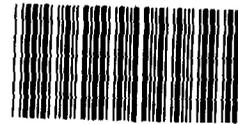


February 1993

MILITARY BASES

Transfer of Pease Air Force Base Slowed by Environmental Concerns



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Washington, D.C. 20548

National Security and
International Affairs Division

B-251094

February 3, 1993

The Honorable John Glenn
Chairman, Committee on
Governmental Affairs
United States Senate

Dear Mr. Chairman:

As requested, we are providing you information on the Pease Air Force Base, New Hampshire, which closed on March 31, 1991. Specifically, this fact sheet describes the goals and expectations of the closure and how environmental concerns and conditions have slowed redevelopment.

Results in Brief

The primary goal of the Air Force and the Pease Development Authority was to convert the base property to civilian use as soon as possible. Meeting that goal, however, has been delayed because of the presence of hazardous waste at several sites on the base. Also, because of the need to restore the facility environmentally, the costs to close Pease have increased. Finally, the revenue projections from land sales are significantly less than originally projected.

Background

Pease Air Force Base, located near Portsmouth, New Hampshire, on 4,257 acres of land, was established in 1956 and served as a strategic bomber base. During the 1980s, it supported one medium bomber wing flying FB-111 aircraft and an Air National Guard unit flying KC-135 tanker aircraft. On September 30, 1988, Pease employed about 3,600 military and 650 civilian personnel, including both host and tenant activities.

The 1988 Commission on Base Realignment and Closure recommended that 145 military installations in the United States be closed or realigned. One of the closures was Pease Air Force Base. The Commission recommended that all Pease units and activities be relocated except the Air National Guard squadron, which was to remain within its cantonment area.

The Commission estimated that closing Pease would save over \$95 million annually and that the costs of closure would be recouped immediately. At that time, the Air Force's preliminary estimate of the environmental cleanup cost was about \$11 million, but studies and testing were underway

to more accurately determine the cost. The Commission also estimated land sales revenues would be over \$63 million. However, the Air Force believed that the Commission estimate was very conservative and in September 1989 increased the estimate of land sales revenue to about \$300 million. Base closure laws provide that revenues generated from land sales are to be deposited in an established base closure account and used to offset the closure and realignment costs.

After Pease was approved for closure, the Air Force, pursuant to the National Environmental Policy Act, prepared an environmental impact statement and a record documenting Air Force decisions for disposal of the base. On March 31, 1991, the base closed and the Air Force transferred responsibility for it from its Strategic Air Command to its Base Disposal Agency. The goals for closure of Pease were to (1) quickly dispose of the base, (2) enhance redevelopment by the local community, (3) obtain a reasonable return on government investment, (4) minimize closure costs, (5) comply with environmental laws, and (6) reduce Air Force liability after property transfer.

The state of New Hampshire established a commission in March 1989 to develop a plan for converting and developing the base. In May 1990, the commission approved a plan that calls for the development of an international aviation hub at Pease. In June 1990, the commission became the Pease Development Authority, which is responsible for implementing the plan.

Environmental Conditions and Concerns Have Slowed Redevelopment

The primary goal of the Air Force and the Pease Development Authority was to rapidly transfer the base property to civilian use. Prior to the announced closing of Pease, the Department of Defense (DOD) was pursuing an overall cleanup of the base through its environmental restoration program. The program's criteria requires that the bases with the worst environmental conditions be cleaned up first. Pease was not at the top of the program's list and consequently its schedule for cleanup extended to the year 2000.

When Pease was selected for closing, the desire to turn the base into revenue producing commercial property became more important and environmental restoration was accelerated. This speeded up the process for identifying areas on the base requiring cleanup. For example, in 1990, 17 sites were of environmental concern. In January 1992, there were 35 sites.

The presence of hazardous waste at the sites on the base has delayed the redevelopment because there was a need to clarify how much cleanup was necessary before property could be transferred and redevelopment begin. The main issue was the extent to which the Air Force should be allowed to parcel and dispose of clean portions of the base property prior to total environmental restoration.

The 35 sites that were of environmental concern consist of landfills; spill sites; fire training areas; solvent burn areas; fuel storage areas; buildings where solvents, paints, and cleaners were used; and drainage ditches, creeks, and ponds. Each site must be investigated to determine the extent and method of environmental cleanup required. The sites must be cleaned at DOD expense and certified as environmentally restored by the Environmental Protection Agency (EPA). Transfer of title from the federal government to private ownership cannot take place prior to EPA approval. The most serious problem is groundwater contamination, which requires extensive investigation to isolate.

In April 1992, EPA determined that the current environmental law allows for the sale and transfer of property on a parcel-by-parcel basis and that the entire facility does not have to be cleaned up for that to occur. Subsequently, the Air Force signed documents (Contract for Transfer) with the development authority that allow development to start while the base is being cleaned up.

In addition, an environmental lawsuit has been filed against the Air Force. The suit claims the Air Force did not adequately address air quality problems that would result from traffic associated with planned reuse of the base. Air Force officials stated that the lawsuit will not delay development because there is no injunction.

One-Time Cost Estimates to Close Pease Have Increased

The Air Force has made three estimates of the one-time costs to close Pease Air Force Base. The total estimated cost has increased over \$100 million between the estimates made in fiscal years 1991 and 1993. In its fiscal year base realignment and closure budget justifications, the Air Force estimated one-time costs of \$37.5 million in 1991, \$119 million in 1992, and \$138.3 million in 1993. Table 1 compares the three estimates.

Table 1: Comparison of Air Force Budget Justifications for Pease Closure One-Time Implementation Costs

Dollars in thousands

Category of costs	Estimated one-time implementation costs		
	FY 1991	FY 1992	FY 1993
Military construction	\$7,390	\$9,590	\$10,124
Environmental cleanup	^a	63,585	102,063
Operations and maintenance	19,876	35,588	21,076
Military personnel	9,362	9,362	3,862
Other	913	913	1,211
Total	\$37,541	\$119,038	\$138,336

^aEnvironmental cleanup was not required to be included as a one-time base closure and realignment cost.

The major factor in the significant increase is the environmental cost estimate. The other one-time estimated costs have actually declined. Prior to fiscal year 1992, environmental cleanup at closing bases was funded by other sources, such as the Defense Environmental Restoration Account.¹ The Defense Base Closure and Realignment Act of 1990 designated the DOD base closure account to pay for environmental cleanup at closing bases. The intent of this action was to preclude cleanup actions at bases recommended for closure from competing for the other sources of funding.

When Pease was recommended for closure in 1988, the environmental cost cleanup estimate was about \$11 million. However, this estimate was only preliminary and the Air Force had studies and tests underway to determine the extent of the actual cleanup required. As shown in table 1, the environmental cleanup cost estimate was \$63.6 million for fiscal year 1992 and over \$102 million for fiscal year 1993. Also, in December 1992, headquarters Air Force officials told us that the estimate had again increased to over \$114 million. Pease Air Force officials told us that at the time of the closure, Pease was undergoing cleanup under the restoration program, but funds were limited (only \$3.6 million spent from fiscal years 1984 through 1988) and the schedule for cleanup was extended to the year 2000. The closure of Pease accelerated the cleanup process so that base transfer could take place.

¹The Defense Environmental Restoration Program was established in 1984 to clean up contamination from hazardous waste sites at DOD installations and formerly used DOD properties. The annual defense appropriation acts provide funding for the Defense Environmental Restoration account.

The increase in the one-time military construction estimate resulted primarily from the need to install heating systems in the Air National Guard buildings because the Pease central heating system was too large and costly to maintain solely to heat those buildings. The increase in the one-time operations and maintenance estimate between fiscal years 1991 and 1992 was due to an accounting error. The fiscal year 1992 estimate should have been about \$20 million. The fiscal year 1993 increase is primarily due to increases in caretaker and related costs. The other one-time cost increase was for purchasing communication equipment for the base office of the Air Force Base Disposal Agency.

Estimated Land Sale Proceeds Have Decreased

While the costs to close Pease have increased, the estimated revenue from land sales have decreased. In its fiscal year 1993 base realignment and closure budget justification, the Air Force estimated that proceeds from selling land at Pease would net \$120 million. The two previous Air Force budget justifications had projected the land sale proceeds at \$300 million.

The \$300 million estimate was based on the sale of all 4,257 acres at Pease. The value included a property valuation of about \$36,000 an acre and a consideration of the value of base facilities. The \$120 million estimate was based on the sale of the land the Air Force believes it can actually sell. Property that may be publicly or federally conveyed without compensation was not included in the fiscal year 1993 budget justification. For example, in April 1992 the Air Force and the Pease Development Authority entered into a contract that allows the future transfer of 1,702 acres of land at no cost for use as a public airport. Also, the Air Force plans to transfer 995 acres to the U.S. Fish and Wildlife Service for use as a wildlife refuge.

The \$120 million land sale estimate was for 549 acres and assets and was based on appraisals developed in 1990 by the General Services Administration of the anticipated highest and best use of the property. The value included a property valuation of about \$95,000 an acre. The Air Force believes that, although not current, the estimate provided a reasonable fair market value of the property at that time. The Air Force said that the actual revenue proceeds will depend on the market conditions at time of sale. Before any land can be sold, the Air Force submits formal independent appraisals to Congress for approval. Air Force documents show that the \$120 million is expected to be generated during fiscal year 1993. This money would be deposited into the base closure account and used to fund such costs as environmental cleanup at facilities being closed. The \$120 million estimate and the Air Force expectation to

generate the money this fiscal year appear overly optimistic in view of the declining real estate market and the environmental situation at Pease.

Scope and Methodology

To develop information for this report, we examined documents and interviewed officials from the Office of the Secretary of Defense and Air Force headquarters, Washington, D.C.; the Strategic Air Command, Offutt Air Force Base, Omaha, Nebraska; Pease Air Force Base, Portsmouth, New Hampshire; the Pease Development Authority; and the Environmental Protection Agency Region I, Boston, Massachusetts.

We conducted our work between December 1991 and December 1992 in accordance with generally accepted government auditing standards. We did not obtain written comments on this fact sheet. However, program officials reviewed a draft of it, and we have incorporated their comments where appropriate.

As agreed with your office, unless you publicly announce its contents earlier, we plan no further distribution of this fact sheet until 30 days from its issue date. At that time, we will send copies to interested congressional committees; the Secretaries of Defense and the Air Force; and the Director, Office of Management and Budget. We will also provide copies to other interested parties upon request.

Please call me at (202) 275-8412 if you or your staff have any questions concerning this fact sheet. Major contributors to this fact sheet are listed in appendix I.

Sincerely yours,



Donna M. Heivilin
Director, Logistics Issues

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