

# THE BRAC DECISION

## Region can withstand loss of Oceana

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**M**ore than 37 percent of the regional economy in Hampton Roads depends upon military expenditures, up from 29 percent only six years ago. So the recent announcement by the Defense Base Realignment and Closure Commission involving Oceana Naval Air Station and other local installations obviously affects the overall financial health of the region.

For example, between 2000 and 2004 our regional economy expanded at a rate of 4.1 percent per year after inflation, substantially higher than comparable rates for Virginia and the nation. More than 77 percent of this growth was because of increased expenditures by the Department of Defense.

What is the worst case scenario? It's one in which Fort Monroe closes as recommended, the other adjustments the BRAC panel has recommended actually occur, and Oceana

closes completely, with nothing taking its place. If completed, these reductions would reduce our current gross regional product (GRP) by 4 percent (almost \$2.6 billion) and cost us 28,123 full- and part-time jobs (2.84 percent of our current regional job total). Both of these estimates take into account the economic "ripple" effects throughout our regional economy.

There are three major pieces in our current BRAC pie: (1) Oceana; (2) the decisions not to close the submarine base at New London, Conn., and the Portsmouth Naval Shipyard in Kittery, Maine; and, (3) Fort Monroe.

Oceana is the 10-ton gorilla. If it bites the dust, either now or in the future because we do not satisfy the BRAC panel's conditions for maintaining it, then this will cost the region \$1.72 billion in GRP (2.6 percent of our current total) and more than 19,000 jobs (1.9 percent).

But if Oceana remains open at current levels, we also will incur costs. About 1,800 properties lie within possible "Accident Potential Zones." If the average market value of these properties is \$200,000 each, then \$360 million would be required

for their purchase. If the individuals leaving these homes choose to move to other cities, and the assessed value is 80 percent of market value, then at current tax rates the city of Virginia Beach would lose about \$3 million annually in property tax revenues, in addition to about \$700,000 annually in sales tax revenues.

Some of these costs may be offset by commonwealth and federal aid. Neighboring cities will gain some of Virginia Beach's lost tax revenues, but others will be lost because individuals leave Hampton Roads. It is not a Bolshevik sentiment to suggest that the city of Virginia Beach should weigh carefully the benefits vs. the costs of attempting to keep Oceana open without a long-term commitment from the Department of Defense.

Next in economic significance is the decision not to close the submarine base and the shipyard. We will not benefit from \$823 million in GRP and 8,773 jobs (.9 percent of our current total) that we thought we would gain. New England's economic joy is our sorrow.

Finally, the closure of Fort Monroe will cost the region more than \$267 million in current GRP and 3,564 jobs. The costs associated with cleaning up Fort Monroe will be high, but they will be paid by the federal government and will generate local economic activity. Also, the Fort Monroe property is an attractive residential and commercial location. Over a period of decades, the regional economic impact of closing Fort Monroe is likely to decline substantially.

In the end, things are not likely to be as bad as indicated because we will be able to replace these losses with other economic activity. A May 2005 Government Accountability Office study found that after a period of 10 years, almost 85 percent of civilian jobs lost to previous

BRAC-mandated base closures had been replaced by developments on the closed bases. But civilian jobs ordinarily constitute only about one-quarter of all jobs on a base and the report advised, "The recovery process has not necessarily been easy."

The quality and energy of our regional leadership will be absolutely critical. This will be the equivalent of a leadership Super Bowl — one that will test the courage and ingenuity of all of those who guide our regional institutions.

Whether Oceana stays, closes, or is pared down, we are in for challenging times.

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THE VIRGINIAN-PILOT

SUNDAY, AUGUST 28, 2005