ECONOMIC TRANSITION BY THE ENERGY-IMPACTED COMMUNITIES

By John Lynch and Seth Kirshenberg

The economic transition experience of communities and regions affected by the loss of 47,700 Department of Energy (DOE) contractor personnel since 1992, with major impacts at some 13 major DOE sites, has received relatively little attention across the nation. In general, the downsizing of the nation's nuclear weapons complex affected isolated regions with limited economic development experience.

In many ways the DOE worker and community impacts have seemed relatively minor in comparison with the civilian and military jobs affected by the closures of the 97 major military bases and numerous Defense realignment actions at other DOD installations since 1988. Yet, the large, concentrated DOE job impacts have often occurred in economically isolated regions, as shown by location in the accompanying sidebar map — usually without available surplus facilities being available for early civilian reuse to prompt early recovery. The sidebar also identifies the major job losses by DOE site since 1992.

To address community and worker adjustment needs, DOE since 1992 has conducted a supportive “Worker and Community Transition Program” under the authority of Section 3161 of the 1992 Defense Authorization Act. This DOE program focuses on assisting the displaced DOE contractor workforce and providing economic recovery and diversification assistance to the affected communities.

Congressional appropriations for the DOE Worker and Community Transition Program (WCTP) have been sharply reduced in recent years from $200 million in 1994 to $24.5 million approved for fiscal year 2001. The Congressional concern, focused mostly in

Responding to Crisis

Closures and cutbacks at the nuclear weapons complex since 1992 have affected numerous isolated communities across the country that were previously insulated from a market economy. Many of the communities have since learned to function within the mainstream of the economic development field. In fact, the energy-impacted communities as a general rule have performed remarkably in attracting new replacement jobs and in cushioning the impact of the cutbacks at the Energy sites. There have been some setbacks. But, the community and worker adjustments to the DOE site closures cutbacks have been strong and responsive, especially when compared with any other industrial adjustment programs during the same decade.

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The new Aiken County (SC) Industrial Park attracts new jobs and mixed use development (above). Right, the new Center Partners Call Center attracted by the Eastern Idaho Economic Development Council.

The House of Representatives Appropriations Committee, has questioned the effectiveness of the community adjustment resources as potentially unnecessary or inefficient. It is recognized that DOE has attempted to assist its displaced workers reasonably through this program, while maintaining morale and ongoing production schedules at the DOE sites.

The purpose of this article therefore is to review the economic recovery and diversification performance of the energy impacted communities in relation to other regional industrial and military dislocations in recent years.

**Workforce, Legal & Cultural Differences Affecting Economic Recovery**

In addition to geographic isolation, there are a variety of major differences affecting transition programs for communities affected by the Department of Energy in relation to Defense and other industrial dislocations:

- Ever since the early Manhattan Project and the early Cold War era, the DOE workforce at the DOE field sites has been composed largely of contract employees – rather than civil servants – retained by the major site management contractors.
- Until the DOE closure-cutback era began in 1992, many of the site managers did not necessarily work closely with their nearby local communities. The sites often maintained a "veil of secrecy" mentality, and rarely discussed site activities with the local communities. More recently, some DOE sites have attempted to dominate the community transition process.
- The DOE real estate and equipment disposal authorities have recently been broadly interpreted and with maximum flexibility by DOE, but this flexibility has often been resisted at the DOE site level. For instance, many of the sites have regularly retained unused and unneeded surplus equipment, facilities and land "just in case" of some new future DOE mission.
- The environmental cleanup requirements at many of the DOE sites, such as Savannah River, Rocky Flats, Hanford, and Oak Ridge, among others, are far more severe than most closing military bases.

- Unlike the Department of Defense economic adjustment approach, most of the local economic transition entities – the Community Reuse Organizations (CROs) – have not been creatures of local government. Some of the CROs cover large multi-county regional areas, and cooperation with local governments at some sites has occasionally been painful.

The most serious problem facing the energy-impacted communities, however, was the lack of a basic regional economic development and industrial diversification capacity for most of the regions affected by the DOE cutbacks beginning in the mid-1990s. In fact, very few of the areas (aside possibly from Pinellas County, FL; Amarillo, TX; and Richland, WA) had effective local economic development programs in place at the time when the 1992 DOE cutbacks began.

For many decades the energy communities had been protected from normal market pressures toward attracting new outside firms and investment. The three original atomic communities, as set forth in the Atomic Energy Communities Act (Los Alamos, Hanford, and Oak Ridge), were literally former "company towns" where the DOE site management tended to exercise a dominant regional role. DOE was and...
Energy Community & CRO Economic Development Approaches

Off-Site Economic Development:
- Rocky Flats, CO:
- Savannah River, SC/CA:
- Eastern Idaho:
- Fernald, OH: a/
- Southern Ohio:
- Amarillo, TX: (Pantex Plant)

Mixed Off-Site/ On-Site Development:
- Paducah, KY: a/
- Nevada Test Site:
- Northern New Mexico (Los Alamos):
- Hanford, WA:

Mixed On-Site Development:
- Pinellas, FL:
- Miamisburg, OH (Mound Site):
- Oak Ridge, TN:

a/ Recently approved community-CRO project.  
V Participants in regional R&D marketing program  
● Pinellas plant fully reused

The largely unionized DOE contractor workforce deserved special attention when forming the new CRO organizations. The prevailing Davis-Bacon Act wage levels also made it difficult to recruit new outside growing companies. Suddenly, at the end of the Cold War, the energy communities were forced into a competitive market economy – with few tools and little experience in the market.

The Economic Development Challenge & Response
Against this disquieting economic development background, what has been the level of progress by the Energy-impacted communities and their Community Reuse Organizations?

Surprisingly, the 13 communities, as a general rule have performed a remarkable role in attracting new replacement jobs and in cushioning the impact of the cutbacks at the Energy weapons complex across the country. There have been some setbacks. But, the community and worker adjustments to the 1992-2000 DOE site cutbacks have been strong and responsive, especially when compared with any other industrial adjustment programs during the same decade. Consider the following:

- The Energy communities and the CROs have generally learned and adhered to “mainstream” economic development practices – with a strong emphasis on sound, focused regional development strategies.
- As highlighted in the accompanying sidebar, most of the communities and their CROs have initiated effective economic development marketing programs for the impacted regions, have formed close alliances with their state economic development agencies, have created new equity or venture capital loan financing programs, have provided new entrepreneurship training programs, and have offered new technology business counseling programs in cooperation with area universities and colleges.
- Nine of the community job creation initiatives have occurred largely off-site – with new regional industrial park facilities supported by new business incubator programs. For instance, the Savannah River Regional Diversification Initiative (SRRDI) was able, in cooperation with the State of South Carolina, to attract a new Bridgewater-Firestone tire assembly plant and a new SKF ball bearing plant to its Aiken County industrial park by extending rail to the newly acquired site and creating a nearby vocational training facility. All told, SRRDI has attracted 3,860 new jobs to the five-county region in South Carolina and Georgia.
- The conversion of the Pinellas weapons component plant to high tech civilian industrial uses by Raytheon and 22 other firms, with a total of 1,700 jobs, is one of the very few success stories nationwide where new civilian firms within an entirely new industry have promptly reused former Defense or DOE facilities as the government operations phased out on time.
- The Amarillo Economic Development Corporation – a city-led organization – was selected in 1999 as the “Number One” big city economic development program in the state by Outlook Texas. This selection was based on a broad range of community and economic development criteria. Amarillo has attracted 6,000 new jobs and about 4,000 new jobs to the area during the past decade, including a new Bell Helicopter Osprey assembly plant, an expansion to the Southwestern Bell customer service center, a new rail car fabrication plant, and an IBP distribution facility in just the last two years alone.
- The Eastern Idaho Economic Development Council's revolving fund and equity Enterprise Fund is recognized as one of the best in the nation. The Fund, capitalized in 1996 with a $3 million contribution, has since grown to over $6 million in outstanding business loans. Well over 50 percent of the 2,200 jobs created in the isolated seven-county region surrounding Idaho Falls can be traced to the Fund’s involvement.
- As highlighted in the Fall 1999 Commentary issue, the New Mexico Regional Development Corporation is now constructing a new technology campus in cooperation with the Los Alamos National Laboratory, that is expected to attract 1,500 new jobs over the next decade. The same article describes the ini-
tivatives by the Port of Benton in incrementally re-developing the available surplus DOE facilities at the Hanford Reservation, including the Hanford Railroad, as they become available.

- In cooperation with a private industry consortium (including Siemens, Duke Solar Energy, TMA Global Wind Energy Systems, El Paso Energy, and M&N Wind Power), the Nevada Test Site Development Corporation (NTSDC) has organized the Western Renewable Energy Network. The Network’s first project would in 2001 and 2002 bring to the power market upwards of 250 megawatt (MW) to 300 MW of renewable generation, including 150 to 200 MW of wind generation, 50 MW of solar generation, and 50 MW of geothermal generation at three to four sites in northern and southern Nevada. The state has also created the Nevada Innovation Center as a science and technology incubator that works with entrepreneurs to commercialize and extend their technologies.

**Progress Is Not Without Some Failures**

Like any regional economic development process, there have been some serious setbacks among the diversification efforts by the 13 energy communities, including two evident examples:

- The Rocky Flats National Conversion Center, driven largely by DOE rather than the community reuse organization, invested $23 million to renovate two large 400,000 square-foot industrial buildings for private sector uses. When the facilities were cleared for industrial reuse, DOE rejected the pending final lease to new industry at the last moment due to new unforeseen costs and environmental permit delay.

- The Department of Energy has not been able to resolve the timely civilian use for the two large (320,000 square foot each) warehouse buildings near Portsmouth, Ohio, which have strong private sector reuse potential that can help cushion the pending closure at the Portsmouth (Ohio) gaseous diffusion plant. The closure was announced in June 2000.

As a more general limitation on early economic development, the DOE field offices still appear unwilling, in many cases, to convey unneeded real and personal property to communities for economic development and job creation purposes. In many of these communities, Congress has been forced to circumvent the DOE field office resistance through special legislation.

With the recent reductions in the DOE Worker and Community Transition resources, it will become increasingly important for the CROs and the Energy-impacted communities to finance their new infrastructure and industrial park improvements with revenue bonds and other commercial mortgage resources. For instance, the new $15.2 million “Partners for Progress” program – initiated by the City of Oak Ridge, the Community Reuse Organization for Eastern Tennessee, and six other private and public partners – will finance the utility systems to serve the new 1,000-acre Horizon Center industrial park at Oak Ridge.

**Caution: Economic Development Is a Long-term Process**

The DOE Worker and Community Transition Program has experienced several “bumps in the road,” but also several encouraging success examples in sustaining effective economic recovery. DOE’s initial investment in assisting the energy-impacted communities has clearly given the affected communities an opportunity to diversify their regional economies.

It is important to caution that economic development for most successful communities is normally a long-term process, properly measured over a 15-25-year timeframe. Nevertheless, on a nationwide basis, the thirteen communities and their community reuse organizations have learned to function effectively within the mainstream economic development profession, and are performing a responsive role at the local level in addressing the employment setbacks at the DOE weapons complex.

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**CUED Provides Assistance to Community Reuse Organizations**

Through an award from the Department of Energy (DOE), the Council for Urban Economic Development (CUED) offers technical advisory services and research support to communities adjusting to DOE plant downsizing and closure. Since 1996, CUED has provided a wide variety of technical assistance services to regional economic development organizations designated by DOE as Community Reuse Organizations, or CROs. This assistance includes strategic planning, organizational development, economic development training, economic assessments, and meeting facilitation and coordination. Additionally, CUED works with CROs to develop strategies for workforce, small business, and entrepreneurial development, financing programs, and industrial park development. Assistance generally includes a three-step process that includes an assessment of existing conditions and needs, a site visit by an expert panel, and a final report that includes panelists’ recommendations and supporting material.

CUED’s work for DOE spans a broad range of activities. For example, the organization assisted the Southern Ohio Diversification Initiative (SOI), the CRO for DOE’s Portsmouth facility, with industrial development and venture capital strategies; facilitation of community planning meetings; and an assessment of the feasibility for a multi-modal facility. CUED conducted an assessment of minority and small-business assistance providers as well as an overall assessment of economic development organizations for the Tri-City Industrial Development Council (TRIDEC), the CRO for the Hanford Nuclear Reservation in Richland, Washington. For the Rocky Flats Local Impacts Initiative in Rocky Flats, Colorado, the organization examined the Initiative’s entrepreneurial development program and provided recommendations for strengthening it.

Currently, CUED is assisting the city of Española, New Mexico, a bedroom community for Los Alamos National Lab, with economic development and land use planning. Additionally, it is working with the Eastern Idaho Economic Development Corporation on a sustainable development benchmarking project.

CUED is available to provide technical assistance to communities, CROs, and CRO-designated organizations in all aspects of economic development. For more information, please see CUED’s website at www.cued.org, or contact Ed Gilliland, vice president and senior director of advisory services at 202/223-7810 or egill@urbandevelopment.com.