<td>745</td>
</tr>
<tr>
<td>30-39 Years</td>
<td>11%</td>
<td>547</td>
</tr>
<tr>
<td>40-49 Years</td>
<td>31%</td>
<td>1540</td>
</tr>
<tr>
<td>50-59 Years</td>
<td>32%</td>
<td>1590</td>
</tr>
<tr>
<td>Over 60</td>
<td>11%</td>
<td>547</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>100%</td>
<td>4969</td>
</tr>
</tbody>
</table>

Experts have reported that 75% of the total civilian workforce has a college level degree. The Fort Monmouth technical civilian workforce’s educational profile is:

<table>
<thead>
<tr>
<th>Technical Workforce Education Profile</th>
<th>PhD</th>
<th>Masters</th>
<th>Bachelor</th>
<th>Associate &amp; Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Command &amp; Control</td>
<td>15</td>
<td>125</td>
<td>150</td>
<td>66</td>
<td>356</td>
</tr>
<tr>
<td>Intelligence &amp; EW</td>
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<td>162</td>
<td>142</td>
<td>61</td>
<td>372</td>
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<tr>
<td>Software</td>
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<td>114</td>
<td>1</td>
<td>244</td>
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<tr>
<td>Communications</td>
<td>5</td>
<td>165</td>
<td>224</td>
<td>67</td>
<td>461</td>
</tr>
<tr>
<td>HQ</td>
<td>3</td>
<td>33</td>
<td>38</td>
<td>34</td>
<td>108</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>32</td>
<td>612</td>
<td>668</td>
<td>229</td>
<td>1541</td>
</tr>
</tbody>
</table>

The total Fort Monmouth workforce includes approximately 5,000 total direct employees, of which 88% are civilian and 12% are military as reported by the New Jersey DOL. Information technology, logistic and inventory management, contracting, and business analysis are the occupational areas that compose 85% of the workforce, and the average salary for a civilian worker is $85,398. Average Fort Monmouth salaries are reportedly 17% to 33% higher than salaries of comparable private sector positions in New Jersey.
Estimation of the Current Impacted Fort Monmouth Workforce

Federal Workforce

C4ISR Technical Operations  
R&D : 1550 government employees and 100 contractors  
Program Management: 537 government and 800 contractors  
Sustainment: 900 government and 1000 contractors  
Base Operations: 524 contractors

Contractor Workforce

The Workforce Study indicates that approximately 2,800 contractor employees provide direct support to Fort Monmouth, and that approximately 550 of these employees provide support services to Fort Monmouth’s operation outside the C4ISR area, including blue collar trades, clerical work, property management, etc. Other data researched by the Team indicate that 1,800 contractor employees are embedded within and directly the Fort Monmouth technical programs, and that a total of 2,800 contractor employees support all of the technical programs. No data are available on the age distribution or retirement eligibility of the contractor workforce.

Potential Impacted Workforce Population & Potential Availability to Partnership Workforce and Employment Programs

Monmouth County and the Team have requested extensive data from Fort Monmouth representatives (the data request is shown in Appendix 5) that could have been used to more accurately quantify workforce and Partnership economic estimates. As of the date of this report, neither Monmouth County nor the Team has received any data from Fort Monmouth representatives. Absent these data, the consulting Team has gathered other data in its research which can be used to produce workforce and economic estimates.

Estimates of the potential impacted workforce population who would desire to have access to Partnership workforce and employment programs can be made by assessing those of the impacted workforce that are likely to stay in the Central New Jersey Region. The impacted federal and contractor workforce is shown below.

<table>
<thead>
<tr>
<th>Impacted Workforce Population</th>
<th>Federal</th>
<th>Contractors</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Technical Workforce</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>R&amp;D</td>
<td>1541</td>
<td>800</td>
<td>2341</td>
</tr>
<tr>
<td>Program Mg</td>
<td>537</td>
<td>605</td>
<td>1142</td>
</tr>
<tr>
<td>Sustainment</td>
<td>900</td>
<td>800</td>
<td>1700</td>
</tr>
</tbody>
</table>

Fort Monmouth BRAC Analysis -- November 21, 2007
ESOP Advisors, Inc.
Study to Mitigate the Impacts of Military Base Realignment and Closure
Past overall BRAC experience indicates that approximately 40% of the impacted federal civilian workforce that is not fully retirement-eligible can be expected to move to a new location if that location is more than 50 miles from their existing work location. However, many specific BRAC actions have not achieved this overall relocation rate. In the 1995 BRAC round, only 16% of the Vint Hill Signal Warfare people moved from Virginia to Fort Monmouth, and only 13% of the Electronic Technology Development Lab people moved from Adelphi, Maryland to Fort Monmouth as a result of the 1993 BRAC decision.

In May 2007, Fort Monmouth leadership estimated that 50% of the 2011 end strength non-military government workforce would transfer to APG. Current surveys indicate that only 13% of the current embedded contractor workforce would relocate to APG. Another 28% indicate that they could potentially relocate and 59% indicate that they would not relocate.

For purposes of estimation, the Team has assumed that 41% [13% relocation yes plus 28% possible] of the contractor workforce will eventually decide to relocate, based on the success of their contractor employers in winning work at APG. Based on these overall estimates of the impacted workforce, and the estimated percentages of the workforce that will move to APG, the following table shows a preliminary estimate of the range of the size of the impacted workforce that would remain in New Jersey.

<table>
<thead>
<tr>
<th>Impacted Workforce Population</th>
<th>Federal</th>
<th>Contractors</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Technical Military</td>
<td>357</td>
<td>357</td>
<td></td>
</tr>
<tr>
<td>Sub Total</td>
<td>3335</td>
<td>2205</td>
<td>5540</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Support Workforce</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Support Civilian</td>
<td>1391</td>
<td>549</td>
<td>1940</td>
</tr>
<tr>
<td>Support Military</td>
<td>243</td>
<td>243</td>
<td></td>
</tr>
<tr>
<td>Sub Total</td>
<td>1634</td>
<td>549</td>
<td>2183</td>
</tr>
</tbody>
</table>

| Total Workforce              | 4969    | 2754        | 7723  |

<table>
<thead>
<tr>
<th>Impacted workforce estimated to remain in New Jersey</th>
<th>Federal Employees</th>
<th>Contractor Employees</th>
<th>Range impacted workforce, incl. contractors based upon federal BRAC Relocation estimates</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>40%</td>
<td>50%</td>
<td>59%</td>
</tr>
<tr>
<td>Technical Workforce</td>
<td>1541</td>
<td>616</td>
<td>771</td>
</tr>
<tr>
<td>R&amp;D</td>
<td>537</td>
<td>215</td>
<td>269</td>
</tr>
<tr>
<td>Program Mg</td>
<td>900</td>
<td>360</td>
<td>450</td>
</tr>
<tr>
<td>Sustainment</td>
<td>357</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Sub Total</td>
<td>3335</td>
<td>1191</td>
<td>1489</td>
</tr>
<tr>
<td></td>
<td>2492</td>
<td>2790</td>
<td></td>
</tr>
</tbody>
</table>
This estimate shows an estimated range of 2,492 to 2,790 technical civilian employees and 1,625 contractor employees that are projected to remain in central New Jersey, for a total impacted population with access to the Partnerships workforce and transitional employment programs of 3,372 to 3,809.

### Retirement Eligibility, Retirement and Relocation

Estimates of the percentage of Fort Monmouth C4ISR oriented technical civilian employees that will move to APG have also been made by various local parties with past experience at Fort Monmouth and likely insight into the motivations of current employees. These parties’ estimates are based on separating the impacted employees into groups based on their federal years of service and retirement status. The table below shows years of service estimated by one such expert party.

<table>
<thead>
<tr>
<th>Estimated Years of Service by the Technical Civilian Employees</th>
<th>% of Technical Staff</th>
</tr>
</thead>
<tbody>
<tr>
<td>&gt;25 Years</td>
<td>22%</td>
</tr>
<tr>
<td>20-24 Years</td>
<td>22%</td>
</tr>
<tr>
<td>15-19 Years</td>
<td>12%</td>
</tr>
<tr>
<td>1-14 Years</td>
<td>44%</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
</tr>
</tbody>
</table>

Based on past experience, the Team can relate this information on federal years of service to the potential retirement eligibility of the federal civilian workforce. Generally, those with 25-plus years of service will reach their full retirement eligibility prior to September 2011, the scheduled closure and completion of the BRAC transition. Based on past experience, the Team estimates that 100% of those in this group will retire in the area rather than transfer to APG. Many of the employees that have 20-24 years of service will also reach full retirement eligibility during the transition, and the Team estimates that 50% of the 22% of employees in this group will reach full retirement and retire locally in the last half of 2011.

50% of the group with 20-24 years of service will be “near term retirement eligible”, that is within approximately five years of full retirement eligibility at the closure date. They thus can be expected to desire greatly to maintain their federal employment status until they reach their full retirement eligibility. Therefore, they will be a prime group for the Partnership to recruit or the Army to
relocate to APG. The remaining 54% of the Fort Monmouth technical employees, who have 1-19 years of service, will not reach their full retirement eligibility during the BRAC transition window, and are prime candidates for relocation to APG.

It is possible that the Army will offer optional early retirement to impacted Fort Monmouth employees, which would qualify them for full retirement after 20 years of service at 50 year of age and 25 years of service at any age. If such early retirement were to be offered, then the years of service analysis indicate that another 12% of the workforce would certainly qualify for full retirement, and would likely retire in the estimation of the Team. However, the Team also believes that it is unlikely that the Army will offer such optional early retirement, or offer it very late in the transition period such as the third quarter of 2011. The option of early retirement would destroy the Army’s strongest incentive for employees to relocate to APG, namely their ability to reach full retirement status as a federal employee.

**Potential Impacted Workforce Population Available for Recruitment into Partnership Programs**

Further more detailed estimates of the impacted workforce that remain in New Jersey, and can potentially be accepted into Partnership Workforce Development programs or recruited into Partnership employment programs, can be made using the retirement and relocation estimates discussed above. To make this estimation, the Team made the reasonable assumption, given the data available to the Team, that the Fort Monmouth civilian employee population as a whole has the same distribution of years of service as the technical workforce.

To make these detailed estimates, the Team has used the *years of service* assumptions above to make estimates of the percentage of the workforce that would be available to be recruited or served by Partnership employment programs. In our estimation, employees with greater than 25 years of service, who will retire locally by the closure date, will generally have access to a wide range of attractive private sector employment opportunities. They are much less likely to desire to access the Partnership employment programs and workforce development programs. 11% of the total impacted employees that remain in New Jersey, or half of those with 20 to 24 years of service, will also retire locally by the closure date. These will also generally have access to a wide range of attractive private sector employment opportunities, and will be much less likely to want to access the Partnership employment programs and workforce development programs.

11% of the workforce, or those near term “retirement eligibles” will not reach retirement. They will be highly incentivized to join the Partnership employment program in its non-profit arm. Some may choose instead to join the federal telecommuting operation, or transfer to APG to reach full federal retirement eligibility. Those 12% of employees with 15 to 19 years of service will also be highly motivated to maintain federal employment and relocate to APG, while those 44% of employees with 1 to 14 years of service will be less likely to relocate to APG than those with 15-19 years of service. The table below shows the estimates of the percentage of the impacted workforce projected to be interested in taking advantage of Partnership programs.
### Estimated % of Fort Monmouth Civilian Technical Staff

<table>
<thead>
<tr>
<th>Estimated Years of Service by the Technical Staff</th>
<th>% of Technical Staff</th>
<th>Est. % choosing The Partnership</th>
<th>Est. % of workforce for Partnership</th>
</tr>
</thead>
<tbody>
<tr>
<td>&gt;25 Years</td>
<td>22%</td>
<td>25%</td>
<td>5.50%</td>
</tr>
<tr>
<td>20-24 Years &amp; Retire</td>
<td>11%</td>
<td>25%</td>
<td>2.75%</td>
</tr>
<tr>
<td>20-24 years Near Term Retirement Eligible</td>
<td>11%</td>
<td>90%</td>
<td>9.90%</td>
</tr>
<tr>
<td>15-19 Years</td>
<td>12%</td>
<td>50%</td>
<td>6.00%</td>
</tr>
<tr>
<td>1-14 Years</td>
<td>44%</td>
<td>60%</td>
<td>26.40%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100%</strong></td>
<td><strong>50.55%</strong></td>
<td></td>
</tr>
</tbody>
</table>

Using these estimates of the federal workforce, the Team combined these estimates with the previous estimates of impacted contractor employees to produce an overall estimate of the total Impacted Workforce estimated to be available to Partnership Programs. This estimate is shown in the table below. For estimation purposes, it was assumed that the military workforce will transfer to APG at a 100% rate, even though it is likely that some military will retire before the mission transition and choose to remain in the area. However, there are no data to allow estimation of military retirement eligibles.

<table>
<thead>
<tr>
<th>Impacted workforce estimated to be Available to Partnership Programs</th>
<th>Federal Civilian Employees</th>
<th>Contractor Employees</th>
<th>Total impacted workforce Available for Partnership programs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Technical Workforce</td>
<td>50.55%</td>
<td>59%</td>
<td>Total 3335 1489 2205 59% 1301 2,790</td>
</tr>
<tr>
<td>Support Workforce</td>
<td>50.55%</td>
<td>59%</td>
<td>1391 703 549 59% 324 1,027</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>4726</td>
<td>2,192 2754 1625 3,817</td>
<td></td>
</tr>
</tbody>
</table>

### The Partnership Employment and Workforce Programs

The calculations above provide an estimate of the total impacted workforce that would be likely to take advantage of the Partnerships programs. The Partnership Transitional Employment program will contain three elements: (1) the element providing services to the Army under the core Mission Transition Assurance contract, (2) the employment element that will be provided through the activities of the Applied R&D Center, which may also support some areas of the core Army contract,
and (3) the element linking with the recruitment requirements of private sector partners of the partnership.

Workforce Development efforts will serve those impacted employees not required or utilized in the employment programs. These workforce development programs will serve the specific requirements of the workforce required in the general economy and those specific needs of the private sector government contractors that are private sector partners of the Partnership. The table below presents an estimation of the demand for the various Partnership programs.

<table>
<thead>
<tr>
<th>The Partnership Program Demand</th>
<th>Feds</th>
<th>Contractors</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employment Program</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Core Army Contract</td>
<td>930</td>
<td>1000</td>
<td>1930</td>
</tr>
<tr>
<td>Private Sector</td>
<td>400</td>
<td>400</td>
<td>800</td>
</tr>
<tr>
<td>Applied C4ISR R&amp;D Center</td>
<td>100</td>
<td>50</td>
<td>150</td>
</tr>
<tr>
<td>Total Employment</td>
<td>1430</td>
<td>1050</td>
<td>2480</td>
</tr>
</tbody>
</table>

| Workforce Development                  |      |             |       |
| Support Government Contracting Private Sector | 362  | 175         | 537   |
| Support General Economy Demands        | 400  | 400         | 800   |
| Total Workforce                        | 762  | 575         | 1337  |

| Total                                 | 2192 | 1625        | 3817  |

**Estimation of Core Army Mission Transition Assurance Contract Requirements**

Estimates of the potential Army requirement for mission transition assurance services rendered in Central New Jersey are not available from the Army and are therefore difficult to develop. As discussed in previous sections, the Army is undertaking and executing strategies to ensure a workforce to accomplish its continuing mission during the transition.

The Army is currently recruiting at Maryland colleges and offering low-cost housing on post for interns for up to a year. It has received approval to hire 150 above authorized level and requested funding and authority to hire up to another 300 above authorized level in FY08/09. Fort Monmouth has also obtained a blanket waiver from Army hiring restrictions for local intern positions at Fort Monmouth and requested blanket waiver for critical skill, full performance positions, and developed a proposal to provide advance presence at APG in FY08/09. Fort Monmouth has announced that it will use relocation, retention and recruitment incentives if funding permits, and will expand usage of Telecommuting and hire experts, consultants and contractors, as necessary.

The potential size of the Army’s requirement will be based on the success of these human resource (HR) strategies and the scope of any mission transition support services that may be obtained in the
APG area. For this Study, the Team estimates based on its research that no mission transition support services will be sourced from the private sector in the APG area, and that the Army’s HR strategies will meet half of its total mission transition support requirement. That was estimated above to be approximately 3,810 federal and contractor FTE’s not expected to transfer to APG. The requirement for the partnership’s Core Army contract can then be estimated at approximately 1,930 person years.

The Team estimates that 1,000 of these person years of services will be provided by existing support service contractors that are private sector partners of the partnership, maintaining approximately the same ratio of support contractors to technical personnel as are currently required for Fort Monmouth mission operations. The Partnerships’ direct employment is estimated to be 930 FTE, and the size of the Partnerships core contract is estimated at $150,000,000.

The table below presents a financial summary of the results of operations of the core contract for direct partnership operations, not including the services provided by private sector partners. This table shows that the estimated Labor Market impact in Central New Jersey from employment and earnings on this core contract is $116 Million. The average employee compensation and benefits would total $100,083 per year, reflecting the base pay for a GS 13, step 5, adjusted for locality pay in the New Jersey area.

<table>
<thead>
<tr>
<th>Financial Summary'</th>
<th>Partnership</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contract Revenues</td>
<td>$150,000,000</td>
</tr>
<tr>
<td>Average Wage Per Employee</td>
<td>$100,083</td>
</tr>
<tr>
<td>Benefits</td>
<td>25.45%</td>
</tr>
<tr>
<td>Cost per Employee</td>
<td>$125,554</td>
</tr>
<tr>
<td>Number of Employees</td>
<td>930</td>
</tr>
<tr>
<td>Direct Salary &amp; Benefit Cost For Partnership Employees</td>
<td>$116,765,335 78%</td>
</tr>
<tr>
<td>Other Direct Costs</td>
<td>$10,500,000 7%</td>
</tr>
<tr>
<td>SG&amp;A Costs</td>
<td>$22,734,665 15%</td>
</tr>
<tr>
<td>Surplus (Pretax Net Income)</td>
<td>$0 0%</td>
</tr>
<tr>
<td>Taxes (30%)</td>
<td>$-</td>
</tr>
<tr>
<td><strong>Net Income</strong></td>
<td>$0</td>
</tr>
</tbody>
</table>
The results of direct Partnership Core Contract operations were estimated based on analyzing and comparing the Partnership business model with the Teams’ proprietary data model which reflects the results of operations of private sector commercial government contractors having equivalent revenues. Commercial contractors can be simply modeled: Revenues must equal total direct costs, plus Sales, General and Administrative costs (SG&A), plus earnings before taxes (profit) and taxes. Direct costs for service contractors are primarily personnel costs, composed of compensation plus benefits; other direct costs (ODC’s) include travel, consumable supplies, and other directly allocable costs. SG&A costs include executive management, facilities and equipment, accounting, legal and other professional services, communications and data services, business development including marketing, and bid & proposal expense; and other general costs and overhead not allocable to a particular contract service area.

Generally, government service contractors in the revenue range of the estimated Partnership core contract expend 62 to 68% of contract revenues in total direct costs, including ODC’s about 5 to 15% of contract revenues. Therefore, 32 to 38% of contract revenues cover SG&A, earnings and taxes. Earnings after taxes are generally approximately 8 to 12% of revenues.

The model developed for Partnership operations is based on cost reimbursable contract operations. It does not include earnings (or surpluses) or provision for taxes as it would be a non-profit entity. The model developed for the core operations of the Partnership is a “lean” business model, with a higher percentage of costs incurred as direct costs, especially personnel costs and benefits. Comparable personnel compensation was calculated by assuming that the average Partnership core contract employee is more senior and has more critical skills than the average Fort Monmouth employee (who makes approximately $85,000 per year, as reported by the New Jersey DOL). The Team has estimated that the average Partnership core employee will be compensated comparable with a civil service grade 13 step 7 or a grade 14 step 2 pay at the New Jersey locality pay rates, which equates to annual compensation of $100,083.

Total employee benefits for federal employees average 36.45% of base compensation according to the federal Office of Personnel Management (OPM). This benefit costs percentage includes holidays and vacations and the full cost of the government’s contribution to health coverage and pensions. However, federal agencies do not directly pay the total cost of pension benefits; approximately 11% of the total of 36.45% benefit costs are paid by the Treasury. These Treasury costs must be subtracted from the federal cost basis for apples-to-apples comparison in the context of public-private competitions for government workload required under Federal Circular A-76 as amended. Therefore, the Team has calculated direct benefits costs for the partnership utilizing a 25.45% rate. For comparability, this corrects for the contribution made to federal pensions by the Treasury, which would not be reflected in comparable Army direct costs for its provision of mission transition services by continuing federal employees.

Other direct costs under the core contract are estimated at 7% of revenues, at the middle of the range for comparable commercial government service contractors. In keeping with the Partnerships’ “lean” business model, the Team estimates that the Partnership can operate on an SG&A budget of 15% of revenues. This would apply especially if the core contract is substantially based on the use of GFFE at Fort Monmouth to reduce the cost basis for the contract, as the Army will already be paying Fort Monmouth operating costs until the transition. The SG&A costs include the costs of the required Partnership executive management team, which should include a Chief Executive Officer (CEO) with commercial government contracting profit and loss (P&L) responsibility, as well as a Chief
Operating Officer (COO) and Chief Financial Officer (CFO) with equivalent P&L responsibility. Also required will be a Business Development Executive and Proposal Director, as well as three Vice Presidents. These VP’s will be responsible for the day-to-day management of the Partnerships’ three operating elements, the Partnership direct Core Contract operations, the C4ISR Applied R&D Center, and the Partnership’s private sector contractor partnership operations (which is estimated to supply over 50% of the capability of the core contract).
4. Action Plan for Partnership Creation and Operation

The Team recommends, on the basis of its positive feasibility assessment, that the State of New Jersey, Monmouth county and other local and regional government organizations and New Jersey academic institutions join together to create and operate a New Jersey Public-Private Partnership.

Additionally, the stakeholders must come together and solicit the involvement of the private sector as private sector partners and in the implementation of the Partnership. In this section, the Team develops and presents in narrative form a plan and schedule for the creation and implementation of the Partnership.

Partnership Planning

This plan and schedule begin with Partnership planning in the first half of calendar year 2008. This planning should include efforts to enlist the support and approval of various state and local government entities for the mission and public-private form of the Partnership. It should also include discussion among the various potential academic partners of the Partnership.

A key question for decision would be whether the Partnerships’ overall mission would be best served by affiliation with an existing public chartered non-profit organization in New Jersey, which would serve as the administrative and governing agent for the Partnership; or whether the creation of a new non-profit organization with the specific charter of the Partnership would be best. A related question is whether any of the current academic institutions offering graduate-level programs in areas related to C4ISR could serve as the nucleus of the recommended C4ISR Applied Research & Development Center.

Planning for the creation of the Partnership should include considerations of the affiliations and structure required to facilitate funding of the partnerships’ programs from such sources as the State of New Jersey, various federal government programs, and private sector foundations and commercial organizations. Funding should be thought of on the broadest sense, so that “in-kind” contributions of office space, administrative support, professional labor, etc., can be accepted from the widest range of supporters and managed to further the development of the Partnership. The larger the coalition supporting the Partnership, the better chance it has of getting off the ground.

Partnership Development

Once key issues of Partnership structure and affiliation have been decided, Partnership development can proceed in the third quarter of 2008. Development issues to be decided include the size, structure and composition of the Board of Directors (or other governing body) responsible for the Partnership, and the development of budgets and funding sources for partnership operation of its workforce and employment programs.
Consideration should also be given to the development of a public and partner communications program about the Partnership and the benefits of its programs. A specific communications effort should be developed for current Fort Monmouth employees and impacted contractors and their employees. Legal counsel and analysis will be required in order to design and take the appropriate steps to create the Partnership.

Once these and other issues inherent in the development of the Partnership have been decided, the Partnership can be initiated in the fourth quarter of 2008. Funding approaches synthesized in the development phase will be made specific, and related to partnership G&A budgets and program operations. And specific funding proposals will be made to specific sources to support Partnership creation and operation in January of 2009.

In the second half of 2008, the “Partnership in Planning” should also undertake planning for its future Employment Program. Discussions should take place with the widest range of possible private sector partners, to include every current support contractor and end-item contractor supplier of Fort Monmouth. These discussions would include structuring the Partnership organization and operations to facilitate the success of the private sector partners. This would entail a dual focus: on their business development efforts at APG to continue to perform the workloads that they currently perform at Fort Monmouth, and support for efforts to service new C4ISR workload in the central New Jersey area.

**Mission Transition Assurance Support Contract**

Once the Partnership vehicle has been created, then the Partnership and/or its State partners and other supporters can enter into discussions with Army concerning a potential future “Mission Transition Assurance” support contract. The Partnership can present its approach to mission transition assurance by private sector support in central New Jersey. Such approaches can be vetted in comparison to other approaches contemplated by the Army and other interested parties.

The Partnership can expect to make revisions to its approach and core proposal in order to optimize the attractiveness of its approach to the Army. For example, the Partnership could offer to operate the Army’s contemplated federal telecommuting center locally on Fort Monmouth or in commercial facilities with State, non-DOD federal and private sector support. Such a proposal could produce direct cost savings for the Army, while facilitating the operation of the telecommuting center through shorter commutes and the Partnership’s mission. It could also provide a basis for the Army to make a positive decision concerning the efficacy of the Partnership’s mission assurance approach.

**Partnership Implementation**

Given successful planning and development activities in 2008, the Partnership could begin operation in January 2009. The Partnership would immediately devote itself to operational needs such as leadership and administrative staffing and facilities in the first quarter of 2009, as well as developing the operational specifics of its employment programs in the first half of 2009. Contract discussions with the Army will provide specific guidance for the development and timing of the employment
programs, as well as information gathered by the Partnership from the current contractor and federal employees concerning their decision making calculus for staying in the central New Jersey region.

The partnership should commence Workforce Development Program Planning in the first half of 2009. As discussed above, the Partnership could develop a plan in connection with the New Jersey DOL and the Army and current private sector contractors to develop specific information from surveys and other means about the skill sets and demographics of the current workforce, in addition to that already gathered by the New Jersey DOL, and their issues with relocation to APG or other locations. The Partnership could undertake these surveys and other data gathering efforts, including focus groups, as an objective third party, and furnish the results to the Army and contractors for their mission transition planning purposes.

Detailed planning of the Applied C4ISR R&D Center should also proceed early in 2009. Discussions with the Army concerning its specific mission transition support requirements will illuminate any potential future R&D workload. In addition, the Partnership and its academic partners and private sector partners with capability in applied R&D can enter into discussions with other parties such as DARPA and DHS concerning the capabilities of the Center and future workload opportunities. The Partnership should give consideration to making private sector partnership opportunities available to a wide range of commercial entities in the C4ISR market, including those not currently operating in central New Jersey or in the State.

As discussed above in the section Analysis of Potential Interest in Partnership Transitional Employment Programs, the Team does not forecast a demand from impacted employees for the Partnerships’ employment programs until the last half of 2009, at the earliest. Therefore, the Team recommends that the partnership begin Employment Program operation implementation in the last half of 2009, supported by employee and contractor information and communication programs in the first half of 2009.

The New Jersey DOL identified a number of segments of the Fort Monmouth employee population that can be expected to encounter difficulty in making the transition to comparable federal or private sector employment. These include employees that are providing administrative and other non-technical support services, including base and garrison operations.

To serve the needs of this population the Team recommends that the Partnership begin detailed Workforce Development Program development in the last half of 2009 to meet expected workforce development needs arising in the last half of 2010. Detailed development tasks include development of detailed technical and communication skills training and other programs that will be required to meet the forecast needs of the general economy in central New Jersey, including curriculum development and computer based training methods in conjunction with academic non-profit partners of the Partnership.

It is likely that the partnership will continue discussion and negotiation with the Army of “Mission Transition Assurance” support contract requirements, terms and timing all through 2009 and in the first quarter of 2010. At this time, the Army should be in a position to accurately assess its requirement for mission transition assurance support, and the efficacy of its own telecommuting efforts and its other approaches to providing internal mission transition support as well as other approaches that may have been suggested by the private sector. The Partnership should also be in a position to firm up the details of its approach in a formal unsolicited proposal at this time. Such a
proposal would incorporate feedback from the Army negotiations as well as the responses to competition from other potential mission transition assurance support service providers.
Implementation of “Mission Transition Assurance” Support Contract could potentially be expected in the third quarter of 2010 based on the Army’s current timeline.

In late 2010, the Partnership should aim to launch the Applied C4ISR R&D Center. It should continue development efforts in the last half of 2009 and in the first half of 2010. If the discussions with the Army in 2009 demonstrate an applied R&D requirement which can be met by the Applied R&D Center, then it could be expected that the Center will begin as an operating entity of the Partnership. If however, DHS and DARPA would form the core customer base of the Center, then the Partnership could consider creating the Center as an operating entity affiliated with an existing New Jersey academic institution or group of institutions.
## Action Plan: Matrix of Responsible Parties and Recommended Schedule

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td><strong>The Partnership</strong></td>
<td>Partnership Planning Communications Effort</td>
<td>Partnership Development Development of Budget &amp; Funding Sources</td>
<td>Begin negotiations concerning Mission Transition Assurance” support contract</td>
<td>Workforce Development Program Planning Planning for C4ISR Center</td>
<td>Negotiation with the Army of “Mission Transition Assurance” support contract requirements, terms and timing</td>
<td>Implement Applied C4ISR R&amp;D Center</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Workforce Development Planning</td>
<td>Begin Partnership Implementation:</td>
<td>Discussions with Army specific mission transition support requirements</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Continue Communications Effort</td>
<td>• Staffing</td>
<td>Discussions with Private</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Legally Create Partnership</td>
<td>• Funding</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Facilities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Discussions with Army specific mission transition support requirements</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>-------------------------------------</td>
<td>-----------------------------------------------------------------------------</td>
<td>-----------------------------------------------------------------------------</td>
<td>-----------------------------------------------------------------------------</td>
<td>-----------------------------------------------------------------------------</td>
<td>-----------------------------------------------------------------------</td>
<td>-----------------------------------------------------------------------</td>
</tr>
<tr>
<td>New Jersey Dept. of Workforce Development</td>
<td>Proposal for 2nd round DOL Funding Begin take-down of funds</td>
<td>Fund and Manage Partnership Planning &amp; Development</td>
<td>Fund and Manage Partnership Development</td>
<td></td>
<td>Negotiation with the Army of “Mission Transition Assurance” support contract requirements, terms and timing</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Proposal to Economic Development Authority (part of DOC)</td>
<td>Proposal to other funding sources</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Proposal to OEA for additional funds</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Fund and Manage Partnership planning</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>-------------</td>
<td>--------------</td>
<td>--------------</td>
<td>--------------</td>
<td>--------------</td>
<td>------</td>
<td>------</td>
</tr>
<tr>
<td>Army</td>
<td>Data Request and Data Delivery</td>
<td>Discussions about Partnership Telecommuting Center</td>
<td>Continue discussions concerning Mission Transition Assurance” support contract</td>
<td>Discussions specific mission transition support requirements</td>
<td>Telecommuting Center opens Negotiation with the Army of “Mission Transition Assurance” support contract requirements, terms and timing</td>
<td>Implementation of “Mission Transition Assurance” Support Contract</td>
</tr>
<tr>
<td>Fort Monmouth</td>
<td>Renewed Data Request</td>
<td>Discussions concerning use of current Fort. Monmouth Facilities</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contractors at Fort Monmouth</td>
<td></td>
<td></td>
<td>Workforce Development Program Planning</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Implementation Costs

The Team has estimated implementation costs for the Partnership operation and partnership development and creation. These costs are estimated below, based on the Team’s past BRAC experience and the Partnership Operating model discussed in Section 3 above, Structuring and Quantification of Partnership Operations, and the data developed in Appendix A, Estimates of Results of Operations of Partnership.

Partnership Planning

Planning for the creation of the Partnership should include considerations of the affiliations and structure required to facilitate successful operation and funding of the Partnerships’ programs from such sources as the State of New Jersey, various federal government programs, and private sector foundations and commercial organizations. Funding should be thought of on the broadest sense, so that “in-kind” contributions of office space, administrative support, professional labor, etc., can be accepted from the widest range of supporters and managed to further the development of the Partnership. The larger the coalition supporting the Partnership, the better chance it has of getting off the ground.

Planning for the Partnership’s future Employment Program should take place with the widest range of possible private sector partners, to include every current support contractor and end item contractor supplier of Fort Monmouth. These discussions would include the Partnership organization and operation that will facilitate the private sector partners’ success – both in their business development efforts at APG to continue to perform the workloads that they currently perform at Fort Monmouth, and in their support for efforts to service new C4ISR workload in central New Jersey.

Including assistance with the key issues of Partnership structure and affiliation, the costs of Partnership Planning consist mainly of consultant support and out-of-pocket costs to support meetings and communications among Partnership stakeholders over the 2008 development period. Consultant support is estimated at $150,000 for the first half calendar year 2008, averaging $25,000 per month and utilizing 112 professional person hours per month. Other direct costs are estimated at $25,000. The consultant support will include the planning and initial development of potential funding sources as well as the support of initial funding requirements.

Partnership Development & Creation

Partnership development is recommended to proceed in the third quarter of 2008. Development issues to be decided include the size, structure and composition of the Board of Directors or other governing body responsible for the Partnership, and the development of budgets and funding sources for partnership operation of its workforce and employment programs. Consideration should also be given to the development of a public and partner communications program about the Partnership and the benefits of its programs. A specific communications effort should be developed for current Fort Monmouth employees and impacted contractors and their employees. Legal counsel and analysis will be required in order to design and take the appropriate steps to create the Partnership.

The costs of Partnership Development consist mainly of consultant support and out-of-pocket costs to support meetings and communications among Partnership stakeholders over the development
period which is the last half of 2008. Consultant support is estimated at $150,000 for calendar year 2008, averaging $25,000 per month and utilizing 112 professional person hours per month. Other direct costs are estimated at $25,000. The consultant support will include the planning and initial development of potential funding sources as well as the support of initial funding requirements.

The creation of the Partnership is estimated at less than $50,000, primarily consisting of legal support and filing fees.

The costs of Partnership Operation were estimated based on the analysis contained in Section 3 above, Structuring and Quantification of Partnership Operations and the data developed in Appendix A: Estimates of Results of Operations of Partnership. Annual working capital requirements are estimated at $11.5 million. These would need to be obtained initially from non-traditional sources such as the State of New Jersey or other sources that will make the initial working capital injection required for startup operations.

Subsequent working capital requirements can be met from operational cash flow or borrowed from traditional banking sources with accounts receivable used as collateral. Facilities costs are included in the SGA costs, estimated at approximately $23 million annually.

The Team estimated the Executive leadership personnel that will be required for the Partnership. The SG&A costs estimated by the Team include the costs of the required Partnership executive management team, including a Chief Executive Officer (CEO) with commercial government contracting profit and loss (P&L) responsibility, as well as a Chief Operating Officer (COO) and Chief Financial Officer (CFO) with equivalent P&L responsibility. Also required will be a Business Development Executive and Proposal Director, as well as three Vice Presidents. These VP’s will be responsible for the day-to-day management of the Partnerships’ three operating elements, the Partnership direct Core Contract operations, the C4ISR Applied R&D Center, and the Partnership’s private sector contractor partnership operations. These costs are estimated below.

<table>
<thead>
<tr>
<th>Management</th>
<th>Estimated 1st Year Salaries</th>
</tr>
</thead>
<tbody>
<tr>
<td>CEO</td>
<td>$ 250,000</td>
</tr>
<tr>
<td>COO</td>
<td>$ 200,000</td>
</tr>
<tr>
<td>CFO</td>
<td>$ 200,000</td>
</tr>
<tr>
<td>Business Dev. Exec</td>
<td>$ 175,000</td>
</tr>
<tr>
<td>Proposal Director</td>
<td>$ 150,000</td>
</tr>
<tr>
<td>VP C4ISR</td>
<td>$ 150,000</td>
</tr>
<tr>
<td>VP Core Contract Operations</td>
<td>$ 150,000</td>
</tr>
<tr>
<td>VP Private Sector Partnership Operations</td>
<td>$ 150,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ 1,425,000</strong></td>
</tr>
</tbody>
</table>
Appendix A: Estimates of Results of Operations of Partnership

Introduction

The input into the Private sector business case includes an analysis of the cost-effectiveness for the Army of contracting with a portion of its former workforce using a private sector model and the continued execution of the Army’s mission. The Team also assessed future customer base for such a new Army respondent’s enterprise(s) and the potential for long-term growth and diversification of contract resources. We performed cash flow projections with reference to capital equipment, cost of materials, overhead, benefit plans including retirement structure, healthcare, insurance, etc. and we quantified operational cost of funding, management capabilities, financial functions, facilities needs, competitive advantages, etc.

Pro-Forma Financial Analysis for the Partnership

To conduct the financial analysis an income statement was prepared for the Partnership. This income statement projects a break-even financial result for the first year of operation and profitable results thereafter. We have included cash flow projections at the bottom of the income statement. In developing The Partnership financial model we made the following assumptions:

- The Partnership will secure a line of credit to cover its initial working capital requirements and other financing for transitional funding requirements; Currently the line of credit is calculated at $11.5 M based upon a 30-day Accounts Receivable and Payable cycle. This method of financing a government technical services operation is standard in this industry. Sensitivity analysis will be run on these numbers in the next phase of the project.
- Contract Revenues are calculated at approximately $150 M for the 930 employees of the Partnership. This comports with standard levels of revenue from private companies of similar size. The Team reviewed data from the RMA (formerly Robert Morris Associates, now Risk Management Associates), the Houlihan, Lokey, Howard & Zukin Government Technical Services Report and from the dozens of private sector clients which The Team has advised over the past 2 decades.
- The Partnership will generate revenues and a specified amount of new customer revenue through subcontracts with other private entities or its own contract vehicle with revenues beginning in October 1st, 2011.
- Partnership Direct costs are at 78% of Contract Revenues. These are close to, if slightly higher than industry standards.
- Salary costs are calculated for a Step 5 GS 13, with locality pay in the New Jersey, NY, CT, PA area; $100,083
- SG&A + Direct costs are calculated at 22%, near industry standards
- Benefits are calculated at 25.45%, a number drawn from the Office of Management & Budget (see below), minus the 11% that the Treasury does not fund.
### Benefits

<table>
<thead>
<tr>
<th>Benefits</th>
<th>Federal Benefit Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal Retirement I (Per 2007 OPM)</td>
<td>26.60%</td>
</tr>
<tr>
<td>Health Insurance &amp; Other</td>
<td>6.70%</td>
</tr>
<tr>
<td>Medicare</td>
<td>1.45%</td>
</tr>
<tr>
<td>Misc.</td>
<td>1.70%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>36.45%</strong></td>
</tr>
</tbody>
</table>

- Executives will be recruited to supplement current management in order for third party financial institutions to have comfort in providing financing;
- The Partnership will establish accounting, legal, payroll, administrative and other services during the transition period from both in-house resources and outside service contractors;
- Marketing efforts will be made to build up federal business outside the Army;
- The Partnership will construct government furnished equipment or leasing provisions in the Army contract leasing agreements covering facilities and equipment usage during a transition period;

If the above initiatives are successfully implemented by October 1\(^{st}\), 2011, the projected income statement indicates that the could potentially operate on essentially a break-even basis for the first year and generate a reasonable profit (in line with other GTS companies) in the years thereafter.

The Partnership Financial projections are based upon current industry standards. Absent financial data from the Fort, the Team has used its experience in the government Information Technology markets to analyze, assess and propose a financial structure and capitalization model for the partnership. This is based upon years of experience by the principals of the Team in the government contractor mergers and acquisition market. It is also a reflection of our experience in previous government transformation efforts in which we have spun out former government employees into public/private partnerships.

#### Estimated size of workforce

The methodology for the estimation is detailed in the Workforce section of the report. The Partnership concept is scalable, so the initial size of the project, while important, is not a limiting factor. Consequently, while the financial projections do not contemplate a significant expansion beyond the 930 net probable people in the Partnership, this is not a limiting factor.
Financial Statements

While The Partnership is to be run as a not for profit operation, the Team was tasked to evaluate the Prospective operation moving forward with standard Financial analytical tools. Although a 501{C}3 partnership does not follow the same Generally Accepted Accounting Principles (GAAP) as a for-profit corporation, we felt it a useful exercise to project Financial Statements – Income Statement, Cash Flow and Balance Sheets – for analytical purposes.

<table>
<thead>
<tr>
<th>Income Statement</th>
<th>The Partnership</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contract Revenues</td>
<td>$ 150,000,000</td>
</tr>
<tr>
<td>Average Wage Per Employee</td>
<td>$ 100,083</td>
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<tr>
<td>Benefits</td>
<td>25.45%</td>
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<tr>
<td>Cost per Employee</td>
<td>$ 125,554</td>
</tr>
<tr>
<td>Number of Employees</td>
<td>930</td>
</tr>
<tr>
<td>Direct Salary &amp; Benefit Cost For The Partnership Employees</td>
<td>$ 116,765,335</td>
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<tr>
<td>Other Direct Costs</td>
<td>$ 10,500,000</td>
</tr>
<tr>
<td>SG&amp;A Costs</td>
<td>$ 22,734,665</td>
</tr>
<tr>
<td>Surplus (Pretax Net Income)</td>
<td>$ 0</td>
</tr>
<tr>
<td>Taxes (30%)</td>
<td>$ -</td>
</tr>
<tr>
<td>Net Income</td>
<td>$ 0</td>
</tr>
</tbody>
</table>
### Cash Flow

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Income</td>
<td>0</td>
</tr>
<tr>
<td>Depreciation</td>
<td>-</td>
</tr>
<tr>
<td><strong>(Increase) Decrease in</strong></td>
<td></td>
</tr>
<tr>
<td>Accounts Receivable</td>
<td>(12,328,767)</td>
</tr>
<tr>
<td><strong>Increase (Decrease) in:</strong></td>
<td></td>
</tr>
<tr>
<td>Accounts Payable</td>
<td>863,014</td>
</tr>
<tr>
<td>Billings in Ex. of Con. Rev</td>
<td>-</td>
</tr>
<tr>
<td><strong>Investing Activities</strong></td>
<td></td>
</tr>
<tr>
<td>Notes Payable</td>
<td>-</td>
</tr>
<tr>
<td>Borrowings on Line of Credit</td>
<td>11,500,000</td>
</tr>
<tr>
<td><strong>(Decrease) Increase in Cash</strong></td>
<td>34,247</td>
</tr>
<tr>
<td>Cash Beginning of Year</td>
<td>-</td>
</tr>
<tr>
<td>Cash End of Year</td>
<td>34,247</td>
</tr>
</tbody>
</table>
## Balance Sheet

### Current Assets

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>34,247</td>
</tr>
<tr>
<td>Acct. Rec.</td>
<td>12,328,767</td>
</tr>
<tr>
<td>Empl. &amp; Other Rec.</td>
<td>-</td>
</tr>
<tr>
<td>Inc. Tax Rec.</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Current Assets</strong></td>
<td>12,363,014</td>
</tr>
</tbody>
</table>

### Property & Equipment, net of Dep.

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other Assets</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>12,363,014</td>
</tr>
</tbody>
</table>

### Liabilities & Stockholders Equity

### Current Liabilities

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Notes Payable</td>
<td>11,500,000</td>
</tr>
<tr>
<td>Cap. Lease Req.</td>
<td>-</td>
</tr>
<tr>
<td>Acct Pay</td>
<td>863,014</td>
</tr>
<tr>
<td><strong>Total Current Liabilities</strong></td>
<td>12,363,014</td>
</tr>
</tbody>
</table>

### Long Term Liabilities, less Current Portion

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>ESOP Note</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td>12,363,014</td>
</tr>
</tbody>
</table>

### Stockholders Equity

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Common stock</td>
<td>-</td>
</tr>
<tr>
<td>Paid in Capital</td>
<td>-</td>
</tr>
<tr>
<td>Retained Earnings</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total Equity</strong></td>
<td>0</td>
</tr>
</tbody>
</table>

**Total Liabilities & Equity**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>12,363,014</td>
</tr>
</tbody>
</table>
Total Employee Compensation

Total employee compensation is the most significant portion of operating costs. We calculated the number of employees that will make the transition to The Partnership to be 930 FTEs, which is equivalent to approximately 25% of the current full complement the Fort Monmouth function.

In addition to the current staff, The Partnership will need to recruit executives from private industry to provide transition and business operational assistance to current management. Current pay rates were used for all assumptions in the estimate of payroll related costs to arrive at the total employee compensation cost.
Appendix B: C4ISR Market

THE C4ISR MARKET

Introduction

Fort Monmouth’s programs fall within the broad area that the Department of Defense categorizes as C4ISR: Command, Control, Communications, Computers, Intelligence, Surveillance, and Reconnaissance.

C4ISR encompasses a wide range of technologies within these seven areas – many of them focused on network-centric warfare, advanced sensors, and electronic and other countermeasures. Some examples of these technologies include:

- Data handling systems
- Software defined radio
- Laser and RADAR remote sensing
- SONAR
- Power electronics
- Telephony/wireless base stations
- Simulators and trainers
- SATCOM
- Embedded software
- GPS receivers
- RF link analysis
- Phased array antennas
- LAN/WAN network analysis
- Video and image processing
- Client-Server applications
- VoIP processing
- Non kinetic weapons
- Jamming pods
- Unmanned Aerial Vehicles
- Targeting and tactical intelligence ground terminals
- Air launched decoys

These technologies are researched, developed, and implemented to serve on a wide range of military platforms, including:

- Satellites
- Manned Aircraft
- Unmanned Land and Aerial Vehicles
- Surface Ships
- Submarines
- Fixed Land Systems
- Mobile Land Systems
- Man-carried Systems

Fort Monmouth’s programs, part of and funded by the Department of the Army, constitute one component of the overall C4ISR programs funded by the Department of Defense. Other C4ISR programs are funded by other Army components and by the:

- U.S. Navy/Marine Corps
- U.S. Air Force
- U.S. Special Operations Command
- U.S. Strategic Command
- U.S. Joint Forces Command
- Defense Advanced Research Projects Agency
- Defense Information Systems Agency
- Defense Intelligence Agency
- National Security Agency
- National Geospatial-Intelligence Agency
- National Reconnaissance Office

In addition, similar or complementary programs are funded by the:

- Department of Homeland Security
- Director of National Intelligence

And supporting or complementary research is funded by parts of the

- National Science Foundation

While some of the research, development, and implementation activities are carried out by military and agency personnel, most are conducted by a wide range of contractors. These contractors include the largest, multi-billion dollar revenues military contractors – including Lockheed Martin, Northrop Grumman, General Dynamics, Raytheon, Computer Sciences Corporation, Harris Corporation, etc. – and a wide range of small-to-mid-size companies.

Many of the contractors maintain program management offices near their funding program offices (e.g., near Fort Monmouth). However, most of the research, development, and engineering work is performed at contractor offices located in technical centers across the country.

Most larger contractors active in C4ISR do work for multiple programs, often across several Federal agencies, and endeavor to avoid excessive customer concentration – i.e., dependence on a particular program or program office. Smaller contractors necessarily
have less diversification of customers and may be more substantially affected by changes in program focus or funding.

C4ISR Funding Trends

Many of the C4ISR programs, and their detailed budgets, are highly classified. Published estimates indicate that total unclassified DoD C4ISR budgets range between $20 and 25 billion. These figures may include production and use of systems incorporating C4ISR-related components in addition to research, development, and implementation work.

The following graphs, published October 31, 2007, by the Government Electronics and Information Technology Association (GEIA), a trade association representing many of the companies active in C4ISR, shows that overall IT budgets are continuing to increase slowly – at less than six percent annually. The Federal budget figures included in the first graph include all Federal agencies – including those outside the Department of Defense and the Directorate of National Intelligence – and include expenditures on a wide range of conventional information technologies not typically included in C4ISR, per se.

The figures in the second graph include only agencies within the Department of Defense. These figures also include expenditures not typically included in C4ISR, per se.
Within the Department of Defense budgets, there has been a significant shift toward hardware and software that can be used immediately or in the short-run to support and solve problems arising from the military actions in Iraq and Afghanistan – with reductions or slowed rates of growth in longer-term research and development.

Budgets for C4ISR in the Air Force and Navy are roughly comparable to those for the Army. The collective electronics and IT budget for the intelligence agencies and other DoD agencies exceeds that for the Army. The Fort Monmouth budget, while sizeable, therefore represents only a fraction of the total U.S. budget for C4ISR.

Some priority program areas include:

- Unmanned Vehicles – which are now considered essential, although force structures and implementation doctrine is immature
- Improved bandwidth – which enables detailed information to be accessed by some tactical units on the move
- Enabling joint interoperability within the U.S. armed forces and coalition partners
- Signal processing and interpretation
- Rapid commercial off-the-shelf (“COTS”) acquisition of technology

Another approach to C4ISR market scoping is to look at the DOD funding in program areas that are related to C4ISR, as shown in the graph below.

**FY06 Defense Technology Areas & Funding**

Fort Monmouth and the Partnership will have capabilities to compete for funding and workload in two areas shown above, Information systems Technology and Sensors, electronics and Electronic Warfare that total over $3.2 billion in funding in FY2006.
Important DOD programs that incorporate C4ISR components include:

- Air Force – led by Base infrastructure, C-17, F/A-22, Predator, SBIRS, TSAT, AEHF, FAB-T and JTRS
- Navy/Marine Corps – Joint Strike Fighter, F/A-18s, EA-18 EW, Virginia class attack sub, V-22 Osprey, MUOS, Tomahawks, ship systems engineering, submarine acoustics, Advanced Hawkeye, JTRS
- Army – Future Combat Systems, Armored systems modernization, Installation infrastructure, Strykers, Apache modifications, Patriot, WIN-T, JTRS
- Other DoD organizations –
  - MDA focuses on sensors and lasers,
  - DARPA on advanced electronics and cognitive computing,
  - DISA on GIGBE,
  - NSA on cryptography and
  - SOCOM on intelligence and communications

These programs are developing future combat systems technologies including:

- Networked Battle Command
- Portable Compact Power Sources
- Magneto Hydrodynamic Explosives
- Engine Fuel Efficiency
- Electro Magnetic Weapons
- Hybrid Vehicles
- Laser Radar
- Training and Simulation Systems
- Countermine Systems
- Night Vision Systems
- Advanced Medical Technology
- Embedded Software/Pervasive Computing
- Optoelectronic Countermeasures
- Automatic Target Recognition
- Flexible and Conformal Color Displays
- Robotics
- Charge-Coupled Device Cameras
- Symbiotic Communications
- Close In Counter Measures
- Sensor and Guidance Technology
- Electric Propulsion •
- Remote Sensing
- Nanotechnology
- Automatic Target Recognition
- High-Power Microwave •
- Wireless Communications
Solid State Laser
Phototonics

The goals of leading programs include:

- Sensor-to-shooter tools to tighten the kill chain
- Analysis collaboration and dissemination tools – especially with coalition partners
- Data assurance
- Common link integration processing
- Common Blue Force tracking
- Multilevel access and security
- “Reach Back” capability and data organization/storage
- Explosives detection
- Nuclear, biological, and chemical weapons and hazards detection
- Bandwidth, compression, data links
- Language and cultural instruction technologies to enhance human intelligence (“HUMINT”) capabilities

Although most C4ISR technologies are directed at singularly military objectives, some of the communications and information technology capabilities developed for military purposes also have homeland security and non-defense applications.

Homeland Defense opportunities where the technical capabilities of the Fort Monmouth and the potential Partnership workforce’s technical capabilities would seem to be a good match for current and future DHS requirements are:

- Command & Control---Make Smart & Rapid Decisions
- Interoperability, Protocols & Standards
- Man Portable Weapons Countermeasures
- Home Made Explosives Detection
- Defeat Improvised Electronic Devices
- Automated Threat Understanding—Fusion Of Information
- Detection Of Unattended Packages
  Multi Spectral Sensors

The Partnership and especially its Applied C4ISR R&D Center could be a Homeland Security Center Of Excellence. Ft Monmouth personnel have current experience in these areas, and were recently asked to help evaluate secure border initiatives.

Additionally, the capability of Fort Monmouth personnel in procurement would mean that the Partnership could become an Acquisition Center For Homeland Defense. It is also possible that the Partnership could become Port Authority System Engineer & Integrator involved at the Port of New York and New Jersey. All in all, the capabilities & expertise of the Partnership could be applied quickly to DHS requirements.
One non-defense application that many believe will become commercially very important is popularly called “the mobile wallet” – using portable devices such as cell phones securely to pay for everyday purchases. Similar cell-phone-based payment systems are already widely used in Japan and parts of Europe. Spin-offs from military C4ISR technologies appear to be accelerating feasibility and acceptance in the U.S.

A “mobile wallet” enables users of cell phones or other mobile devices to pay for goods and services using the contactless payment systems already in place at over 45,000 U.S. merchants. Utilizing NFC (Near Field Communication) enabled mobile devices, a mobile wallet electronically stores credit, debit and/or gift card credentials on the phone, and securely transmits the card details to the NFC contactless reader. According to reports by industry analysts, the market opportunity for mobile payments could reach over $10 billion in the next few years, with the increase of NFC-enabled phones expected to grow to over 450,000 handsets during the same time period.

**Geographic Distribution of C4ISR Work**

Since so much of the actual work in C4ISR is performed by contractors and subcontractors in offices and laboratories across the country, it is difficult to determine from the budgets *per se* just where the work is being done. In some agencies, even program management functions are being carried out by contractors, as well as by Federal agency personnel, at widely dispersed locations in addition to at or near the bases where the agency components or commands providing the funding are headquartered.

One indication of where the jobs are is where recruiters are doing the most hiring of skilled technical and management personnel with high-level security clearances. Interviews with recruiters specializing in defense and intelligence technical and management positions indicate that hiring is particularly strong in such areas as:

- Washington-Baltimore SMSA
- Southern California
- Texas
- Alabama & Georgia

Hiring is not as vigorous, but still respectable in other traditional high-tech areas such as:
- New York City SMSA, including Northern and Central New Jersey
- New England
- Northern California

These traditional areas of strength in high technology have the people and intellectual (e.g., university and corporate research) resources that provide the requisite base for undertaking and successfully performing advanced research and development, and program management, in a wide variety of areas – including but not limited to C4ISR.
**Partnership Business Opportunities**

DOD's S&T programs provide critical investments in scientific disciplines vital to ensuring future security, including engineering, mathematics, and physical, computer, and behavioral sciences. These S&T programs make essential contributions to national defense by fueling innovation and training future scientists and engineers. Defense S&T programs support research in our nation's universities, DOD laboratories, and private sector laboratories, linking fundamental scientific discoveries and future military applications. A strong, steady investment in the DOD S&T program is essential to maintain our technological edge at home and abroad. Due in part to long-term investments in defense S&T, our national military has many of the tools needed to respond to new and unforeseen threats to our national security.

It is critical to the success of The Partnership, that a significant share of the S&T budget be invested in New Jersey. The State’s reliance on Fort Monmouth as one of the focal points of that is ending. Imperative to the success of the Partnership, is accessing some of the additional S&T funding. Fortunately, the Army only represents 16% of that budget, indicating that there is an additional 84% to draw on. The Army’s needs are a declining percentage of the overall S&T budget, with Homeland Security absorbing the growing percentage of funding.

DoD Science and Technology Budget, FY 2006 $10.52 Billion, breakdown as follows:

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<tr>
<th>2006 S&amp;T Budget ($ Billion)</th>
<th>$ Billion</th>
<th>%</th>
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</thead>
<tbody>
<tr>
<td>Army</td>
<td>1.65</td>
<td>16%</td>
</tr>
<tr>
<td>Navy</td>
<td>1.65</td>
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</tr>
<tr>
<td>Air Force</td>
<td>2</td>
<td>19%</td>
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<tr>
<td>DARPA</td>
<td>3.1</td>
<td>29%</td>
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<tr>
<td>OSD</td>
<td>0.8</td>
<td>8%</td>
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<tr>
<td>Other DA</td>
<td>1.32</td>
<td>13%</td>
</tr>
<tr>
<td>Total</td>
<td>10.52</td>
<td>100%</td>
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The resident C4ISR capabilities in New Jersey are needed in the scope of the emergency responder community. The characteristics and functionality of the C4ISR technologies that responders would need in order to deal with the consequences of a disaster or a terrorist incident, and the training and exercise opportunities that currently exist are significant. Project Responder, an independent effort focusing on the status of equipment for emergency responders has indicated a significant and sustained growth curve.
Appendix C: Aberdeen Proving Ground Information

U.S. Army Corps of Engineers Awards the Turner / Tompkins Builders Team a $477.5 Million Contract to Construct an Office and Laboratory Complex in Aberdeen, Maryland

Washington, D.C., October 10, 2007 – Turner Construction Company and its subsidiary Tompkins Builders, in a joint venture with Grunley Construction and Kinsley Construction, has been awarded a $477.5 million design-build project by the U.S. Army Corps of Engineers in Aberdeen, Md. This award is part of the Base Realignment and Closure (BRAC) program and one of the first BRAC projects of this magnitude and scope.

Construction on this highly technical Command, Control, Communications, Computers, Intelligence, Surveillance and Reconnaissance Installation is scheduled to begin in early 2008. Covering approximately one million sq. ft., the campus will have nine buildings, including administrative facilities, laboratories and hi-tech training facilities. The complex would have more than 5,000 civilian employees when work is completed in September, 2010. The design-build partner on this project is Skidmore Owings & Merrill, LLP.

“We are honored to have been selected to be part of such a talented team to construct this important project for the U.S. Army Corps of Engineers,” said Michael J. Kuntz, Vice President and Regional General Manager of Turner’s Philadelphia office.

This is the second BRAC project awarded to Tompkins Builders this year. Ed Small, President of Tompkins Builders said, “We are extremely proud to have been selected to help support the BRAC program at Aberdeen Proving Ground as we continue to build on our strong relationship with the U.S. Army.”

Tompkins Builders Awarded BRAC Contract to Build the C4ISR Center for Excellence at Aberdeen Proving Ground, Maryland

Washington, D.C., October 15, 2007
Tompkins Builders / Turner (Philadelphia), in a Joint Venture with Grunley Construction and Kinsley Construction, has been awarded a $477 Million Design-Build Project for the USA Corps of Engineers (Philadelphia District) at Aberdeen, Maryland. This award is part of the Base Realignment and Closure (BRAC) program and one of the first BRAC projects of this magnitude and scope. This is also the 2nd BRAC project awarded to Tompkins Builders this year.
Construction on this highly technical Command, Control, Communications, Computers, Intelligence, Surveillance and Reconnaissance Campus is set to start in early 2008. Covering more than 1,000,000-SF, the campus will house nine buildings, including administrative and headquarters facilities, laboratories, storage, and hi-tech training facilities. The buildings’ primary exterior finish will be composed of pre-cast concrete and work will be completed by September, 2010. The Design-Build partner on this project is Skidmore Owings & Merrill, LLP.

Ed Small, President of Tompkins Builders said, “We are extremely pleased to have been selected as the general contractor to help support the BRAC program at Aberdeen Proving Ground. As we continue to build on our strong relationship with the Army, we are proud to bring our experience and know how to this new and exciting project.”

Accres of Assets

Army Drives Prime Real Estate Deals

By

This e-mail address is being protected from spam bots, you need JavaScript enabled to view it | Corridor Inc. Staff Writer

Originally published February 2007

Bob Penn doesn’t get to hit the links as often as he’d like anymore. He’s too busy criss-crossing the country, helping the U.S. Army make its own hole in one.

From Anne Arundel County’s Fort George G. Meade to Alaska’s Fort Greely, Penn is helping turn underutilized and budget-draining government sites into revenue-collecting properties by negotiating long-term leases with private developers.
It’s all part of the Enhanced Use Leasing program, a real estate coup that is helping the U.S. Department of Defense capitalize on the area’s booming commercial market.

“We’re bringing the entrepreneurial spirit [to the government],” said Penn, assistant chief of the U.S. Army Corps of Engineers’ real estate division and director of the Enhanced Use Leasing (EUL) program.

That spirit has thrived in Maryland. Three of the 15 deals underway across the country are in the state. A 540-acre deal at Fort Meade and two separate projects totaling 1,500 acres at Harford County’s Aberdeen Proving Ground are among the largest EUL endeavors, Penn said.

The real estate adage location, location, location is the reason why these sites are prime for a deal.

“A location like Fort Meade, with high value real estate and big demand from the private sector, makes for a great EUL,” said Penn, who works out of the Corps of Engineers’ Baltimore office.

With the Base Realignment and Closure (BRAC) process bringing thousands of jobs and contractors to the state, developers have been gearing up for the anticipated demand for space — making the project at Fort Meade a hot commodity.

“Before BRAC, the EUL was a way to leverage the value of military assets,” said J. Thomas Sadowski Jr., executive vice president of the Economic Alliance of Greater Baltimore. “With BRAC, the EUL is being looked at as a way to implement growth.”

Last year, five companies vied for the Fort Meade deal, said Penn. In November, commercial real estate firm Trammel Crow Co., which is now a subsidiary of CB Richard Ellis, was selected.
The Corps of Engineers, which administers the Army’s EUL program, was looking for a developer to build Class A office space outside the gate, said Mark S. Corneal, a senior vice president at Trammell Crow who has been working on the project.

The company will be responsible for developing roughly 173 acres into approximately 2 million square feet of office space outside the base’s gates, as well as building two new golf courses and a club house on the periphery of the base, he said.

CB Richard Ellis, which recently absorbed the leasing arm of Trammell Crow, will lease the office space. The entire project is expected to cost the company in excess of $700 million, Corneal said.

But these deals aren’t just about turning a profit; the project has to complement the missions of the military installation too.

At Fort Meade, the EUL deal was critical to executing the base’s master plan — “turning the installation inside out,” said Col. Kenneth O. McCreedy, the Fort’s commander.

“We want to take recreational and commercial activities to the periphery and bring higher level security missions to the center of the base,” McCreedy said. “The EUL immediately unlocks this.”

The two existing golf courses on base, which are revenue-generators, will be used to build offices for government work.
The current plan calls for the Defense Information Systems Agency, the Defense Department’s central communications group, to be housed on the site, said McCreedy. That development will be independent of the EUL deal.

As part of the EUL process, McCreedy and officials at Trammell Crow are now discussing how to move forward. After a definitive business plan is established, they will sign a master lease, said Penn.

But Trammell Crow has already started meeting with prospective tenants, Corneal said. He speculated that major defense contractors will likely be among the possible tenants.

“We think we know what these users want and how to provide it to them,” he added.

With the EUL deal, Trammell Crow will pay the ground rent on the land with in-kind services, said McCreedy.

Most commercial real estate development transactions would require Trammell Crow to pay the property lease via cash, the EUL allows for in-kind services instead. While the final details are still being negotiated, building the Fort’s new 36-hole golf complex is one in-kind service that has been agreed upon.

Trading for services is nothing new. For years, the Army has accepted in-kind consideration or cash for leases to banks, credit unions and cellular communication companies, among others. The parameters of the program were limited though. The current EUL program, however, allows the Army to use those services for bigger projects, including construction.

A federal amendment in 2002 gave the Defense Department the latitude to use EUL deals to build or improve base facilities. That opened the door for the Corps of Engineers to try new things.

“It provided a broader scope of what we could do,” Penn said. “With EUL we can take money we were spending off our books and bring buildings back to productivity — making money by collecting rent.”

“*We’re bringing the entrepreneurial spirit [to the government].*”

- Bob Penn, assistant chief of the Army Corps of Engineers’ real estate division

The deals are structured “as close to private sector deals” as possible and are typically 50-year leases, said Penn.

The only con to the program Penn can think of has to do with long-term planning.

“We have to watch carefully so we don’t over-extend something we need for a mission [down the road],” he said. “We have to have a strategy.”
While McCreedy and his staff identified the Fort Meade space with EUL potential and then worked with the Corps of Engineers, deciding what space can and should be used comes in a “variety of ways,” said Penn.

“Sometimes the installation calls and says look at this,” he said. “In some cases, we go visit the installation; sometimes even the director of the Army calls.”

While the Army has been leading the charge with EUL projects, the program is not limited to this military branch. The U.S. Department of Veterans Affairs has taken advantage of the program and both the U.S. Navy and Air Force are looking into how they can better utilize the program.

The Navy, which recently finished its second EUL facility deal, is starting to look across installations, said Howard Kelsey, its director of real estate.

Of 14 potential sites it is currently looking at, one is located near the U.S. Naval Academy in Annapolis and three to four sites are in Norfolk, Va., he said.

The Navy only owns a total of 3.5 million acres of land, said Kelsey. By comparison, the Army has more than 12 million acres of land, according to the Corps of Engineers headquarters.

“We think our opportunities are fewer [than the Army] but are in places where land is more valuable,” Kelsey said.

The Army established its EUL methods in 2003, with the leasing of two historic buildings on the campus of Walter Reed Army Medical Center in Washington, D.C.
“We created the structure and the process and built it here [at the Army],” said Penn, who along with his staff of 10 comes from private practice. “It’s like creating a business within the government.”

Still, it’s hard to say what future sites could emerge around the area because time and needs change, he said.

At Fort Meade, McCreedy acknowledged “there are some other opportunities and we’ll look at them as we go along.”

Though he noted there’s plenty to do with the current EUL “before moving on.”

Regardless, with EUL “we’re only limited by our imagination,” said Penn.
Appendix D: Facilitation of Partnership Employment programs through the Intergovernmental Personnel Act of 1970


There are numerous statutes and other authorities that address pension portability, including the Intergovernmental Personnel Act of 1970, the United States Enrichment Corporation Privatization Act, the Employee Pension Portability and Accountability Act (pending), and the IRS Private Letter Ruling dated April 21, 1999. Such authority allows for the temporary and/or permanent portability of government pension and health benefits even though former government employees are now working in the private sector. While there is nothing directly on point that explicitly authorizes the Government to summarily allow its former employees to continue participating in the governmental benefits plan, there is nothing specifically prohibiting such action.

b. The Intergovernmental Personnel Act of 1970

The first statutory and/or regulatory basis to deal fairly and effectively with the issue of pension preservation under the TBC method is the Intergovernmental Personnel Act of 1970 (IPA). Under the IPA, the Government would be authorized to temporarily transfer its government employees to a nonprofit organization under the TBC model for up to four years, and still protect such employees' government pension participation and accrual rights while they are on temporary assignment to the nonprofit organization.

In particular, government employees that are serving on leave without pay would be entitled to continuation of their retirement, life insurance, and health benefits coverage under the Civil Service or other applicable systems as long as they currently paid the employee contribution into the appropriate fund or system. The employer contribution would be paid by the federal agency originating the assignment for all three types of coverage. If the assigned employees or their beneficiaries elected to receive benefits under state or local systems instead, then federal health, life insurance, and retirement benefits would not be authorized.

However, IPA, as amended, is only a temporary solution to the pension issue. Since the IPA only allows assignment of a government employee for up to four years, this is only an interim resolution to the pension issue under the TBC method. If the Government were to use this statute to facilitate the TBC, legislation, such as a technical amendment to the IPA or a new statute, may need to be passed over the next few years. Such a new development would be necessary in order to make the final transition of government employees into the private sector while allowing them to continue to participate in the government plan.

5. See id.
6 See id.
7. See id.
8. See id.
Appendix E: Research of Innovative Models with Application to Fort Monmouth

The Team understands Monmouth County’s requirements for research of available models of defense closures and realignments to provide precedents for and a foundation for the development of a viable plan for successfully addressing the multiple complex workforce and mission continuity issues surrounding the closure of Fort Monmouth. The Team will:

- Identify and research models around the nation as well as internationally, where military bases have been realigned and/or closed.
- Study innovative human capital and transition models that will benefit both the Army and the State.
- Make recommendations based on research about the feasibility of employing methods used by other communities to meet the Army’s mission while retaining the technical workforce.

The Team will undertake a comprehensive review and analysis of the approaches to maintaining mission integrity in the face of operational transformation and defense related economic redevelopment that have been employed by the Department of Defense, other US communities, and other nations in responding to complex situations such as the closure of FORT Monmouth.

In its past extensive work in this area, the Team has developed sources of information which can be utilized to provide the information on human capital transition approaches and viable business models required by Monmouth County. These sources include:

Proprietary US and International Sources:

In the US, Great Britain, Canada, and Russia the Team members have developed sources in the course of past engagements for elements of the US Defense establishment including:

- the Army Research Laboratory which extensively reviewed approaches the British used to transform their defense research establishment over a ten year period into a public-private partnership
- Large US Defense contractors seeking to fill future human resource requirements and business development opportunities
- Support of nuclear weapons non-proliferation and advanced aerospace technology non-proliferation

Public Sources:

Federal Sources including:

- Department of Defense:
  - Department of the Army
  - Office of Economic Adjustment
In the course of our research, the Team has spoken with the Director of the National Governor’s Association’s Best Practices Office, Ms. Tara Butler and the Best Practices manager at the Association for Defense Communities; Mr. Todd Herberghs. Additional contact will be made with select BRAC officials from previous BRAC rounds, and the NEW JERSEY Representative from the Pentagon’s Office of Economic Adjustment (OEA).

**List of Research Data Sources**

From this initial research and data development, the Team has developed a list of Best practices data sources that could be relevant to New Jersey BRAC analysis. These sources are shown below:

- BRAC 2005 Infrastructure Steering Group (ISG) Briefing to the Infrastructure Steering Group 8/27/04
- Defense Business Board Outplacement Services in Support of BRAC and Competitive Sourcing
- National Governors Association, Military base Redevelopment Case Studies 6-07 Draft
- NGA Issue Brief, State Financing Strategies to Address the Economic Impacts of Military Base Realignments & Closures 8/2006
- Profiles in Privatization & Facility Cost Reduction, Association of Defense Communities 1/2005
- Case Studies in Base Conversion, National Association of Installation Developers, July 2002
- Center for Defense Information BRAC Study, 2001
BRAC and Non-military case studies with potential New Jersey applications have also been reviewed including:

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<thead>
<tr>
<th>Initiative</th>
<th>Location</th>
<th>Focus</th>
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<tr>
<td>Creation of Environmental Detachments</td>
<td>Vallejo CA</td>
<td>BRAC Economic Redevelopment</td>
</tr>
<tr>
<td>Privatization at the Former Newark Air Force Base</td>
<td>Charleston SC</td>
<td>Privatization in Place</td>
</tr>
<tr>
<td>Privatization of the Naval Air Warfare Center at Indianapolis</td>
<td>Newark, OH</td>
<td>Privatization in Place</td>
</tr>
<tr>
<td>Hunter Point Shipyard Redevelopment</td>
<td>Indianapolis, IN</td>
<td>Urban BRAC redevelopment</td>
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The Team has reviewed current local BRAC redevelopment and impact mitigation efforts to identify those approaches that may have relevance to New Jersey. The Team identified two efforts, one for the redevelopment of the former Newark Air Guidance and Metrology Center (Newark AGMC) and the Indianapolis Naval Air Weapons Center (NAWC) as being especially relevant to mitigating the job impacts of the recommended closure of Fort Monmouth.
NEWARK AGMC

ACHIEVEMENTS DURING AND AFTER THE SUCCESSFUL PRIVATIZATION-IN-PLACE

- AGMC, AFMC and the contractor team achieved a seamless transition of workload, which was virtually invisible to the customer in the field.
- The Air Force avoided an expensive (estimated at $300 million) closure and reconstitution of the AGMC capability. The cost would have been associated with moving highly sophisticated precision equipment integrated into the existing facilities, preparing new facilities, installing and testing this equipment, and building a new skilled workforce for metrology and gyroscope repair. Ability to support ongoing missions would have been almost non-existent during this transition.
- The port authority, Air Force and Boeing established an innovative facilities purchase and lease agreement assuring the Air Force workload would be sustained at a high level of support for the foreseeable future.
- The $200 million annual economic impact with about 940 high-tech workers has been sustained to the present day.
- The Central Ohio Aerospace & Technology Center (COATC), as a private enterprise in contrast to a nontaxable federal installation, is the largest source of revenue for the city of Heath. COATC has paid more than $1 million in property taxes since the privatization took effect.
- The port authority is entirely self-sustaining and manages the former Newark AFB without any government subsidies.
- The former Air Force base buildings are now completely leased.
- The AFMETCAL Program management functions still operate on COATC property through the Bionetics Corp., which operates the AFPSL. This assures the necessary synergy between laboratory operations and program management.
- Since privatization, the PIP contractors have improved productivity by increasing customer system reliability and reducing repair man-hours.
- The port authority continues to install cutting-edge property management techniques and has actually reduced property management expenses over the years with lease charges to PIP contractors down 32 percent versus four years ago.
Indianapolis NAWC

The at Indianapolis remains the largest and most successful privatization in the history of the Department of Defense. The center’s mission of providing engineering design and development for military electronic systems was still required by DOD, in spite of the decision to include NAWC on the 1995 base closure list. Plans to close the base and move the majority of personnel and programs to other Navy sites held a high risk of losing more than 2,000 civilian employees, over half of whom were engineers and scientists.

Impetus for Privatization

Given the dismal success record of other post-BRAC attempts to transfer other large groups of employees, the mayor of Indianapolis, Stephen Goldsmith, proposed to transfer the cost of ownership for the existing NAWC through privatization. The Navy realized that privatization would accomplish many of its internal goals by avoiding significant costs to move functions and personnel, by preventing disruption of ongoing critical programs, and, most importantly, by retaining key investments in personnel. With the realization of both parties that privatization was the best solution for the community and the Navy, a rapid implementation of a privatization plan was needed to maintain momentum for a “hot turnover.” A two-phased solicitation process was utilized in which the city of Indianapolis held a four-month competition to select a company to take over the facility, hire the employees, and negotiate a contract with the Navy.

The competition was unique in that the Navy agreed to allow the city of Indianapolis to issue the solicitation for bids and perform the actual competitive selection. Knowing that a federal competition might take a year or more, the Navy agreed to a faster city-run process, utilizing input from the Navy on their critical needs as well as allowing the city to evaluate bidders on their ability to satisfy community and employee issues. This unique approach allowed the community to address local stakeholder desires, many of which would not have been addressed in a federal solicitation. The Navy mitigated its risk by reserving the right to back out of the process if the city chose a contractor that they deemed unacceptable to negotiate a final contract with.

This unique approach was critical for maintaining momentum and keeping the workforce in place. Following the announcement by the city of Indianapolis that Hughes Aircraft (now Raytheon Technical Systems Co.) was the city’s selected firm in May 1998, Hughes and the Naval Air Systems Command negotiated a multi-year contract for the performance of current and future DOD workloads at the center. The contract was signed roughly four months after contract negotiations began. During the same period of time, necessary leasing arrangements were signed by the Naval Facilities Engineering Command, the city of Indianapolis and Hughes. In early January 1997, Hughes Technical Services Co. began operations with a workforce of roughly 2,000 employees, nearly all of whom had been government employees on Friday of the previous week. The total time from initial solicitation to the startup of the new company was less than 13 months.
Privatization Success

Raytheon celebrated ten years of operation at the Indianapolis site in January 2007. Raytheon had become the operator of the facility by acquiring Hughes Aircraft Co. shortly after the privatized facility started operations. Raytheon honored all previous agreements with the city of Indianapolis and the Naval Air Systems Command, which helped to continue the site’s successful transition. A look back at the project shows that the privatization initiative has been an unqualified success.

Employment at the site continues to be strong with a workforce of approximately 1,500. This has allowed the city to achieve its goal of retaining these high-technology jobs. The majority of the personnel are former employees of the NAWC, allowing DOD to protect its original investment in intellectual capital.

Workload at the facility continued to grow since the closure — contract awards have nearly doubled since the first year of operation. Customer workload is much more diverse than prior to privatization with a significantly larger number of non-Navy customers and less overall funding from the Naval Air Systems Command. By virtue of the privatization, customers of the NAWC enjoyed uninterrupted execution of their programs and experienced significant cost savings over the original “close-and-move” proposal. The Navy’s original internal cost-saving study indicated an estimated $230 million in one-time cost avoidance coupled with future yearly cost savings. Property conveyance has involved a unique partnership between the city of Indianapolis and the Naval Facilities Engineering Command. Although the privatization-in-place was the official BRAC Commission recommendation, it still was a Navy base closure action and all federal property transfer issues still had to be addressed.

Operations at the site experienced no shutdown during the transfer from the Navy to Raytheon. As a result, this “hot turnover” required significant cooperation and coordination between parties for environmental cleanup so as to minimize disruption to the company. The Navy was exemplary in its use of alternative work schedules to achieve its needed cleanup actions. Many cleanup operations at the main facility were performed after standard working hours so as not to interrupt normal facility operations. As a result of this partnership, the final parcel of property transferred to the city of Indianapolis in October 2004, completing this unique privatization-in-place.

The transfer of the property and the establishment of the private operation have continued to be successful for one primary reason: a unique three-way working arrangement among the DOD, city of Indianapolis and Raytheon. This desire to work together to achieve the best results for all three parties has been the overriding reason for success.
B: National Association of Installation Developers/Association of Defense Communities

Findings

The NAID (now ADC) in 2002 in its Case Studies in Base Conversion, states that “The conversion of Defense facilities to new civilian uses has offered one of the more demanding regional economic challenges facing such a broad range of communities across the nation during the past four decades. Yet, most of the communities affected by military base closures during the 1960s and 1970s – and the more recent closure rounds during the 1990s – have been highly successful in transforming former military facilities to new civilian uses, often with an accompanying stimulus to local economic growth.” NAID/ADC has also identified ten community cases which help to illustrate best practice strategies in metropolitan areas and that illustrate the types of BRAC approaches that could be applicable to New Jersey, given the expected BRAC impacts on New Jersey. These include New Business- Residential Centers in Large Metro areas, Real Estate Sustained Economic Development, and Industrial Plant Reuse. The relevant NAID/ADC community cases are presented below.

NAID/ADC Case Studies in Base Conversion

New Business-Residential Centers within Large Metro Areas:

The former Lowry AFB has become a major new mixed-use office-commercial-residential center on the east side of the City of Denver. The early reuse efforts for Lowry, beginning in 1991, disclosed so many of the difficult Federal property transfer and housing-the-homeless issues that were later addressed in the 1993 Congressional amendments to the BRAC process. There are now 1,700 new residential units on Lowry; almost 500,000 square feet of new commercial space; six private and public schools, the new Higher Education and Advanced Technology (HEAT) Center; and 6,000 jobs located on the Lowry campus today. Lowry was selected as the NAID Facility of the Year in 1997.

A new mixed-use office-retail-residential center for the City of Lawrence, Indiana (located within the larger Indianapolis metro area), has arisen at the former Fort Harrison, announced for closure in 1991. The Fort Harrison Reuse Authority has attracted one hundred business and activities, and 1,600 new jobs on site; 100 existing historic residential units and 700 new units have already been developed, with another 300 new units scheduled over the next year. A new 250,000 square foot commercial town center will be constructed in mid 2003 – which will call for the relocation of the Army Post Exchange and Commissary to a nearby site. Fort Harrison was selected as one of the two NAID Facilities of the Year for 2000.

The former Glenview Naval Air Station, announced for closure in 1993, is being fully redeveloped by the Village of Glenview, Illinois, as a quality mixed-use residential-office-commercial-recreational extension to the village. The Village of Glenview served as its own master developer – supported by a professional private sector advisory firm – and is guiding the efforts of twelve individual development teams. The Village approved a $60 million municipal bond to finance the initial infrastructure improvements, over and above the
expected proceeds from real estate sales and leases. The new “Glen” project was selected by NAID as one of its two Facilities of the Year for 2000.

Fort Sheridan and its Historic Landmark District were redeveloped by Mesirow Stein Real Estate as a single, private sector master developer, selected through competition by the Villages of Highland Park and Highwood, Illinois. This project includes 250 developed residential units in 94 historic structures and 250 new dwelling units. The property transfer was accomplished by special legislation – which explains in part the lengthy transition process from 1988 to 1999. The Lake County Forest Preserve will open the parkland areas in 2005, including a 260-acre golf course.

**Industrial Plant Reuse – Regional Economic Development Stimulus**

Conversion of the Department of Energy’s Pinellas (Florida) weapons component plant to high tech civilian industrial uses on behalf of Raytheon and 24 other companies is one of the very few success stories where new civilian firms have promptly reused former Defense or Energy facilities while government operations were being phased down. With 1,750 high-tech jobs today, the STAR Center has more than replaced the 1,400-job staffing level at the time of the 1993 DOE closure announcement.

**Rickenbacker International Airport in Columbus, Ohio** – managed by the Rickenbacker Port Authority – experienced two separate major closures first in 1979 and again in 1993. This air cargo port has grown to 15,000 acres and 22 million square feet of industrial space. Rickenbacker was NAID’s Facility of the Year in 1994 and winner of the National Council for Urban Economic Development’s “Economic Development Partnership Award” in 1995.

NAID, in its 2005 Section, Profiles in Privatization, presents information on two localities response to BRAC that have some relevance to New Jersey. Chapter 11 reflects on the eight years of privatization experience at the former Naval Air Warfare Center (NAWC) in Indianapolis. The center was a candidate for closure in the 1995 BRAC, but the city offered instead to privatize the facility, thereby avoiding turbulence to the existing Navy avionics workload. The NAWC effort is an example of how privatization can produce needed cost savings for DOD, while still retaining a valuable employment base in the local economy.

Chapter 13, summarizes the cooperative efforts of the city of San Antonio and the Air Force to build public-public and public-private partnerships as an important step toward reducing facility and operating costs at Brooks AFB. Special federal legislation was approved in the FY 2000 and 2001 National Defense Authorization acts for what became known as the Brooks City-Base. The city — as the property landlord — will be allowed to manage, lease and sell real property at Brooks AFB. The net proceeds from the Brooks real estate transaction will benefit the Air Force in terms of reduced operating costs and new facilities on base, valued jointly at about $64.2 million.
C. National Governors Association

The NGA developed and published in 2006 Military Base Redevelopment Case Studies, containing 4 case studies. The NGA states that “There are a number of former military bases closed under prior BRAC rounds that serve as excellent examples of how a military base can be transformed into a residential and business community that provides a healthy environment that encourages physical activity and healthy living. Although the transformation may have taken many years to achieve, the following case studies of Fort Devens, Massachusetts; Naval Station Treasure Island, California; Lowry Air Force Base, Colorado; and Naval Training Center Orlando, Florida are excellent models for future bases to follow. Two of these case studies are relevant to New Jersey, and are shown below.

The Community of Lowry: Denver, Colorado
Formerly Lowry AFB
www.lowry.org
1991 BRAC Round

Overview
The redevelopment of Lowry Air Force Base (AFB) is an excellent example of the transformation of a military installation to a diverse community complete with a full range of housing choices, transportation options, pedestrian-friendly neighborhoods, local parks, open space, and schools. In 1994, Lowry AFB closed its gates after half a century of operation. The Lowry Local Redevelopment Authority quickly assumed responsibility for redeveloping the property and had a reuse plan in place before the base officially closed. The Authority had a reuse plan ready to go before the installation even closed. Many credit Lowry’s success to this early planning and the extensive input from residents and businesses. The vision transformed the 1,866-acre technical training base to a vibrant mixed-use community where citizens can “live, work, learn, and play.” The base is now a community that provides a variety of housing choices at varying price levels, is pedestrian friendly, and has accessible parks, schools, and businesses. To accomplish these goals, the master plans called for 4,500 homes, two million square feet of commercial space, 800 acres of parks and recreational amenities, and schools for children and adults.

Residential and Commercial Development
Sitting high on a hill with impressive views of Denver and the mountains, Lowry has become a very popular place to live. Residential development at Lowry runs the gamut to include single-family homes, condominiums, townhouses, lofts, and apartments, as well as affordable housing. Every street in this redeveloped community is lined with sidewalks and all the houses are located close to the curb to give the sense of narrower, pedestrian-friendly streets. Over 100 employers have located in this community because of the close proximity to
housing, schools, and recreation. The mixed-use town center is home to apartments as well as over 40 shops and restaurants. A full-service grocery store provides ready access to healthy food. The town center is linked to nearby residential neighborhoods, parks, and the library by a variety of walking and biking trails.

Transportation and Schools
Lowry’s streets, roundabouts, and trail systems are designed to encourage walking and bicycling and reduce automobile travel. Just minutes from downtown Denver, Lowry is accessible by car, bicycle, and mass transit. Sponsored by the Lowry Redevelopment Authority, Lowry “TransOptions” is a program that promotes the utilization of transportation other than a personal vehicle such as bus, carpool, vanpool, biking, and walking. To further encourage these opportunities, a website has been established to provide community members with real-time transportation information. A citizens and business subcommittee has been established to oversee the TransOptions program.

Approximately 1 million men and women received training at Lowry AFB over its 57-year history. Carrying on this legacy of education, Lowry is home to a variety of learning institutions for both children and adults. In addition to adult learning institutions, Lowry has nine independent schools (pre-K – 12) and a Denver public elementary school. Approximately 9,500 students attend Lowry schools. Sidewalks and trails provide students with accessible and safe opportunities to walk to school.

Recreation and Open Space
Denver has more park acreage per capita than any other area in the country and Lowry’s parks and recreational areas will soon be equal to 20 percent of all park space in Denver. Almost 800 acres – close to 43 percent of the community – is dedicated to open space. Recreational opportunities include pedestrian and bike trails, a slew of neighborhood parks and playgrounds, an 18-hole golf course, a regional sports complex with playing fields, a youth baseball complex, a recreation center, and nature areas. Many of the parks and trails have benches and trees which provide people who are walking or jogging the opportunity to sit and cool off in the shade. The large network of sidewalks and trails has encouraged the creation of a number of walking and stroller groups. In an effort to preserve some of the history of the base, the former aircraft hanger was converted into the Big Bear Ice Rink – a year-round, public rink complete with two indoor ice rinks and one outdoor roller rink. Big Bear is the largest indoor skating rink in the region.

Impact of Redevelopment
The community surrounding Lowry AFB suffered a loss of 2,275 jobs when the base closed. Today, there are 6,500 new jobs at Lowry and the community development has had a $5.7 billion gross economic impact on the Denver Metropolitan area. Over 25,000 people live, work, and attend school in this community and the area will continue to grow given that 20 percent of the master plan has yet to be implemented. Lowry is considered a success story and has received a number of awards highlighting it as a role model for good planning and smart growth.
Overview
Baldwin Park is viewed by many as a model for base redevelopment. Much of Baldwin Park’s success stems from its prime location just a couple miles from downtown Orlando. Given the high demand in the area for land to develop, the city of Orlando recognized the timely opportunity to create a mixed-use community that is tied to the existing fabric of nearby neighborhoods. In an effort to quickly assemble a redevelopment plan, the city created a Base Reuse Commission comprised of business and government leaders. Over a hundred public meetings were held to solicit the input and support of the surrounding community. It soon became clear that the public wanted to create a mixed-use community that incorporates residential and retail development as well as open space and recreational opportunities. This vision proved to be a daunting one – Baldwin Park was one of the largest infill redevelopment projects in the United States and the dismantling of the base facilities was one of the biggest demolition projects in the nation’s history.

Residential and Commercial Development
Baldwin Park has become one of the most desirable communities in the Orlando real estate market. The community is designed in the style of Traditional Neighborhood Developments (TND) incorporating a variety of housing types in a grid-like street and alley network that offers tree-lined roads with sidewalks. Residential areas are designed to be attractive and safe for pedestrians and bicyclists by creating narrow, calm streets where speed limits remain low. Homes are within walking and biking distance of the “Village Center” which includes homes, offices, restaurants, stores, including a coffee shop, tea room, banks, bike shop, dry cleaner, barber shop and chocolate, as well as a waterfront public park. Apartments are located over retail space to offer added vitality to the area and local grocery stores provide access to a full range of foods. Baldwin Park prides itself as being an open, friendly place. To encourage this sense of openness, there are not any perimeter gates or walls which allow the community to blend into the surrounding neighborhoods.

Transportation and Schools
Baldwin Park prides itself as “a place where residents can enjoy recreational activities, go shopping, go out to dinner, and spend time with friends – all without having to get in the car. It is the antithesis of the suburbs where there is only one available lifestyle: driving to everything. [Yet, at Baldwin Park] the more than 50 miles of sidewalks, trails, and bike paths invite people to keep their cars in the garage.” The bicycle paths in the community will soon tie into the larger bike path network in Orlando. For those that choose to drive, there are over 30 entrances to the neighborhood to encourage the flow of traffic.

Baldwin Park believes that “great places start with great placemaking.” To create such an environment, planners designed a community that is safe and welcoming for children. A network of sidewalks and trails run throughout the community so that children can safely and easily walk or bicycle to Baldwin Park’s elementary and middle schools. The city of Orlando and the Orange County School Board pooled their resources to build a number of amenities such as a track and field complex, lighted baseball fields, tennis courts, a soccer field, picnic areas, a play area with concession stand and restrooms, and a fitness trail – all of which are...
open to students and residents of Central Florida. Public parking is available to encourage guests to visit.

Recreation and Open Space
With over 400 acres of open space, Baldwin Park is designed so that every resident is within a short walk of green space. A number of parks, playgrounds, ball fields, and lakes are dispersed throughout the community connected by a variety of jogging trails. The City of Orlando constructed a regional public park consisting of over 50 acres with numerous play fields and jogging trails that all Central Florida residents enjoy. Three Community Centers have swimming pools, playgrounds, and fitness facilities for the residents of Baldwin Park. Over 4,000 new trees have been planted on the sides of streets and in the parks to provide pedestrian shade.

Impact of Redevelopment
The closure of the Naval Training Center resulted in the loss of 1,105 civilian and contractor employees. Today more than 1500 new jobs have been generated. Baldwin Park has received a number of awards for its design, but the community is quick to point out that they are still a work in progress. When development is complete, the 1,100 acres of Baldwin Park will include over 4,000 homes, over 10,000 residents, nearly a million square feet of retail/office space, two public schools, three Community Centers, and 400 acres of open space, parks, lakes, and recreational areas.

Workforce Development
BRAC decisions can have a dramatic impact on the workforce in a military community. A closed or downsized base can result in thousands of lost jobs and dislocated workers. These individuals will need access to job counseling to help them identify alternative employment opportunities and enhance their job skills.

During previous rounds of BRAC and other defense downsizing efforts, workforce development programs targeting dislocated workers varied widely among states and military communities. Some states and localities incorporated workforce development efforts into their comprehensive economic development plans. In St. Louis County, Missouri, the county government used federal planning and infrastructure grants from OEA and EDA as well as job training grants from the U.S. Department of Labor to establish a wide range of adjustment activities, including two business incubator programs, in response to the loss of 59,000 defense industry contracting jobs. Initiated by the St. Louis Defense Adjustment Program, the business incubator programs were aimed at diversifying local economic activity by allowing dislocated defense workers, such as federal civilian base workers and defense contractors, to receive job retraining and education assistance to become private small business owners.

Other states collaborated with localities and labor unions to provide support to federal and contract employees slated to lose their jobs because of the closure of a military installation. Soon after the 1995 BRAC Commission approved DOD’s recommendation to close the Fitzsimons Army Medical Center in Denver, Colorado, the Governor’s Job Training Office contracted with the Colorado AFL-CIO to establish a rapid response team, secure government funding, and implement a transition program for nearly 2,400 dislocated
The Rapid Response Program played a crucial role in providing affected base workers early access to information about the re-employment process. In addition, the program allowed the rapid response team to conduct surveys of the workforce to determine what types of training programs would benefit them the most.

Workforce development efforts created in response to BRAC 2005 actions, however, may be slightly different than in previous BRAC rounds. The Workforce Investment Act of 1998 (WIA) includes a combination of mandatory and voluntary provisions that call for a common national framework for workforce development, while encouraging flexibility in service delivery at the local levels.

Under WIA, dislocated workers, including BRAC-affected workers, are among three targeted populations that state and local workforce investment boards must assist through the establishment of Local One-Stop Career Centers. The local centers provide single-point access to a wide variety of job training, education, and employment services. As a result, most public financing assistance for workforce development is likely to be used to enhance services at Local One-Stop Career Centers.

The following section briefly describes the types of financing assistance available at the federal, state, and local level.

Federal Workforce Development Assistance
Traditionally, the U.S. Department of Labor’s Employment and Training Administration (ETA) has provided states and localities with general guidance and financial support in planning and developing worker adjustment strategies. For instance, the National Emergency Grant Program has provided crucial early funding to states to respond to the needs of dislocated base workers and localities affected by BRAC decisions. The first grants—totaling $28 million—were awarded to states in 2005 to initiate early planning related to workforce and employment issues at the installation and community levels.

State and Local Workforce Development Assistance
The Department of Labor encourages states and local workforce investment boards to continue offering rapid response and other worker adjustment programs to BRAC communities. For example, local workforce development offices in Iowa and Illinois recently teamed with a nonprofit organization to open a worker adjustment office at the Rock Island Arsenal, which is slated to lose nearly 1,600 jobs when several operations are transferred off the installation as a result of BRAC 2005. The I-FORCES Center (Installation-Finding Opportunities, Resources, Careers and Employable Skills) is funded by DoL grants and provides career, financial, and relocation-planning assistance to workers who are to be displaced.

NAID/ADC Strategies and Approaches to BRAC
The NAID (now ADC) in 2002 in its Case Studies in Base Conversion, states that “The conversion of Defense facilities to new civilian uses has offered one of the more demanding regional economic challenges facing such a broad range of communities across the nation
during the past four decades….There are several recurring themes – strong public and private sector leadership, persistence in the face of a formidable DOD-Federal reuse process, and good communications in arriving at local consensus. These three themes have all been among the more important traits leading to community success. “

The NGA , in its Center for Best Practices Issue Brief in August 2006 states that “ Several …strategies can be used to address the economic impact of BRAC from the base closure/downsizing and mission growth perspectives.

• **Planning:** Develop a comprehensive plan outlining strategies and financing mechanisms.

• **Infrastructure Development:** Build or enhance public and private infrastructure to stimulate and support economic activity.

• **Business Development:** Foster new and diverse business activity.

• **Workforce Development:** Assess and meet the needs of a military community’s workforce.”

The NGA adds that “A key element to the successful economic adjustment of a military community affected by BRAC is to secure adequate public financing for base redevelopment and local growth projects. Public financing helps to stimulate and support economic activity and spurs private-sector investment in military communities. Intergovernmental cooperation is considered an effective and efficient approach to achieving a diversified financing plan; however, the process of identifying roles and coordinating federal, state, and local resources can be challenging.”

The NGA, in its 2006 Issue Brief, provides insight into key areas of BRAC impacts that will be key to developing strategies for New Jersey , namely the “Differing Economic Impacts… of Closure versus Realignment”.

The NGA states that “ It is important to understand the difference between a base closure and a base realignment. A base closure often is difficult for a state and locality because many communities grow to rely on the base as a stable and consistent source of employment and tax revenue. The closure of a base eliminates this economic engine and often forces the community to rebuild and diversify its economy so it can sustain itself without a military presence. These communities must consider base reuse and redevelopment and focus on strategies that stimulate new economic activity. Many communities put much of the existing base infrastructure to civilian use. For example, several former air force bases and naval air stations have been converted into civilian airports or trade ports, which allows them to use existing runways and hangars. Other communities decide to diversify the local economy through the redevelopment of bases into multi-purpose areas, demolishing all or most of the existing base infrastructure and replacing it with homes, retail and office buildings, and parks.
On the other hand, BRAC also will result in several military realignments. There are two
types of base realignments that can have completely different effects on military
communities. A realignment can result in decreased activity on a military base by relocating
missions, operations, and training to other bases. This type of realignment can have adverse
economic impacts similar to those of closing a military base. Although these communities
still may be home to an active installation, the reduction in military activity can result in
significant loss of jobs and tax revenue which often requires adjustment strategies to
regenerate economic activity.

In contrast, a realignment that expands a mission and increases military operations on a base
can boost economic activity and result in local growth. DoD refers to this type of realignment
as “mission growth.” States and localities generally have welcomed the additional economic
activity generated by mission growth. Although mission growth often significantly benefits
the local economy, it also can be a real challenge to the community because it strains the
locality’s ability to accommodate the influx of new military and civilian personnel and their
families. To prepare for this growth, communities should focus on strategies that enhance
essential public services and infrastructure.

In the case of mission growth, many affected communities are forming ad hoc committees of
stakeholders—from area businesses to state and local governments—to work in partnership
with military bases in managing local growth. When there is surplus property during base
redevelopment, the state and localities often participate jointly in a Local Redevelopment
Authority (LRA), which oversees the planning and implementation of redevelopment
projects. The level of state participation may vary for different military installations. States
already have employed a number of different strategies.

- **Sent a representative to serve as a resource to the LRA:** This approach provides the
  state the opportunity to participate, support, and guide the redevelopment process but
  allows decisions to be made at the local level.

- **Helped organize the LRA and provide it with the necessary land-use authority:** Many
  military bases are surrounded by several jurisdictions which often leads to dispute
  and confusion as to who is in charge. Under these circumstances, a state could step in
  and identify the LRA membership and, when necessary, provide it with the authority
  needed to make land-use decisions.

- **Become the LRA:** Often in rural areas, local governments may not have the resources
  or manpower to effectively manage an LRA. In these cases, the local government
  may decide to hand over redevelopment responsibility to the state which can assume
  the role of LRA.

The NGA recognizes that “numerous government programs are geared toward assisting
communities addressing military base reuse issues.”, and addresses how these programs can
be utilized to accomplish a comprehensive programmatic approach to BRAC. Elements of
this comprehensive program include planning, workforce development, infrastructure
development and business development as discussed above in Section I, Approach to Best
Practices. The NGA presents these issues areas in the context of funding and financing as
shown below.
Planning

Military communities facing a base closure first should formulate a comprehensive redevelopment plan, which outlines base reuse strategies and financing mechanisms and provides a projected budget and timeline for the completion of all projects. Developing a plan often can take months and even years to complete, as military communities take into consideration the concerns of all levels of government, area businesses, nonprofit organizations, and local citizens’ groups. As a result, financing strategic planning is a crucial first step to ensuring redevelopment issues will be adequately addressed.

While a handful of state-level grant programs help fund locally based redevelopment planning activities, the federal government remains the primary source for funding and technical assistance for base reuse and redevelopment planning. For Local Redevelopment Authorities (LRAs), the primary advantage of federal and state grants is that they do not need to be repaid. For federal and state governments, awarding grants is a way to provide assistance while allowing LRAs the flexibility to address their specific planning needs.

Federal Planning Assistance

The U.S. Department of Defense’s Office of Economic Adjustment (OEA) provides two types of assistance to military communities planning for base redevelopment. When a base closure is expected to result in a property surplus, Community Base Reuse Planning Grants can help military communities develop a comprehensive plan to determine how to reuse the land most effectively. In addition to providing financial assistance, OEA also provides technical assistance on base reuse.

Community Economic Adjustment Assistance Grants are available even when closure or realignment results in no surplus property. This type of assistance is used to assess the impending economic hardships of military communities, evaluate alternatives and resource requirements, and prepare economic development and diversification action plans to reduce defense dependency.

State Planning Assistance

While OEA grants usually cover a 90 percent share of funds requested for community planning assistance, state governments or other nonfederal entities are needed to provide the required 10 percent match. Matching state grants provide military communities with important redevelopment planning assistance. In addition, some states enhance their participation through the creation of state-run programs that coordinate the use of state financial resources and provide further support to military communities in need of funding for planning purposes.

The Ohio Defense Conversion Assistance Program (DCAP) awards grants to help Ohio’s military communities adjust to the adverse economic impact of defense downsizing. Created by the Ohio legislature, DCAP functions within the state’s Department of Development (ODOD) and is administered by the Ohio Defense Adjustment Office. Proposals for grants are reviewed and approved by the DCAP Grant Review Committee, a five-member panel of
ODOD staff appointed by the development director. For the 2005 BRAC round, ODOD will award a total of $1 million in grants to assist communities, primarily to develop an economic adjustment plan to address infrastructure improvements and the creation or retention of jobs.

Through its Economic Reinvestment Initiative, the state of Florida created the Defense Reinvestment Grant Program, a grant program of the Office of the Governor, administered by Enterprise Florida, Inc., to assist Florida's communities, hosting defense industries, bases, and installations. For the 2005 BRAC round, Governor Jeb Bush awarded a total of $1 million in Defense Reinvestment Grants to 11 Florida communities.

**Infrastructure Development**

Modernizing or expanding infrastructure in and around a closed or realigned military base is a crucial investment which helps attract site developers, stimulate business growth and job creation, and generate tax revenues. However, securing adequate financing for infrastructure investment is frequently a challenge for military communities because most projects are large in scale, and financing through current fiscal year revenues—whether state, local, or LRA-generated revenue—often will not cover the total cost of infrastructure projects.

Traditionally, the gap between funds available and funds needed is bridged through the issuance of municipal bonds, a form of debt financing that allows state, local, and municipal governments to borrow large amounts of capital immediately and repay the loan—with general or specified revenues—over an extended period of time, usually 15 to 30 years. Although there are several types of municipal bonds, state-issued general obligation bonds often are considered the most secure because state government pledges to use all of its revenue and taxing power—full faith and credit—to repay bondholders in a timely manner. This approach may result in raised taxes.

Local Redevelopment Authorities (LRAs) can serve as temporary political subdivisions of a state or local government; their enabling legislation often limits the types of bonds they may directly issue to tax-increment and real estate revenue bonds. These bonds rely on increases in property values and land sales or rent fees of surplus base property to generate the revenue necessary to repay the bondholders. It is often difficult to anticipate revenues from real estate because land values can fluctuate depending on the real estate market. As a result, credit agencies generally consider these types of bonds to be high-risk. LRA-issued bonds often are rated below investment grade by credit agencies making them difficult to market to prospective bondholders.

These financial limitations often put LRAs in a situation where they are unable to finance infrastructure development projects alone. As a result, most defense adjustment infrastructure projects are financed through a combination of LRA bonds and federal, state, and local government financing mechanisms such as:

- Federal Infrastructure Construction Grants;
- State and local general obligation and revenue bonds;
• LRA-issued tax-increment bonds and real estate revenue; and

• Credit enhancements.

**Federal Infrastructure Construction Grants**

Federal Infrastructure Construction Grants often provide the immediate funding needed to invest in military base redevelopment projects. These grants help lessen the upfront amount of debt incurred by LRAs and state and local governments because they do not need to be repaid.

The Department of Commerce’s Economic Development Administration (EDA) has two programs that award competitive grants to help economically distressed communities plan and implement infrastructure improvement projects that promote regional economic development and generate long-term investment. The *Public Works Program* awards grants to communities experiencing economic decline and distress. The grants can be used toward projects which revitalize, expand, and upgrade physical infrastructure in order to attract new industry, encourage business expansion, diversify local economies, and support the generation or retention of high-skill, high-wage jobs.

EDA’s *Economic Adjustment Program* is broader and is geared toward helping economically distressed communities reshape their economic future. *Economic Adjustment Grants* may be used to finance the actual construction of public infrastructure and fund infrastructure-related technical and planning assistance. The grants also can be used to cover revolving loans to small businesses wishing to expand their business activity through capital improvements.

**State and Local General Obligation Bonds**

State and local governments may issue general obligation (GO) bonds to finance military base redevelopment infrastructure projects directly. Since state and local governments tend to have stronger sources of revenue than LRAs—such as corporate income, personal property, and sales taxes—they are usually in a better position to distribute credit risk among a larger and more established tax base. Proceeds from the sale of state-issued GO bonds can be used in two ways.

• **State Grants:** Similar to Federal Infrastructure Construction Grants, state grants may be awarded to LRAs to finance the planning and implementation of military installation redevelopment infrastructure projects.

• **State Loans:** Proceeds from the sale of GO bonds also may be used to fund revolving loan funds, which are made available to local authorities or small businesses at low interest rates to finance infrastructure projects aimed at stimulating economic development.

The circumstances under which state and local governments may issue general obligation bonds for infrastructure projects vary based on state constitutions, statutes, and local government charters. Most state constitutions impose certain procedural requirements on the issuance of general obligation bonds and set limitations on the allowable use of bond
proceeds. In addition, many states have limitations on the amount of debt the state and localities may incur.

A number of states and localities have issued GO bonds to help finance BRAC-related infrastructure projects. Massachusetts authorized the issuance of $200 million in state GO bonds to support the redevelopment of Fort Devens. The Village of Glenview, Illinois, issued $34 million in local GO bonds to finance demolition and infrastructure improvements at the former Glenview Naval Air Station.

**Revolving Loan Funds**

Revolving loan funds (RLFs) for military base redevelopment may be funded initially by communities, states, and various federal agencies. Participation varies from state to state. For example, EDA’s Revolving Loan Fund Program relies entirely on states and localities to administer the program. EDA provides RLF grants to eligible local partners, who contribute a minimum 50 percent match. The combined funds are used to issue capital loans to businesses or local development authorities unable to obtain conventional financing for infrastructure investments. The loans are considered “revolving” because the fund is replenished by principal repayments, interest, and fees, which in turn are used to issue more loans over time.

Some states may administer RLFs directly with a minimal financial contribution. Others provide substantial funding but permit localities to administer the RLF. Virginia’s Defense Conversion Revolving Loan Fund assists small businesses adversely affected by defense downsizing. Administered by the Virginia Small Business Finance Authority (VSBFA), which is staffed by the Virginia Department of Business Assistance, the RLF provides direct loans—funded primarily by EDA grants—to defense-dependent industries making the transition to commercial products or services. Local industrial development authorities also are eligible to receive financing to purchase fixed assets to be leased to qualified companies. Up to $1 million in fixed-asset and working capital financing is available to prime contractors and subcontractors with at least 15 percent of their operations in defense-related activities.

A number of California LRAs and other defense adjustment organizations manage and administer revolving loan funds locally. For instance, Alameda County’s East Bay Conversion and Reinvestment Commission (EBCRC) manages the Defense Conversion Revolving Loan Fund. The RLF is funded through a combination of EDA grants, state grants, and private funds but is operated exclusively by EBCRC, which makes loans to eligible businesses for infrastructure improvements on former military bases located in the East Bay area.

**LRA-Issued Real Estate Revenue Bonds and Tax-Increment Bonds**

Despite their high-risk status, real estate-based financing has the potential to generate sufficient revenue to repay LRA-issued bonds. Real estate revenue bonds and tax-increment bonds are used to finance general public infrastructure projects such as the construction of roads, water and sewer lines, and utility conduits.

In certain circumstances, the federal government will transfer ownership of surplus base property to an LRA. Once an LRA owns title to the land, real estate revenue bonds become a viable financing mechanism because they allow the LRA to raise revenue through real estate activities, usually by selling or leasing the land. The proceeds from land sales or leasing provide LRAs with immediate cash and can be used to pay debt service on the bonds directly.
or fund debt service reserves. This type of financing mechanism can be considered high-risk because of fluctuations in the real estate market, especially when leasing revenues are involved.

Tax-increment financing (TIF) arrangements allow a locality to collect from businesses in a pre-designated tax district the incremental tax revenue associated with increasing property values. The revenue can then be used to repay tax-increment bonds. TIF is considered a high-risk form of debt financing because it hinges on the assumption that infrastructure development causes property values to increase over time.

An LRA’s ability to incorporate tax-increment financing into its infrastructure development plan is dependent on state-defined limitations, which vary from state to state. In some cases, state legislation may need to be amended to authorize the use of tax-increment financing for military base redevelopment.

In Illinois, the Economic Development Project Area Tax Increment Allocation Act was passed specifically to allow municipalities to implement TIF for base redevelopment projects. The Village of Glenview, Illinois, was one of the first localities to successfully implement TIF during the redevelopment of the Glenview Naval Air Station. Closed through the 1995 BRAC round, Glenview (which is also the LRA) immediately mobilized for a complete redevelopment of the military base, which included demolishing nearly all the existing infrastructure to create a clean slate for a balanced residential, open space, and office and retail community. Glenview secured $34 million in funding through locally issued general revenue bonds for the early stages of infrastructure development. TIF was the primary mechanism considered for financing the remaining infrastructure projects. In accordance with Illinois state law, Glenview held a public hearing to inform the community of the TIF proposal. Shortly after, it adopted a tax-increment financing ordinance. Glenview structured the TIF plan so certain local jurisdictions would not have any additional tax liability to acquire or make the public improvements for the property. Today, 95 percent of the land has been sold, leased, or is under contract, and the development has created 5,600 jobs.

In South Carolina, a state law authorizes counties to implement TIF in areas “which are or threaten to become blighted” specifically for the circumstances created by the adverse economic impact of the closing of federal installations. The City of Myrtle Beach in full cooperation with and approval of the LRA approved the use of TIF to fund a specific list of public infrastructure projects needed to expedite and make possible the development of a portion of the former Myrtle Beach Air Force Base (closed through BRAC 1991) into an urban village consisting of numerous commercial, retail, and residential properties. In order to make the redevelopment area easily accessible to pedestrian and motor traffic, the LRA funded more than $20 million in road improvements and the City negotiated the TIF with a developer to issue $35 million in tax-increment bonds to pay for additional roads, improved public parks, utilities, and parking garages. The bond indebtedness will be paid off by the incremental property taxes created by the developer’s private investment of more than $100 million. The redevelopment project area at full build-out in 2012 is projected to contain more than 1,600 residential units, create 1,500 jobs, and produce more than $8 million per year in real property taxes.
Credit Enhancements
Since LRA-issued bonds can be high-risk, many LRAs secure credit enhancements to make their bonds more marketable to prospective investors and provide bondholders with additional protection against delinquency and default. Credit enhancements are guarantees that LRA-issued bonds will be repaid through other sources in the event an LRA is unable to repay. Credit enhancements lower risk and often result in lower interest rates. Many view credit enhancements as an interest rate subsidy.

Both the public and private sector can supply credit enhancements to LRAs. Four strategies are used most commonly.

- **Direct Federal and State Grants:** Cash grants may be used to fund LRA debt reserve or supplemental funds to ensure there is money available to repay LRA-issued bonds.

- **State and Local Full Faith and Credit Guarantees:** A legally binding guarantee from a state or local government to use all of its revenues and taxing powers to make an LRA’s debt service payments.

- **State and Local Double-Barreled Revenue Pledges:** A legally binding pledge from a state or local government to use specified state revenues to make an LRA’s debt service payments.

- **State and Local Moral Obligation Pledges:** A pledge to request an appropriation from the state or locality to make debt service payments or replenish a debt service reserve fund. Although this type of pledge is not legally binding, many state and local governments have chosen to honor their moral obligation pledges.

Legally, the type of public credit enhancement selected is dependent upon provisions in state constitutions, enabling legislation, and local charters. County and municipal guarantees and pledges may be limited by the state constitution and often require state authorization. The city and county of San Bernardino, California made a full faith and credit guarantee to credit-enhance tax-increment bonds issued by the Inland Valley Development Agency (IVDA). IVDA is an LRA comprising three cities and one county which is responsible for the redevelopment of the former Norton Air Force Base closed in the 1999 BRAC round. IVDA issued $25 million in tax-increment bonds. These bonds are unique because they are twice credit enhanced. IVDA’s first credit enhancement is from a private bank, which agreed to make regular bond payments on behalf of IVDA as long it reimbursed the private bank. The city and county of San Bernardino’s full faith and credit guarantee covers IVDA’s reimbursement payments to the private bank in the event IVDA’s revenues are insufficient.

The city of Denver, Colorado provided a moral obligation pledge to credit-enhance $14.5 million in tax-increment bonds issued by the Lowry Economic Redevelopment Authority (LERA) during the redevelopment of the former Lowry Air Force Base. The proceeds of the TIF bonds were used to finance demolition and infrastructure construction and to fund debt service reserves. In the event LERA’s tax-increment revenues fell below 120 percent of debt service payments, the city of Denver pledged it would make up the shortfall with a general fund appropriation.
Business Development
When a military base is closed or downsized, communities are eager to implement strategies that will generate new and diverse business activity. A variety of programs at all levels of government offer business development tools to individuals, communities, and businesses in BRAC-affected areas. Most of the programs fall into three broad categories: tax incentives, grants, and loans. Many business development grant and loan programs also function as infrastructure development strategies (discussed in the previous section). Tax incentive-based business development programs can be implemented at the federal, state, and local level.

Federal Business Development Assistance
A common approach for military communities interested in reusing installations as trade ports is to secure a Foreign Trade Zone (FTZ) designation from the Department of Commerce’s Import Administration. FTZs are ports that allow nonprohibited foreign goods to enter the country duty-free. Merchandise may be stored, assembled, or packaged for manufacture within an FTZ and exported without duties being levied. Since air force bases and naval air stations already have existing infrastructure to support foreign trade operations—such as storage hangars and airfields—many states have had these types of installations designated as Foreign Trade Zones.

The City of San Antonio, Texas, received a Foreign Trade Zone designation as part of a comprehensive plan to convert the former Kelly Air Force Base (realigned in the 1995 BRAC round) into an international business park to support inland port activities. More than 50 businesses currently are located on the former base, known today as Kelly USA, and they utilize several business development incentives such as the FTZ designation to conduct business operations.

The HUBZone (Historically Underutilized Business) Empowerment Contracting Program is another federal program geared toward encouraging business development. Administered by the U.S. Small Business Administration (SBA), the HUBZone program provides federal contracting opportunities for eligible small businesses located in economically distressed areas.

State Business Development Assistance
The most common state financing mechanism to address negative economic impacts on military communities is enterprise zone programs. Enterprise zones (EZs) are targeted development areas, usually economically distressed communities. They offer certain tax incentives to businesses that locate to the zone, which allows private-sector market forces to regenerate local economic activity. State enabling legislation usually is required to create enterprise zones.

Tax incentives and eligibility requirements vary from state to state, but the most common tax incentives offered in enterprise zones are corporate and income tax credits for job creation and sales tax refunds on business equipment and building materials. A number of states have
taken this approach a step further and established military-specific enterprise zone programs, which address the unique circumstances of base reuse and redevelopment.

In 1992, Arizona established the Military Reuse Zone Program (MRZ) to lessen the impact of military airport closures. The program offers tax incentives specifically to aviation and aerospace companies, insurers, and airport authorities located in an MRZ.

In California, the Local Agency Military Base Recovery Areas (LAMBRA) Act was enacted to promote economic development and employment opportunities in designated closed military base communities by offering bidding preferences of 1 percent to 9 percent on certain state contracts. According to LAMBRA provisions, state contracting officials are allowed to award bidding preferences to businesses that operate in a LAMBRA and employ LAMBRA-qualified workers.

Texas created the Defense Economic Readjustment Zone Program (DERZ) as a tool to generate business activity and job creation in military communities adversely affected by installation downsizing. For a business to receive DERZ benefits, it must be nominated by the affected local community, agree to special hiring requirements, and receive a designation by the state as a Defense Readjustment Project. Project designation makes businesses eligible for state sales and allows them to use tax refunds and franchise tax credits based on job creation and capital investment in the community.

In an effort to bolster the economy due to the closing of Brunswick Naval Air Station in Maine, Governor John Baldacci recently signed a tax incentives law that would offer a 100 percent income tax credit to certain businesses that move to Military Redevelopment Zones (MRZ). The law was proposed by the governor to encourage new business development in the mid-coast area to mitigate the economic effects due to the closure of the base and assist in conversion of the base property following closure. To accomplish these goals, 500 acres of property outside the base’s fence line (home to much of the local labor market) now are eligible for MRZ designation and an additional 1,000 acres of base property will be eligible for designation following the closure of the installation in the summer of 2011.

New York Governor George Pataki recently announced that Plattsburgh Air Force Base, closed in the 1993 BRAC round, will be home to a private-sector aerospace company and a new aircraft maintenance facility. The state played an active role in attracting the $64 million project, which will create over 1,500 new jobs. Empire State Development, the state’s lead economic development entity, is providing the company with a capital grant of up to $6.1 million, which includes $4.1 million for the first phase of the project. The hangar construction project also will receive $3 million in new multimodal transportation funding. In addition, the New York State Energy Research and Development Authority will provide up to $500,000.

Local Business Development Assistance
Property tax abatement is one of the most common strategies implemented by local governments to stimulate economic growth. Tax abatement is a temporary suspension or reduction of property tax payments, which local governments offer to businesses for a specified length of time. The extent to which a locality may utilize property tax abatement is dependent on state-defined parameters on local taxation. While localities frequently offer tax
abatements to new businesses as an incentive to locate in a community, they are also an important tool for encouraging existing businesses to reinvest in the community.

The city of Kettering, Ohio, recently entered into a BRAC-initiated tax abatement agreement with GE Consumer Finance. Under the terms of the agreement, GE will relocate 800 full-time jobs from a nearby township to its Kettering Business Park offices in November 2006. In exchange, the city will provide a 12-year, 75 percent real property tax abatement and a $500,000 forgivable loan to be used for improvements to GE-occupied buildings located in the business park.

**AIRD Best practices:** AIRD and business development strategies can be used to emulate the innovative BRAC approaches pioneered by the cities of Indianapolis, IN, and Vallejo, CA and Charleston SC. ESOP Advisors provided support to the employees and the Navy to plan and implement these innovative approaches in all three of these communities.

Indianapolis, IN, led by then-Mayor Stephen Goldsmith, was able to arrange the “hot transfer” of the facilities, and the technological and workload capability of the Naval Air Weapons Center (NAWC) recommended for closure under the 1995 BRAC to the private sector in such a manner as to maintain the uninterrupted employment of almost all of the former NAWC employees, and to implement the hot transfer several years before the BRAC closure would have occurred. Therefore, the City was able to avoid the negative impacts of closure and provide for immediate redevelopment impacts including tax revenue augmentation. The Raytheon Corporation assumed ownership and operation of the facility, and employs over 1500 highly skilled professional and technicians, the vast majority of which as of June 2002 were still former NAWC employees. New Jersey may be able to emulate these efforts at the WRAMC, using the AIRD to develop a bio-medical capability in the private sector even though the particular “privatization- in- place” mechanism used by Indianapolis is no longer in available under current DOD policy.

In Vallejo, CA and Charleston, SC an innovative program of workforce development and reutilization was employed by the Navy in order to facilitate the environmental characterization and remediation of these bases to be closed under BRAC 1993, and to “take care of our own” senior Navy nuclear program employees, hundreds of whom were facing loss of employment and reduced retirement benefits due to the planned base closures just short of their full retirement eligibility. In these communities, two Navy Environmental Detachments were formed, within a year of the announcement of BRAC closure under the command of the Headquarters operational element responsible for the BRAC actions. These Detachments were formed of current civilian shipyard employees in the two communities, and Navy and DOL funds were utilized for the retraining of this highly competent workforce in environmental engineering and remediation in concert with local academic institutions. This retrained workforce was then deployed to support, on a cost reimbursable basis, the required BRAC environmental characterization and remediation required for Base closure activities and transfer of ownership of the facilities.

Additionally, the Detachments were allowed to meet the needs of other federal agencies and activities, again on a fully cost reimbursable basis. The Detachment’s personnel complement
was to be drawn down as employees retired, so that the Detachments would have a zero complement at the time of the planned property transfer. However, due to the outstanding technical and business competence demonstrated by the Detachments, they faced a backlog of future work and a cadre of highly motivated employees that desired to continue to operate the detachments, one year before they were planned to go out of business. With the support of ESOP Advisors, these employees were able to effect a transfer of their capabilities to the private sector in a manner that retained jobs and comparable compensation for all of those that desired to remain in the work force after the Base closures.