

BASE REALIGNMENT AND CLOSURE

Community Profile

November 2009

General Mitchell Air Reserve Station, Wisconsin

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Closure at a Glance

Local Redevelopment Authority (LRA):

Milwaukee 440th Local Redevelopment Authority

Geographic area affected by closing:

City of Milwaukee, Milwaukee County, State of Wisconsin

Population of affected area: 578,887

Total Acres to be Disposed: 102 Acres

Estimated Job Loss Impact:

436 direct jobs lost (66 military and 370 civilian). Source: Base Realignment and Closure (BRAC) Report

Jobs Lost	
Military Personnel	1,409 (66 full-time and 1343 Reservists)
Civilian Personnel	370
Contractors	

Source: Air Force

Economic Adjustment Challenges

- Various agencies attempting to stake claims to buildings and properties before completion of redevelopment plan
- Becoming knowledgeable regarding the utilities, Heating, Ventilation, and Air Conditioning (HVAC), and various infrastructure necessary to maintain the daily operation of facilities
- Working to inventory personal property and vehicles remaining after the closure
- Adjusting to the changing dates of conveyance due to remediation, appraisals, surveys, etc.

Key Reuse Planning & Property Disposal Milestones

5/30/06	Federal Surplus Determination
1/19/07	LRA Homeless Outreach Completed
6/25/08	Reuse Plan Received by Department of Housing and Urban Development (HUD)/Military Service
3/27/09	HUD Determination on Submission
9/30/08	National Environmental Policy Act (NEPA) Disposal Decision
2/1/08	Base Closure

Organization

The 440th Air Force Reserve Base military facility was closed in February 2008 under the BRAC round of 2005. The former base is located entirely within the city limits of Milwaukee, Wisconsin, and occupies approximately 102 acres. There are 93 buildings on the base. Utilities serving the property are not privatized.

As a result of the closure, 370 civilian and 1,409 military personnel (66 full-time and 1343 Reservist) were directly affected and an estimated 436 direct jobs were eliminated (66 military and 370 civilian). This base closure occurred in the City of Milwaukee which had a 2005 estimated population of 578,887¹ and a January 2007 unemployment rate of 6.5 percent²; therefore, any job losses significantly impact the region.

To assist the region with these job losses, the 440th Local Redevelopment Authority (LRA) was created and has served as the primary link between the Department of Defense (DoD), the installation, the community, and Federal and state agencies for all base closure matters. LRA has been the single entity responsible for identifying local redevelopment needs and preparing a redevelopment plan for the Military Department to consider in the disposal of installation property. The goal of the community was to create a plan that: (1) represented local consensus; and (2) provided for redevelopment of the property that becomes available because of the installation closure in a manner that supported the economic development of the area.

Due to the apparent challenges, LRA entered into an “Intergovernmental Cooperation Agreement” with the Redevelopment Authority of the City of Milwaukee (RACM), a non-profit, independent corporation created by state statute in 1958, to assist in the planning process. One of RACM’s missions is to foster and promote business expansion and job creation by preparing and implementing redevelopment plans; assembling real estate for redevelopment; and borrowing money, issuing bonds, and making loans for redevelopment purposes.

Reuse Plan/Other Studies

After considerable analysis, public input, and discussion, LRA selected Aviation Reuse as the most appropriate plan for the redevelopment of the 102-acre Air Force Reserve Station property. This approach most closely aligns with LRA’s goals, which focused on economic development through job retention/generation using the existing base facilities, and long-term airport growth that provides critical support to the local and regional economy.

The redevelopment plan provides the following benefits:

- Recognizes and supports the documented need of General Mitchell International Airport (GMIA) for a future parallel runway to ensure safety and provide capacity for future growth
- Allows for the rapid reuse of existing buildings and facilities
- Results in substantial cost savings to the taxpayers through a Federal Aviation Administration (FAA) sponsored no-cost transfer of the property
- Allows for continued beneficial use of a portion of the property by the Wisconsin Air National Guard
- Potentially reduces the Air Force’s cost for environmental cleanup, since much of the base will continue to be used for similar, aviation-related purposes by GMIA, thereby more in-depth mitigation efforts may not be required
- Provides opportunities for Milwaukee area law enforcement and educational institutions to expand teaching and training

¹ Source: United States Census Bureau

² State of Wisconsin Department of Workforce Development

- Accommodates the facility needs of the only qualified homeless service provider that submitted a Notice of Interest (NOI) in the property, by permitting the Hunger Task Force (HTF) to utilize Building 205 as its new logistical headquarters

Description

The reuse plan provides for the intermediate use of the facilities for aviation and compatible non-aviation activities through leasehold arrangements between users and the GMIA. Over both the short- and long-term, the plan supports aviation-dependent uses, defined as those activities that require direct access to the GMIA's runway system, as well as aviation support uses, which do not require access but which benefit from close proximity to the airport. Facilities located within the area designated for future runway construction will be leased out by the Airport until preparation for construction is begun, at which time any leases will terminate and the buildings and facilities will be demolished. The remainder of the base will be available for aviation users and others on a long-term lease basis.

Recommended Methods of Conveyance

Public Benefit Conveyance (PBC) – Public Airport

The recommended plan envisions the entire 102-acre facility being transferred to GMIA by way of an approved PBC from the Air Force, through and with the approval of the U.S. Department of Transportation through the FAA. The disposal and acquisition shall represent a 100 percent discount from fair market value, as allowed by law.

As required under Federal regulations, title to the property will be transferred to Milwaukee County via deed, which will contain various covenants and restrictions requiring the County to utilize the property for aviation purposes and for public benefit use as an airport in perpetuity. These terms include a prohibition against the subsequent sale of the land for non-airport related uses. Although non-aviation uses may be allowed under leasehold arrangements, the net income derived from these uses must be retained by the Airport in furtherance of its aviation mission. If any of the terms, conditions, or restrictions of the PBC application or the Federal deed are violated, the rights transferred to the County could revert back to the Federal government.

Personal Property

The plan also recommends that the remaining personal property inventory now at the base be transferred to the Airport as part of the PBC for public airport use. This property primarily consists of in-place office furniture and fixtures, facilities maintenance equipment, some mechanical systems, a limited number of vehicles, and other miscellaneous items. These items will allow GMIA to more readily lease many of the buildings by providing furnished, turnkey facilities to prospective users and to continue to maintain the property in marketable condition.

Utilities

The Preferred Reuse Plan also recommends transfer of all Air Force owned utility systems, including, but not limited, to electric transmission and distribution lines, telecommunications lines and switches, water lines, sewer lines, stormwater facilities, etc. The natural gas lines and meters are owned by the local natural gas provider. Upon transfer of the property from the Air Force, GMIA may simultaneously or subsequently transfer some or all of the various utilities to qualified utility providers for continued connection to existing services and for future system maintenance.

Business & Financing Plan

GMIA is operated by Milwaukee County as an enterprise fund of the County. Figure 1 illustrates GMIA's financial growth over the past six years. GMIA is reported to be the 45th largest commercial airport in the United States with 13 commercial carriers providing nationwide air transportation access, including non-stop service to more than 50 destinations. GMIA directly employs more than 200 full-time personnel out of a total airport-related employment base of over 6,000.



Figure 1: General Mitchell International Airport, Revenues and Expenditures

The acquisition of the former base will require the expenditure of funds by GMIA for property maintenance, administration, security, fire protection, and minor capital expenditures. These costs will be offset to the maximum extent possible by revenues from the leasing of facilities for aviation-dependent, aviation-related, and/or non-aviation uses. Expenditures are expected to exceed revenues for a period of time until buildings are leased and occupied. The airlines voted in December 2007 to permit a sufficient amount of excess funds from rates and charges to be used to support the maintenance of the former base, with any possible future excess revenues used to pay back the initial investment. Thus, the County will not need to budget additional funding for the property, resulting in no impact to County taxpayers.

In order to forecast the anticipated revenues and expenses associated with the initial reuse/redevelopment, a five-year financial pro forma was developed, based on the Air Force’s actual cost budget for 2007. Table 1 provides a summary of the projected costs and revenues to redevelop the former base.

440th Redevelopment Property Management Budget Proforma					
	2009	2010	2011	2012	2013
Revenues	Xfer 1/1/09				
Occupancy:	30%	50%	70%	80%	90%
Square Feet leased:	104,171	173,619	243,066	277,790	312,513
Caretaker contract	0	0	0	0	0
Lease Revenues	\$ 498,690	\$ 831,151	\$ 1,163,611	\$ 1,329,841	\$ 1,496,071
Total Revenues	\$ 498,690	\$ 831,151	\$ 1,163,611	\$ 1,329,841	\$ 1,496,071
Costs					
Total Personnel	\$162,225	\$167,092	\$172,105	\$177,268	\$182,586
Office Expenses	\$30,900	\$31,827	\$32,782	\$33,765	\$34,778
Misc. Expenses	\$12,360	\$12,731	\$13,113	\$13,506	\$13,911
Property Maintenance	\$909,312	\$838,147	\$761,894	\$732,532	\$700,721
Utilities	\$368,336	\$379,387	\$390,768	\$402,491	\$414,566
Other	\$51,500	\$53,045	\$54,636	\$56,275	\$57,964
Total Estimated Annual Budget	\$ 1,534,634	\$ 1,482,228	\$ 1,425,298	\$ 1,415,837	\$ 1,404,526
less: reimbursed CAM charges	(\$183,485)	(\$204,690)	(\$295,163)	(\$347,449)	(\$402,607)
Balance needed from rents	\$1,351,149	\$1,277,538	\$1,130,135	\$1,068,388	\$1,001,919
Pre-transfer Costs	\$ 81,938				
Capital Improvements	\$ 200,000	\$ 100,000	\$ 100,000	\$ -	\$ -
Net Operating Cash Flow (LRA)	\$ (1,052,458)	\$ (546,388)	\$ (66,524)	\$ 261,453	\$ 494,152
cumulative Cash Flow	\$ (1,134,396)	\$ (1,680,784)	\$ (1,747,307)	\$ (1,485,854)	\$ (991,702)
Supporting Funds - Airport	\$ 1,200,000	\$ 600,000			
Cash Flow after Invested funds	\$ 147,542	\$ 53,612	\$ (66,524)	\$ 261,453	\$ 494,152
cumulative Cash Flow	\$ 65,604	\$ 119,216	\$ 52,693	\$ 314,146	\$ 808,298

Source: FY07 440th ARS budget, property inventory database, RKG Associates, Inc.

Table 1: 440th Air Reserve Station Redevelopment Property Management Budget Pro Forma

The forecast of facility occupancy shown in Table 1 is very conservative, given the level of interest in several of the facilities by multiple potential users. For example, the Milwaukee Area Technical College is interested in leasing as much as 76,000 square feet in five buildings, including the large Wing Headquarters, with a potential lease stream of \$500,000 per year. Similarly, the Milwaukee School of Engineering has expressed strong interest in a cluster of five buildings totaling 26,000 square feet with a potential rent of \$159,000 per year. In addition, City and County agencies, as well as several private companies, have expressed interest in buildings including the large maintenance hangar, which at approximately 69,000 square feet is expected to generate nearly \$500,000 annually in rent. Based on this level of interest, the potential is good for reaching the financial "breakeven" point, and requiring less supporting capital.

In order to reutilize and redevelop the former base as forecast, GMIA will need an estimated total of approximately \$1.8 million in available operating funding to support the excess of expenses over revenues that will occur during the first three years (until occupancy reaches between 70 and 80 percent). With the permission of the signatory airlines, the Airport's operating budget reserve is expected to provide this funding. Once the property reaches full occupancy, available excess revenues will be used to reimburse the fund. The pro forma indicates that as much as \$800,000 can be repaid within the five-year redevelopment time frame. If facilities at the former base can be leased out faster or higher rent levels achieved, less funding will be needed and repayment can occur sooner. The financial analysis is based on a conservative forecast of rents and occupancy.

When the former base facilities reach stabilized occupancy, (estimated at about 70 to 75 percent), the property will be generating approximately \$1.5 to \$1.6 million dollars per year in lease revenues. At this time, the property management function can be integrated into GMIA's normal operating procedures and budget, thereby reducing the overhead costs. It is also expected that GMIA and/or individual tenants will install separate electric meters, which will result in a decrease in common area maintenance charges. It is expected that the net cash flow from rents will exceed costs and continue to contribute to GMIA's overall budget position.

When the proposed new runway is constructed, most likely some time after 2013, property lease revenues are expected to decrease since approximately 200,000 square feet of leasable facilities (50 percent) will be removed from inventory. The new runway will also result in much lower costs, as the common utilities will have been replaced by new service and the remaining properties will be stabilized with long-term tenants. The net cash flow from the remaining property is expected to continue to be positive.

Fiscal Analysis

The redevelopment of the 440th Air Reserve Station property will result in the re-occupancy of most of the facilities by public and private organizations. These firms and agencies will employ staff, helping to replace the 300 or so jobs that the 440th supported, and pay a variety of taxes and fees to the supporting jurisdictions.

Based on an average employment density of one job per 500 square feet, at 90 percent occupancy the property could potentially employ as many as 625 people, most in well-paying aviation related positions. Employment may include highly-skilled aircraft mechanics, college faculty, skilled trades, and administrative support staff. At an average annual salary of \$40,000, this would result in total wages of \$25,000,000 per year.

The 440th property (land and buildings) will be owned by Milwaukee County and therefore will not be subject to property taxes. Although the land cannot be transferred, the buildings might be sold or considered as leasehold interests, subject to assessment by the City of Milwaukee for personal property tax purposes. In addition, leasehold improvements made by private owners would also be subject to taxation.

The City and GMIA may incur costs to provide services to the 440th property. The City of Milwaukee will provide primary public safety services in the form of police and fire protection services, similar to what is provided to other airport property. This service will be augmented by the Milwaukee County Sheriff's office, which provides on-site police and safety services at the GMIA terminal, as well as the County's on-airport fire department and the Air National Guard firefighting unit, through mutual aid agreements that will be created upon transfer. These costs are not expected to be major, since these services are currently being provided to surrounding properties.

Homeless Submission

Early in the reuse planning process, LRA undertook an extensive effort to notify public agencies and not-for-profit organizations of their rights to submit NOIs for the base facilities. Requests for additional information and initial letters of interest were received from several groups and follow-up meetings and tours of the base were conducted.

LRA received only one formal application for property from a qualified homeless service provider, HTF, a not-for-profit agency that collects and distributes food to homeless shelters and food pantries throughout the Milwaukee region. Discussion with representatives of the region's Continuum of Care verified that all of the homeless agencies within the service area had received notice and that only HTF was able to utilize a portion of the base property.

HTF is seeking use of a 56,000 square foot warehouse and distribution facility. HTF desires to move its operations from an existing undersized facility to this new location at the earliest convenience. As detailed in the Legally Binding Agreement, HTF will lease the building from the Airport for \$1 per year, and in addition, will contribute approximately \$1.11 per square foot per year (approximately \$62,000) to cover its share of common area costs and unmetered utilities.

The redevelopment plan was completed in March 2008. LRA subsequently submitted an application containing the redevelopment plan and a homeless assistance submission to HUD and the Military Department. The homeless submission to HUD was approved in March 2009.

Several public and not-for-profit agencies also responded to LRA's NOI seeking facilities or more information about the base and the BRAC process. These parties were kept informed of the reuse planning and the regulations governing the transfer of military installations, offered tours of the base, and provided with information on the facilities and several actively participated in LRA meetings and public input meetings held during the reuse planning process. Many have expressed continued interest to lease suitable facilities once transfer occurs.

Implementation and Partnering Strategies

- Becoming knowledgeable regarding the utilities, HVAC, and various infrastructure necessary to maintain the day to day operation of facilities

The community is fortunate enough to have an Air Force-hired contractor as caretaker who has an extensive knowledge of the 92 buildings and 102 acres of grounds that make up the base. The contractor is able to troubleshoot just about any situation that may occur. Airport maintenance, plumbing, and electrical supervisors collectively agree that these individuals can chase down and explain the utilities and inner workings of the base within minutes as opposed to hours and/or days for those not as knowledgeable. This service has proven to be invaluable for us to be able to gain as much information as we can prior to the base conveyance.

- Working to inventory personal property and vehicles remaining after the closure.

Thanks to all of the effort put forth by the Air Force Real Property Agency (AFRPA), the community has been able to better understand of just how much personal property is going to be transferred to us upon conveyance. This personal property is a great asset, enabling the community to offer furnished office space at a higher lease rate, to have the sufficient amount of equipment available to perform caretaker duties, to maintain the mechanical components of the structures, and to manage the daily activities of the base.

- Adjusting to the changing dates of conveyance due to remediation, appraisals, surveys, etc.

Currently lines of communication remain very open. AFRPA has done an excellent job of coordinating everyone via monthly conference calls. Also, as questions or situations arise, all players involved communicate with one another very well. This effort has been a great example of intergovernmental cooperation. Even with the target conveyance date pushed back by a couple of months, due to the completion of the appraisal and boundary survey, the transfer is still on track to be accomplished prior to year's end.

- NEPA

In February 2009, the Air Force completed an environmental assessment analyzing the potential for impacts to the environment as a result of the disposal and reuse of the Air Reserve Station. The result of this study concluded with a Finding of No Significant Impact (FONSI) related to this action.

According to AFRPA, other actions in the region were evaluated to determine whether cumulative environmental impacts could result due to the implementation of Air Force property disposal actions in conjunction with other past, present, or reasonably foreseeable future actions. The project with the most potential for cumulative impacts is the proposed expansion of GMIA and the demolition and construction activity associated with airport expansion activities. Land use, traffic, noise, and air emission impacts are expected to be the primary sources of concern. Sufficient details on the construction and operations associated with airport expansion activities to allow for

a meaningful cumulative impact analysis are not yet available. If and when expansion of the airport is imminent, the FAA would prepare the appropriate NEPA documentation. The cumulative impacts of the GMIA expansion would be addressed in this document. Other actions that would occur in the region are not anticipated to result in cumulative impacts when added to potential impacts of proposed airport disposal activities.

Successes/Lessons Learned

Keep all lines of communication open and be flexible. The community has not hesitated to ask questions, to include questioning authority. Research of the BRAC law as well as expert legal advice greatly expedites the process. Monthly conference calls are only one aspect of keeping things running smoothly. Attendance at conferences, such as the Association of Defense Communities, enhances networking opportunities. These events are also a great opportunity to put faces to the names of all those who have been working together throughout the process. It is beneficial to be able to be surrounded by others who can share their experiences and offer solutions.

In short: listen, communicate, be understanding, be fair, gain as much knowledge as possible from others, know the laws associated with BRAC, understand end goals, work for the community and its best interest, and above all realize that the conveyance is not the end of the process but just the beginning.